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Makhteshim Agan reports decrease in sales and strong cash flow in Q3 2009; cautiously optimistic regarding 2010

- **Sales amounted to \$436 million**
- **Strong cash flow of \$60 million compared with negative cash flow of \$112 million last year**

Sales in the third quarter amounted to \$435.9 million, compared with \$640.1 million last year, a decrease of 31.9%. The decrease in sales was mainly due to reduction in sales to South America, which amounted to \$101.8 million compared with \$206.1 million in the corresponding quarter last year, a decrease of 50.6% as a result of one-time events in this region and Brazil in particular. Sales in Europe amounted to \$177.1 million representing a decline of 28.8%, in line with other companies, due to dry weather conditions in Northern Europe. Sales in North America amounted to \$77.0 million, a decrease of 17.5% which was a moderate decrease compared to the performance in this region of other companies.

In the first nine months sales were 15.9% lower than the corresponding period last year and amounted to \$1,718.4 million.

Gross profit in the third quarter of 2009, totaled \$108.8 million (25.0% of sales) compared with \$209.9 million (32.8% of sales) in the corresponding quarter last year. The decrease in gross profit and gross 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 during 2008, a decrease in the Company's selling prices and the events related to the group's operations in Brazil.

In the first nine months, gross profit amounted to \$481.0 million compared with \$709.3 million during the corresponding period last year.



In the third quarter the Company recorded an operating loss of \$6.1 million compared with operating profit of \$85.9 million in the corresponding quarter last year. The decrease in operating profit stemmed from the decrease in gross profit.

In the first nine months, operating profit was \$137.2 million compared with \$333.1 million in 2008.

Operating expenses in the third quarter were \$114.9 million (26.4% of sales), compared with \$124.0 million (19.4% of sales) in the corresponding quarter last year.

In the first nine months, operating expenses amounted to \$343.8 million (20.0% of sales) compared with \$376.2 million (18.4% of sales) last year.

EBITDA in the third quarter totaled \$20.1 million (4.6% of sales) compared with \$109.1 million (17.0% of sales) in the corresponding quarter last year. EBITDA in the first nine months amounted \$209.0 million (12.2% of sales) compared with \$398.8 million dollars (19.5% of sales) in the corresponding quarter last year. The reduction in EBITDA was due to the reduction in operating profit.

In the third quarter a net loss of \$17.5 million was recorded compared with a net income of \$50.6 million the corresponding quarter last year. In the first nine months, net income amounted to \$62.4 million (3.6% of sales) compared with \$210.3 million (10.3% of sales).

Avraham Bigger, Chairman and CEO of Makhteshim Agan, said that **“2009 and the third quarter in particular were affected by events of a one-time nature which are expected to moderate in 2010, enabling the Company to return to its growth trajectory and improve its profitability. High levels of inventories in the distribution channels, mainly in Brazil, a decrease in selling prices of some products, negative currency effect as well as credit pressures and grower's caution have brought about a reduction in demand and profitability. The fundamentals of our industry remain positive with stable global planting areas,**



and relatively high level of commodity prices compared with previous years. The expected decline in inventory levels in distribution channels and the relief of credit pressure on farmers in developing countries alongside our continued investment in expanding our global presence into new markets as well as in broadening our product portfolio and enlarging our production capacity will allow us to attain growth and improved profitability in 2010."

Ran Maidan, Chief Financial Officer of the Company, said that "the Company's sales were affected by lower demand in the industry, surplus inventories in the distribution channels and the events relating to the group's operations in Brazil. The decrease in gross profitability stemmed from a decline in sales and selling prices of some products, negative currency effects and realization of inventory purchased at high costs. We generated strong cash flow of \$60.2 million compared with \$111.9 million last year due to inventory replenishment at lower purchasing cost as well as continued good receivable collection."