



מכתשים אגן תעשיות בע"מ
Makhteshim Agan Industries Ltd.

MAKHTESHIM AGAN ANNOUNCES Q1 2010 FINANCIAL RESULTS

*Record Sales, Improved Gross Profit & Gross Margin, Despite
 Challenging Weather Conditions*

Tel – Aviv, Israel, May 12, 2010 – the Makhteshim Agan Group (TASE:MAIN), the world leader in branded off-patent crop protection solutions, today reported financial results for the first quarter ended March 31, 2010.

Financial Highlights:

<i>In millions of US\$, except for percentages</i>	Q1 2010	Q1 2009	Change
Sales	\$723.1	\$722.3	+0.1%
EBITDA	\$132.8	\$128.4	+3.4%
EBITDA margin	18.4%	17.8%	
Gross profit	\$232.9	217.4	+7.1%
Gross margin	32.2%	30.1%	
Operating profit	\$106.5	\$105.6	+0.9%
Operating margin	14.7%	14.6%	
Net profit	\$70.9	\$78.2	(9.4)%
Net margin	9.8%	10.8%	
Cash flow from operating activities	\$17.8	\$(62.7)	

Comments of Management:

Mr. Avraham Bigger, Makhteshim Agan's Chairman of the Board, commented, "We are pleased to report record sales and improved gross, operating and EBITDA margins despite the significant challenges that we faced during the first quarter – especially the weather-related delays of the northern hemisphere's agricultural season.

"We believe that the demand fundamentals for our products remain solid, as mega-trends continue to drive the need for increased agricultural yields. At the same time, we are aware of the current volatility of the European market and continue to monitor developments, in a region which represents an important market for us."

Mr. Erez Vigodman, President and CEO of Makhteshim Agan since January 2010, added, "Our good first quarter results confirm that we have returned to forward momentum despite



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the challenging macro environment with which we have opened the year. While improving our short-term sales and profitability, we have also begun rolling out long-term initiatives aimed at increasing the depth and breadth of our global operating infrastructure while adding new capabilities. These are activities that we are undertaking to strengthen our ability to compete and succeed in growing but competitive markets.

“As key elements of our plan, we will be working to accelerate our penetration into new target markets, expand our presence in existing markets, build out our product and service portfolios and improve our cost positions. We believe these initiatives will enable us to flourish and broaden in a profitable way in the coming years while capitalizing on appropriate opportunities and strengthening our global competitive standing.”

Financial Results for the First Quarter of 2010:

Revenues: Sales for the first quarter of 2010 totaled \$723.1 million, an increase of 0.1% compared with \$722.3 million recorded in the first quarter of 2009. This slight increase, which was achieved despite delays in the opening of the northern hemisphere’s agriculture season, was attributable primarily to three positive factors:

- 1) an increase in quantities sold for the period; and
- 2) the Company’s expansion of activities in Asia/Pacific and Central and Eastern Europe.

These positive factors were mitigated partially by low selling prices for the Company’s Glyphosate products.

<i>Breakdown of sales:</i>	<i>Q1 2010</i>	<i>Q1 2009</i>	<i>Change</i>
Europe	372.5	367.6	1.3%
Asia Pacific	93.8	65.6	43.0%
North America	119.6	124.4	(3.8)%
South America	116.6	143.8	(18.9)%
Israel	20.6	20.9	(1.4)%

On a regional basis, the strongest sales increases were delivered by the Company’s Asia Pacific and Africa region, which contributed sales totaling \$93.8 million during the reporting period, up 43.0% compared with the parallel quarter of 2009. Sales in this region were driven primarily by improved results in Thailand and Australia, by the initiation of sales in India, and by relative strengthening of the currencies in which the Company denominates its sales.

In Europe, sales increased by 1.3% to \$372.5 million, reflecting expanded activities in Central and Eastern Europe, mitigated by a reduction in the average sales price due to the strengthening of local currencies as expressed in dollar terms.



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Sales to South America for the reporting period totaled \$116.6 million, a reduction of 18.9% compared to the first quarter of 2009. This reduction was due to local currency fluctuations, which reduced the average sales price of the Company's goods as expressed in dollar terms.

Sales in North America declined by 3.8% to \$119.6 million.

Cost of Goods Sold: Cost of Goods Sold were significantly lower during the reporting quarter than in the first quarter of 2009, reflecting the trend of declining raw material costs and an improvement in product mix.

Gross Profit: Gross Profit for the quarter totaled \$232.9 million, a 7.1% increase compared with \$217.4 million for the first quarter of 2009. Gross margin for the period increased to 32.2% from 30.1% in the first quarter of 2009.

The increase in both gross profit and gross margin derived from the improvement in the mix of sales on both a geographic and product basis, an increase in quantities sold, and reduced raw material costs. This improvement was mitigated partially by a year-over-year reduction in average selling price, especially for the Glyphosate product.

Operating income: Operating Income for the period totaled \$106.5 million, an increase of 0.9% compared with \$105.6 million in the first quarter of 2009. This yielded an **operating margin** for the period of 14.7% compared with 14.6% in the parallel period of 2009.

Operating expenses for the quarter totaled \$126.3 million, representing 17.5% of sales, compared with \$111.7 million, or 15.5% of sales, during the first quarter of 2009. The increase derived primarily from the strengthening of the Company's operating currencies as compared with the dollar, the addition of the activities of acquired companies, and increased R&D expenses.

EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization): EBITDA for the first quarter of 2010 was \$132.8 million, or 18.4% of sales. This was a 3.4% increase compared with EBITDA of \$128.4 million, or 17.8% of sales, recorded in the first quarter of 2009. The increase derived primarily from the increase in the Company's operating profit for the quarter.

Based on the positive first quarter results, the Company has decided not to proceed with a previously-announced rights issue.

Net income: Net Income for the quarter totaled \$70.9 million, representing a net margin of 9.8%. This compared to net income of \$78.2 million for the first quarter of 2009, representing a net margin of 10.8%.



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Cash Flow: The Company recorded **positive cash flow from operating activities** of \$12.8 million during the reporting period, compared to a negative cash flow of \$62.7 million in the first quarter of 2009. The increase derived primarily from the period's increase in working capital.

The Company also recorded an improvement in free cash flow. Excluding short-term investments, the Company recorded a negative cash flow of \$37.0 million during the reporting period, a 58% improvement compared with a negative cash flow of \$87.8 million in the parallel period of 2009.

Financing Expenses: Financing expenses for the first quarter of 2010 totaled \$30.5 million compared with \$10.3 million in the first quarter of 2009. The increase in financial expenses reflected an increase in the Company's debt balance and adjustments made to reflect the recalculation of the Company's obligations to pay employee benefits, including severance and vacation pay, to reflect the strengthening the year's significant increase of the shekel/dollar exchange rate. Since these obligations must be paid in shekels, any strengthening of the shekel as compared to the dollar increases these expenses as expressed in dollar terms.

About Makhteshim Agan

Makhteshim Agan Industries (TASE: MAIN) is the world leading manufacturer and distributor of branded off-patent crop protection chemicals, ranking seven among the world's agrochemical companies. For additional information on Makhteshim Agan Industries please access our website www.ma-industries.com