

KMG Chemicals Inc

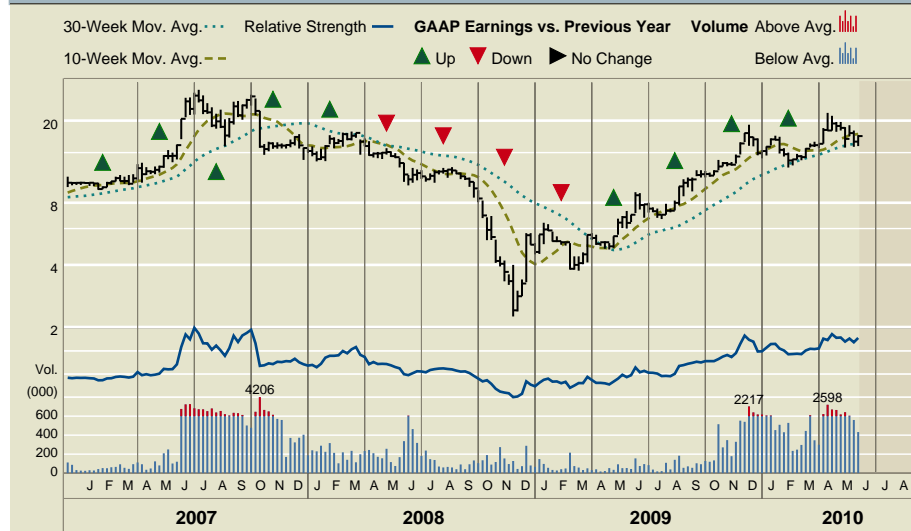
GICS Sector Materials
Sub-Industry Specialty Chemicals

Summary This company is a global provider of products to the wood treating and agricultural industries.

Key Stock Statistics (Source S&P, company reports, Vickers)

Price as of May 28, 2010	\$16.83	Dividend Rate/Share	\$0.04	\$10K Invested 5 Yrs Ago	\$21,360	Total Shares Outstg. (M)	11.2
52-Wk Range	\$21.80-6.67	Trailing 12-Month P/E	11.7	Beta	1.99	Market Capitalization(B)	\$0.188
Trailing 12-Month EPS	\$1.44	Tangible Book Val/Share	\$4.24	Yield (%)	0.24	Institutional Ownership (%)	30

Price Performance



Quantitative Evaluations

S&P Quality Ranking **B+**

D	C	B-	B	B+	A-	A	A+
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S&P Fair Value Rank **NR**

1	2	3	4	5
LOWEST		HIGHEST		

Fair Value Calculation **NA**

Volatility **High**

LOW	AVERAGE	HIGH
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Technical Evaluation **BEARISH**

Since May, 2010, the technical indicators for KMGB have been BEARISH.

Relative Strength Rank **STRONG**

72	
LOWEST = 1	HIGHEST = 99

S&P Financial Writer **Joseph Cowan**

Operational Review May 28, 2010

Income Statement Analysis & Financial Review

Revenues for the six months ended January 31, 2010 were \$94.5 million vs. \$96.4 million in the prior year, decreasing 2% year over year. Gross margin widened 22%, despite lower revenues. Selling, general & administrative expenses fell 13%, and operating income was \$14.9 million, vs. \$6 million for last year. Income before taxes was \$13.7 million vs. \$4.1 million. Income taxes were \$5.1 million, against \$1.6 million, and for the first two quarters of the fiscal year, net income was \$8.6 million (\$0.75 a share), vs. income from continuing operations of \$2.5 million (\$0.22 a share) in 2009.

In the second quarter, revenues were \$45.1 million vs. \$44.2 million in the prior year, gaining 2% year to year. Gross margin widened 19%, on higher revenues. Selling, general & administrative expenses fell 13%, and operating income for the quarter was \$6.9 million, vs. \$2.5 million in the prior-year period. Income before taxes was \$6.3 million vs. \$1.5 million. Income taxes were \$2.4 million, against \$0.6 million for last year, and net income was \$4 million (\$0.35 a share), vs. income from continuing operations of \$0.9 million (\$0.08 a share) in the second quarter of 2009.

Key Operating Information

In the fiscal 2010 second quarter, Electronic

Chemicals generated net sales of \$22.9 million or 51% of the total net sales; Wood Treating Chemicals generated \$19.8 million or 44% of net sales, while Animal Health generated net sales of \$2.4 million, or 5% of the total. In the second quarter of fiscal 2009, Electronic Chemicals generated \$21.6 million or 49% of total net sales, Wood Treating Chemicals generated net sales of \$20.4 million or 46% of net sales and Animal Health generated net sales of \$2.2 million or 5% of net sales.

