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Makhteshim Agan reports record Q3 2008 sales and profits and another increase in profitability

- **Sales up to \$640 million in the quarter, and more than \$2 billion in the first nine months, close to the entire FY 2007 sales**
- **Agro sales up 30% in both the quarter and first nine months, at the industry forefront**
- **Operating profit up* 51% to \$86 million in the quarter, and \$331 million in the first nine months**
- **Net profit up* 160% to approximately \$51 million in the quarter, and \$210 million in the first nine months**
- **In the first nine months gross profit, operating profit, net profit and EBITDA all exceeded the entire FY 2007 figures and those of each of the preceding years**
- **A dividend of \$50 million**

Sales in the third quarter were 28.8% higher reaching a record of \$640.1 million, compared with \$496.9 million in 2007. Crop protection sales were 29.9% higher compared to 2007. The growth in sales stemmed primarily from sales in Europe, which amounted to \$248.8 million compared to \$179.4 million in 2007, an increase of 38.7%, growth in South America which amounted to \$206.1 million, an increase of 29.1%, and growth in North America which amounted \$93.3 million, an increase of 17.6%.

* Adjusting for a one-time capital gain of \$13.4 million from the sale of Rice Co., which was recorded as operating income in Q3 following implementation of IFRS



Sales in the first nine months reached a record of \$2,044.5 million, compared with \$1,592.5 million in the corresponding period in 2007 and close to the full year 2007 sales. The growth in sales stemmed primarily from sales in Europe, which amounted to \$868.7 million compared to \$665.9 million in 2007, an increase of 30.5%, growth in South America which amounted to \$497.1 million, an increase of 39.7%, and growth in rest of the world which amounted \$244.5 million, an increase of 38.1%

Gross profit for the third quarter totaled \$209.9 million compared with \$161.7 million in 2007. Gross margin increased to 32.8% compared with 32.5% in 2007. The increase in gross profit stems mainly from volume growth, an increase in average selling prices and appreciation of the Euro. The increase in gross profit was partially offset by an increase in costs stemming primarily from the increase in oil prices, resulting in an increase of raw material prices and energy costs, and appreciation of currencies which increased production costs. In the first nine months gross profit was \$709.3 million, compared with \$542.8 million in 2007. Gross margin increased to 34.7% compared with 34.1% in 2007.

Operating profit in the third quarter was \$85.9 million (13.4% of sales) compared with operating profit, adjusting for a one-time capital gain for the sale of RiceCo LLC (“RC”), of \$56.8 million (11.4% of sales) in 2007. Including the capital gain from the sale of RC, operating profit in 2007 was \$70.2 million (14.1% of sales). In the first nine months operating profit was \$333.1 million (16.3% of sales) compared with operating profit, adjusting for the sale of RC, of \$224.7 million (14.1% of sales) in the corresponding period last year and exceeded the entire full year 2007 operating profit of \$287.6 million. The increase in operating profit and operating margin stemmed from an increase in gross profit and continued containment of operating expenses.

Operating expenses as percentage of sales dropped to 19.4%, compared to 21.1%, adjusting for capital gain from the sale of RC. Including the capital gain from the sale of RC, operating expenses as percentage of sales in 2007 amounted to 18.4%. In the first nine months, operating expenses amounted to \$376.2 million (18.4% of sales) compared



with \$318.1 million (20.0% of sales) adjusting for the capital gain from the sale of RC. Including the capital gain from the sale of RC operating expenses amounted to \$304.7 million (19.1% of sales). This trend of continued decrease of operating expenses as percentage of sales stems mainly from sales' growth and continued efficiencies.

EBITDA during quarter was 31.4% higher at \$109.1 million (17.0% of sales) compared EBITDA, adjusting for the capital gain from the sale of RC, of \$83.0 million (16.7% of sales) in 2007. Including the capital gain from the sale of RC, EBITDA in 2007 amounted to \$90.8 million (18.3% of sales). In the first nine months, EBITDA was 35.1% higher at \$398.8 million (19.5% of sales) compared with EBITDA, adjusting for the capital gain from the sale of RC, of \$295.3 million (18.5% of sales) in the corresponding period in 2007, and exceeded the entire full year 2007 EBITDA of \$354.5 million. Including the capital gain from the sale of RC, EBITDA in the first nine months was \$303.0 million (19.0% of sales). The improvement in EBITDA margin stems from the increase in Company's operating profit.

Net profit during the quarter was 159.8% higher at \$50.6 million (7.9% of sales) compared with net profit, adjusting for the capital gain from the sale of RC, of \$19.5 million (3.9% of sales) in 2007. Including the capital gain from the sale of RC, net profit in 2007 amounted to \$27.2 million (5.5% of sales). In the first nine months, net profit was 45.8% higher at \$210.3 million (10.3% of sales) compared with net profit, adjusting for the capital gain from the sale of RC, of \$144.2 million (9.1% of sales) during the corresponding period last year, and exceeded the entire full year 2007 net profit of \$178.2 million. Including the capital gain from the sale of RC, the net profit in the corresponding period last year amounted to \$152.0 million (9.5% of sales).

Avraham Bigger, Chairman of the Board of Directors and CEO of Makhteshim Agan said that “the Company reported both Q3 and first nine months record sales and profits. The crop protection market demonstrated significant growth during the first nine



months resulting from continuation of the positive trends that affect it. These strong results emphasize the impact of the positive fundamentals of the industry, as well as our continued increased efficiency. The Company is achieving the goals it set itself at the beginning of 2007 in terms of continued improvement in both operating profit and margin. Notwithstanding this, during the third quarter, significant changes occurred affecting the abovementioned trends, including a decline in the price of agricultural outputs, a drop in oil prices and the appreciation of the dollar with respect to the main currencies with which the Company operates. This occurred simultaneously with the financial crisis in the global markets. These changes did not substantially affect the results of the Company's operations during the quarter, and we saw continued strong demand for the Company's products. The changes in the trends that affect the crop protection market, should they continue, together with the broad effects of the global financial crisis, may affect the Company's growth rate in the near future, but do not affect the positive fundamentals of the industry, nor the Company's outstanding ability to capitalize on these trends".

Ran Maidan, the Company's Chief Financial Officer, said that "the Company reported record financial performance in terms of sales, gross profit, operating profit and net profit. Operating profits grew by 51.2% amounting to \$85.9 million and the operating profit margin rose to 13.4% from 11.4% in the corresponding quarter last year, adjusting for the capital gain from the sale of RiceCo. The expansion in operating margin stems from an improved gross profitability and continued reduction of operating expenses as a percentage of sales. The increase in inventory level correspond o our assessments of sales forecast for the first half of 2009, mainly in Europe which is our main selling region. We expect that during the coming quarters, as the agricultural season progresses, inventory days will decline, and we expect a strong cash flow from collection of our significant sales in the current season".