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Makhteshim Agan reports a strong cash flow and continued inventory decrease in Q2 2009

- **Sales amounted to \$560 million**
- **Strong cash flow of \$222 million**
- **Inventory level down by another \$60 million**
- **A dividend of \$70 million**

Sales in the second quarter amounted to \$560.3 million, compared with \$682.3 million in 2008, a decrease of 17.9%. Crop protection sales were 17.3% lower compared with the corresponding quarter in 2008. The decrease in sales was mainly due to sales to South America, which amounted to \$98.8 million compared with \$143.6 million in the corresponding quarter last year, a decrease of 31.2% and decrease in the Rest of the World, which amounted to \$52.4 million, a decrease of 39.0%. Sales in Europe amounted to \$265.7 million representing a slight drop of 5.1%. Sales in North America amounted to \$120.0 million a decrease of 14.7% compared to 2008.

In the first half sales were 8.7% lower than the corresponding period last year and amounted to \$1,282.5 million.

Gross profit in the second quarter of 2009, excluding special events, totaled \$175.0 million (31.2% of sales) compared with \$239.3 million (35.1% of sales) in the corresponding quarter last year, a decrease of \$64.3 million. The erosion in gross margin in the second quarter of 2009 (excluding special events quarter) compared with the corresponding quarter last year was lower than in the first quarter of 2009, compared with the first quarter of 2008. The decrease in gross profit and margin stems mainly from the decline in sales, the appreciation of the US dollar against other currencies in which the Company operates, realization of inventory which was purchased at higher costs and exchange rates during 2008 and a one-time provision for such, a decrease in



the Company's selling prices and one-time provision related to the Brazilian subsidiary Milenia. Including the special events in the quarter, gross profit amounted to \$154.8 million (27.6% of sales).

In the first half, gross profit amounted to \$372.2 million compared with \$499.5 million during the corresponding period last year.

Operating profit in the second quarter of 2009 excluding special events, was \$64.3 million (11.5% of sales) compared with operating profit of \$113.4 million (16.6% of sales). The decrease in operating profit stemmed from the decrease in gross profit and additional operating expenses relating to Milenia. Including the special events in the quarter, operating profit was \$37.6 million (6.7% of sales).

In the first half, operating profit was \$143.2 million compared with \$247.3 million in 2008.

Operating expenses in the second quarter were \$117.2 million (20.9% of sales), compared with \$125.9 million (18.4% of sales) in the corresponding quarter last year.

In the first half, operating expenses amounted to \$228.9 million (17.8% of sales) compared with \$252.2 million (18.0% of sales) last year.

EBITDA in the second quarter, excluding special events totaled \$87.2 million (15.6% of sales) compared with \$134.3 million (19.7% of sales) in the corresponding quarter last year. Including special events, EBITDA amounted to \$60.5 million (10.8% of sales).

EBITDA in the first half amounted \$188.9 million (14.7% of sales) compared with \$289.7 million dollars (20.6% of sales) in the corresponding quarter last year. The reduction in EBITDA was due to the reduction in operating profit.

Net income in the second quarter of 2009 excluding special events was \$38.0 million (6.8% of sales) compared with \$68.8 million (10.1% of sales) in the corresponding quarter last year. Including special events, net income in the second quarter of 2009 amounted to \$1.7 million (0.3% of sales).



In the first half, net income amounted to \$79.9 million (6.2% of sales) compared with \$159.7 million (11.4% of sales) in the corresponding quarter last year, a decrease of \$79.8 million.

Avraham Bigger, Chairman of the Board of Directors and CEO of Makhteshim Agan, said that **“2009 is a more challenging year than 2008, which was an exceptional year in many aspects of the industry and of the global economy, and still, 2009 is the Company's second highest year in terms of sales. Despite the slowdown in the industry in recent months, we continued lowering inventory levels and generated a strong cash flow. Unfavorable weather conditions in various regions, credit pressures and grower's caution have brought about a moderation in demand so far. The fundamentals of our industry remain positive with stable global planting areas, and relatively high level of commodity prices compared with previous years. We are continuing to invest in expanding our global presence into new markets such as India, Canada and Thailand, as well as in broadening our product portfolio and enlarging our production capacity, which, together with our operational and financial backbone, position us favorably going forward”**.

Ran Maidan, Chief Financial Officer of the Company, said that **“the Company's sales were affected by lower demand in the industry and by negative currency changes. The decrease in gross profit ability stemmed from a decline in sales, realization of inventory purchased at high costs and currencies during 2008 as well as from one-time reductions for inventory impairment and various expenses relating to Milenia. As we anticipated in the previous quarter, we generated strong cash flow of \$222.1 million compared with \$160.1 million last year due to inventory replenishment at lower purchasing cost as well as continued good receivable collection. Likewise, as anticipated, we further reduced inventory levels by \$60 million.”**