



March 10, 2010

**Makhteshim Agan reports net loss of \$30 million and operating loss of \$17 million as sales stabilize and cash flow is strong in fourth quarter of 2009**

- Sales in 2009 totaled \$2,215 million, a decrease of 13% compared to 2008. Not including 2008, this is the Company's highest annual sales level ever.
- Operating cash flow in 2009 is strong at \$210 million compared to \$15 million in 2008.
- Operating profit for 2009 totaled \$120 million, a decrease of 67% compared to 2008.
- Net income for 2009 totaled \$33 million, a decrease of 85% compared to 2008.

**Results for the fourth quarter and full year 2009**

**Sales** in 2009 amounted to \$2,214.6 million compared to \$2,535.5 million in 2008, a decrease of 12.7%. The decrease in sales was the result of the decline in volume following reduced demand due to high inventory levels in the distribution channels in companies in the industry, especially in Brazil, and of the global financial crisis as well as problematic weather conditions. Sales were also adversely affected by the decrease in sales prices of most of the Company's products, particularly the glyphosate non-selective herbicide, and the decrease in the dollar value of the Company's sales following the strengthening of the dollar versus the Company's other operating currencies.

The decrease in annual sales was due mainly to sales in South America, which totaled \$540.9 million compared to \$675.0 million last year, a decrease of 19.9%. In Europe the Company's annual sales totaled \$939.5 million compared to \$1,010.9



million in 2008, a decrease of 7.1%. In North America sales totaled \$402.2 million, a decrease of 9.4%, and in the Rest of the World sales totaled \$245.0 million, a decrease of 23.2% compared to 2008.

Sales in the fourth quarter totaled \$496.2 million, an increase of 1.0% compared to \$491.0 million in 2008. The growth in sales arose mainly from sales to South America, which totaled \$196.5 million compared to \$177.9 million in the corresponding quarter last year – an increase of 10.4%. Further growth was posted in the Rest of the World where sales totaled \$68.8 million, an increase of 43.8%. In Europe sales decreased by 9.2% and amounted to \$129.0 million, and in North America a decrease of 18.5% was posted as sales totaled \$80.9 million.

**Gross profit** for 2009 amounted to \$581.9 million compared to \$847.7 million last year, a decrease of approximately \$265.9 million, reflecting a decline of 31.4%. The gross margin in 2009 was 26.3% compared to 33.4% last year. The decrease in the gross profit and gross margin in the quarter was the result of the depletion of inventory purchased at high costs and sold at lower market prices in relation to the corresponding period; a decrease in sales prices of the Company's products compared to prices in the corresponding period last year – notably a considerable decrease in the price of glyphosate all over the world and in sales prices in Brazil; a decrease in sales volumes and the adjustment of the Company's production capacity in the wake of lower demand, which led to the higher percentage of fixed expenses in relation to sales; a decrease in the dollar value of sales following the revaluation in the first three quarters of 2009 of the exchange rate between the dollar and the rest of the Company's operating currencies; and the effect of one-time occurrences in the subsidiary in Brazil.

In the fourth quarter of 2009 the gross profit totaled \$100.9 million (20.3% of sales) compared to \$138.4 million (28.2% of sales) in the corresponding quarter last year.

The gross profit and gross margin in the last quarter of 2009 are mainly the result of the impact of the trends that characterized of 2009 as a whole, and especially the one-time occurrences in the subsidiary in Brazil, which, although they did not materially influence the Company's sales, eroded profitability.



**Operating profit** in 2009 totaled \$119.7 million (5.4% of sales) compared to \$367.3 million (14.55 of sales) in 2008. In the fourth quarter of 2009 the Company incurred an operating loss of \$17.4 million compared to an operating profit of \$34.1 million in the corresponding quarter last year. The decrease in the operating profit in the fourth quarter and in the reported period was mainly due to the decrease in the gross profit.

Operating expenses in 2009 totaled \$462.1 million (20.9% of sales) compared to \$480.5 million (19.0% of sales) in 2008. The decrease in operating expenses is due to a reduction in variable operating expenses following reduced sales volumes. By contrast, fixed expenses, which did not decrease together with the decrease in sales, led to an increase in operating expenses as a percentage of sales.

In the fourth quarter of 2009 operating expenses amounted to \$118.3 million (23.8% of sales) compared to \$104.3 million (21.2% of sales). The increase in operating expenses in the last quarter of 2009 arose mainly from the growth in sales, from the first-time consolidation of new companies, and from the strengthening of the Company's operating currencies in relation to the US dollar, which increased the dollar value of expenses.

**EBITDA** in 2009 totaled \$217.7 million (9.8% of sales) compared to \$456.5 (18.0% of sales) in 2008. In the fourth quarter of 2009 EBITDA totaled \$8.7 million (1.8% of sales) compared to \$57.8 million (11.8% of sales) in the corresponding period last year. The decrease in EBITDA in the quarter and in the reported period was primarily the result of the decrease in the Company's operating profit.

**Net income** in 2009 totaled \$32.7 million (1.5% of sales) compared to \$219.0 million (8.6% of sales) in 2008. In the fourth quarter of 2009 net loss amounted to \$29.8 million compared to a net income of \$8.7 million (1.8% of sales) in the corresponding quarter last year.

Avraham Bigger, Chairman of the Board of Makhteshim Agan, said, "**2009 was a challenging year for the industry in general, as well as, for the Company. The immense impact of weather conditions on agricultural supply channels was profoundly felt and was further intensified by the world economic crisis.**"



**"This resulted in a slowdown in sales and in profitability, particularly in Brazil. Notwithstanding, the Company continued to expand into new markets and sign important strategic agreements, which further our competitive positioning. In the second half of the year and toward the beginning of 2010 first signs of recovery were noted both globally and in terms of the impact on the Company. The Company took advantage of this recovery to accomplish global objectives on all fronts and across all key parameters, from better supply channels management through to the manufacturing and marketing of the Company's products."**

Erez Vigodman, who assumed office as CEO in January 2010, said that, **"2009 is behind us, and we are now concentrating first and foremost on taking every action that will enable the Company to return to growth and profitability patterns during the course of 2010.**

**"We have simultaneously also begun to implement processes that will assure the realization of our potential for global expansion while the Company continues to grow profitably in coming years."**

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