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## **Makhteshim Agan reports Record Sales and a Strong Increase of Operating Profit in Q4 and the Entire Year**

- **Sales up 23% crossing the \$2.5 billion mark**
- **Operating profit\* up industry-record 44%, reaching a high of \$367 million**
- **Continued improvement of operating profitability at 15% of sales versus 13% last year**
- **Net profit\* up 48% reaching a record \$219 million**
- **Environmental and safety upgrades advanced - \$35 million invested**
- **Board approved 20% reduction in management bonus due to global economic conditions**

**Sales** in 2008 were 22.8% higher reaching a record of \$2.54 billion, compared with \$2.07 billion in 2007. Crop protection sales were 26% higher compared to 2007, adjusting for the 2007 sale of RiceCo ("RC"). The growth in sales stemmed primarily from sales in Europe, which amounted to \$1.01 billion compared to \$817.7 million in 2007, an increase of 23.6%, growth in South America, which amounted to \$675.0 million, an increase of 28.1%, growth in Rest of the World, which amounted \$292.4 million, an increase of 28.6% and growth in North America, which amounted to \$444.0 million, an increase of 21.0% adjusting for the sale of RC.

\* Adjusted for 2007 one-time gain on RiceCo sale



Sales in the fourth quarter reached a record of \$491.0 million, compared with \$473.0 million in the corresponding quarter in 2007, an increase of 3.8%. The growth in sales stemmed primarily from sales in North America, which amounted to \$99.3 million compared to \$77.8 million in 2007, an increase of 27.6% and growth in South America, which amounted to \$177.9 million, an increase of 6.5%. Sales in Europe in the fourth quarter decreased by 6.4% and amounted to \$142.2 million compared to \$151.9 million in 2007.

**Gross profit** in 2008 totaled \$847.7 million compared with \$688.9 million in 2007, an increase of 23.1%. The gross margin was 33.4%, which is the same as in the previous year. 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 offset by an increase in costs stemming primarily from the increase in raw material prices and energy costs, and appreciation of currencies which increased production costs. In the fourth quarter gross profit was \$138.4 million, compared with \$146.1 million in 2007. Gross margin in the fourth quarter decreased to 28.2% compared with 30.9% in 2007 stemming from the Company's lower sales growth, appreciation of the US dollar against other currencies and lower profitability mostly in South America.

**Operating profit** in 2008 was \$367.3 million (14.5% of sales) compared with operating profit, adjusting for capital gain from the sale of RC, of \$254.6 million (12.3% of sales) in 2007, an increase of 44.3%.

In spite of the decrease in gross profit in the fourth quarter, the operating profit and operating margin increased due to continued implementation of the efficiency plan and continued containment of operating expenses. In the fourth quarter, operating profit reached a total of \$34.1 million (7.0% of sales) compared with operating profit of \$29.9 million (6.3% of sales) in the corresponding quarter last year, an increase of 14.2%.



Operating expenses in as percentage of sales dropped to 19.4%, compared to 21.0%, adjusting for capital gain from the sale of RC. In the fourth quarter, operating expenses amounted to \$104.3 million (21.2% of sales) compared with \$116.1 million (24.6% of sales) in the corresponding quarter last year.

This trend of continued decrease of operating expenses as percentage of sales stems mainly from continued efficiencies and effect of currencies which reduced the dollar value of the Company's expenses.

**EBITDA** in 2008 totaled 456.5 million (18.0% of sales), compared with EBITDA, adjusting for capital gain from the sale of RC, of 349.1 million (16.9% of sales) in 2007, an increase of 30.8%

In the fourth quarter, EBITDA reached a total of \$57.8 million (11.8% of sales) compared with EBITDA of \$53.7 million (11.1% of sales) in the corresponding quarter last year, an increase of 7.5%.

**Net Income** in 2008 was 48.0% higher at \$219.0 million (8.6% of sales) compared with net profit, adjusting for the capital gain from the sale of RC, of \$147.9 million (7.1% of sales) in 2007. Net profit in the fourth quarter totaled \$8.7 million (1.8% of sales) compared with \$3.6 million (0.8% of sales) in the corresponding quarter last year.

**Avraham Bigger, Chairman of the Board of Directors and CEO of Makhteshim Agan** said that "Makhteshim Agan achieved record 2008 sales and profits. These strong results stem from the positive sector fundamentals and our continued efficiency drive. The Company executed well on the plan we set out in early 2007, both as it regards the pronounced improvement of operating profit and its percentage of sales. The increase of operating profit at an industry-record rate underpins the impact of our efficiency plan and decisive cost measures. In addition, we are an advanced stage of our environmental and safety upgrade to best available global technology."



Avraham Bigger said he is "proud that the Company's management, alongside management of other IDB group companies, had demonstrated social and business responsibility and foregone 8-10% of its salary until the end of 2009 due to the global economic conditions. Moreover, in spite of the record profit and excellent results achieved by the Company and its personnel, the Board decided to reduce management bonus will by 20%."

Avraham Bigger added that "the positive sector fundamentals have not changed, although due to the global economic conditions, industry-wide growth has slowed down in recent months. As manifested by our performance, the Company has firm standing to successfully take on market changes, and it commands excellent operational and financial capabilities, which allow continued fulfillment of its competitive goals."

Ran Maidan, Chief Financial Officer of the Company, said that "the Company reported record financial performance in terms of sales, gross and operating profits well as net income. Operating profits grew by 44% amounting to \$367.3 million and the operating profit margin rose to 14.5% from 12.3% in 2007, adjusting for the capital gain relating to the 2007 sale of RC. The expansion in operating margin stems from the increase in gross profit and continued reduction of operating expenses as a percentage of sales. Inventory has increased as a consequence of our preparation for H1 2009 sales, lower sales than expected in the course of the fourth quarter of 2008 and the increase of raw material prices in the earlier part of 2008. We expect inventory levels to decline in the course of 2009, as the agricultural season progresses, and expect a solid cash flow resulting from inventory sales as well as continued good receivable collection."