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Makhteshim Agan reports steady sales Q1 2009

- **Sales amounted to \$722 million**
- **Sales' growth in sales in Europe and North America, and stable sales in South America, in spite of negative currency effects and cautious purchasing by growers**
- **Second-best ever gross profit, operating profit and net income for Q1**
- **Profitability reduced due to currency effect and depletion of higher cost inventory purchased in 2008**
- **Inventory level reduced by \$100 million**

Sales in the first quarter amounted to \$722.3 million, compared with \$722.2 million in 2008. Crop protection sales were 1.2% higher, and increased in terms of both average selling prices and volume compared with the corresponding quarter in 2008. The growth in sales stems primarily from sales in Europe, which amounted to \$367.6 compared to \$340.0 million in 2008, an increase of 8.1%, and growth in North America, which amounted to \$124.4 million, an increase of 12.3%. Sales in South America slightly decreased by 2.4% and amounted to \$143.8 million. Sales in Rest of the World amounted \$65.6 million, a decrease of 33.5% compared to 2008.

Gross profit in the first quarter of 2009 totaled \$217.4 million (30.1% of sales) compared with \$260.2 million (36.0% of sales) in the corresponding quarter last year, a decrease of \$42.8 million. The decline in gross profit and margin stems mainly from the appreciation of the US dollar against other currencies in which the Company operates and realization of inventory which was purchased at higher costs and exchange rates



during 2008. The decline in gross profit was partially offset by higher average selling prices of the Company's products compared with the corresponding quarter in 2008 and currency hedging affected by the Company.

Operating profit in the first quarter of 2009 was \$105.6 million (14.6% of sales) compared with operating profit of \$133.8 million (18.5% of sales) in the corresponding quarter last year. In spite of the decrease in gross margin in the quarter, the continued implementation of the efficiency plan and continued reduction of operating expenses partially offset the decrease in operating margin.

Operating expenses in the first quarter of 2009 dropped to \$111.7 million (15.5% of sales) compared to \$126.3 million (17.5% of sales) in the corresponding quarter last year. This trend of continued decrease of operating expenses as percentage of sales stems mainly from the appreciation of the dollar, decline in energy and transportation costs and continued efficiency improvement and containment of operating expenses.

EBITDA in the first quarter of 2009 totaled 128.4 million (17.8% of sales), compared with EBITDA of 155.4 million (21.5% of sales) in 2008, a decrease of \$27.1 million which stems, mainly, from the decline in operating profit.

Net Income in the first quarter of 2009 was \$78.2 million (10.8% of sales) compared with net income of \$90.9 million (10.8% of sales) in the corresponding quarter last year, a decrease of \$12.7 million.

Avraham Bigger, Chairman of the Board of Directors and CEO of Makhteshim Agan said that “positive sector fundamentals have not changed, although due to the global economic conditions, industry-wide growth has slowed in recent months and is expected to remain so in the short term. Planted areas are steady in most regions, and soft commodity prices are trending up and mark relative high levels compared with



previous years. Surplus supply of raw materials and a drop in oil and energy prices led to a decline in the prices of raw materials, which is expected to enable us to reduce our purchasing costs as we replenish our inventory in the second half of the year. The Company's sales continue to be at the forefront of the industry and our profitability is sound. As manifested by our performance, the Company benefits from firm standing to successfully take on market changes. The Company has successfully raised close to \$300 million in debt, and continues to command operational and financial capabilities, which place it at a strong position going forward."

Ran Maidan, Chief Financial Officer of the Company, said that "the Company reported steady sales in the first quarter mainly due to price and volume increases, which offset the negative currency effect. The decline in gross profitability stemmed from the strengthening of the dollar against other currencies in which the Company operates, and realization of inventory which was purchased at higher costs and currencies in 2008. Operating costs as percentage of sales dropped by two percentage points from 17.5% to 15.5%, mainly due to the strengthening of the dollar, a decline in transportation costs and continued containment of operating expenses. As anticipated in the previous quarter, inventory level was reduced by \$100 million and we expect a further decline of inventory as the agricultural season progresses. We have strengthened our balance sheet by raising close to \$300 million in bonds, and expect a solid cash flow resulting from inventory replenishment at lower purchasing cost as well as continued good receivable collection."