Recent Developments

KMG announced, in April, that it has completed the acquisition of the electronic chemicals business of General Chemical Performance Products, LLC for \$25.5 million in cash, which includes an estimated \$7.0 million of inventory, and approximately \$850,000 of assumed liabilities. Starting in fiscal 2011 and continuing into the following year, KMG expects this acquisition to be significantly and progressively accretive to earnings. The acquired business generated revenues of approximately \$59.4 million and \$42.7 million in the calendar years 2008 and 2009, respectively

Revenue/Earnings Data

Revenue (Million \$)

	1Q	2Q	3Q	4Q	Year
2010	49.41	45.13	--	--	--
2009	52.23	44.21	45.87	48.41	190.7
2008	21.32	31.45	50.26	51.36	154.4
2007	17.25	19.46	28.04	25.04	89.79
2006	14.37	15.54	21.02	20.08	71.02
2005	13.60	12.48	15.35	17.74	59.17

Earnings Per Share (\$)

	1Q	2Q	3Q	4Q	Year
2010	0.41	0.35	--	--	--
2009	0.14	0.08	0.25	0.44	0.91
2008	0.15	0.14	0.16	0.05	0.50
2007	0.14	0.13	0.34	0.19	0.80
2006	0.07	0.08	0.20	0.05	0.40
2005	0.09	0.06	0.13	0.10	0.37

Fiscal year ended Jul. 31. Next earnings report expected: Early June

Dividend Data (Dates: mm/dd Payment Date: mm/dd/yy)

Amount (\$)	Date Decl.	Ex-Div. Date	Stk. of Record	Payment Date
0.020	08/20	09/01	09/03	09/18/09
0.020	12/09	12/17	12/21	01/08/10
0.020	02/23	03/05	03/09	03/19/10
0.020	05/25	06/09	06/11	06/25/10

Dividends have been paid since 1997. Source: Company reports.

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KMG Chemicals Inc**Business Summary** May 28, 2010

KMG Chemicals, Inc. (KMGB) engages in the manufacture, formulation and distribution of specialty chemicals. The company has acquired and operates businesses engaged in the electronics chemicals, industrial wood preserving and animal health segments.

The electronic chemicals segment (acquired in December 2007) provides high purity wet process chemicals to the semiconductor industry, primarily to clean and etch silicon wafers in the production of semiconductors. Products include sulfuric, phosphoric, nitric and hydrofluoric acids, ammonium hydroxide, hydrogen peroxide, isopropyl alcohol and various blends of chemicals. KMGB is the leading supplier to the semiconductor industry in the United States and has a significant presence in Europe. In fiscal 2009, this segment accounted for 45% of the company's net sales.

KMGB supplies penta and creosote to industrial customers who use these products to extend the useful life of wood, primarily utility poles and railroad crossties.

The company's penta products include penta blocks, flakes, solutions, sodium penta and hydrochloric acid, a byproduct of penta production. Penta is used primarily to treat utility poles, protecting them from insect damage and decay. KMGB manufactures solid penta blocks. It sells solid penta to its customers, or makes it into a liquid solution of penta concentrate at its Matamoros, Mexico and Tuscaloosa, Alabama facilities. In the U.S., the company sells penta primarily in Alabama, Arkansas, Georgia, Louisiana, Mississippi and Missouri. The hydrochloric acid it produces as a byproduct of penta production is sold in Mexico for use in the steel and oil well service industries. The penta segment constituted 14% of the company's net sales in fiscal 2009.

The company sells creosote to wood treaters throughout the U.S. Creosote is a wood preservative used to treat utility poles and railroad crossties. The creosote segment constituted 35% of the company's net sales in fiscal 2009.

The company sells animal health pesticides to protect cattle, swine and poultry from flies and other pests. These animal health pesticides include oral larvicides, ear tags, sprays and dust products. The company manufactures these products at its Elwood, Kansas facility or under agreements with third-party formulators. These products are sold under the trade names Avenger, Rabon, Ravap, Patriot and Annihilator, among others. The company purchased the Rabon and Ravap product lines in fiscal 2003 and fiscal 2004, respectively. The Rabon and Ravap products contain tetrachlorvinphos and include oral larvicides, insecticidal powders and liquid sprays. The company sells these products in the United States and Canada. In February 2006, KMGB expanded its presence in animal health pesticides by purchasing additional product lines, including ear tags for cattle, along with several liquid and dust formulations for livestock and their premises. These products are sold in the United States, Canada, Australia, Mexico and several other countries in Latin America. The animal health pesticides segment comprised 7% of the company's net sales in fiscal 2009.

The company sells its products to approximately 300 customers. One of its customers for electronic chemicals, Intel Corporation, accounted for 10% or more of its revenues in fiscal 2009. Sales made to customers in the United States were 91% of total revenues in fiscal 2009. Sales made outside of the United States in fiscal 2009 were primarily of electronic chemicals sold in Europe, particularly in Italy, France and England.

Corporate Information**Investor Contact**

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Website<http://www.kmgchemicals.com>**Officers****Chrmn**

D.L. Hatcher

**CFO & Chief Acctg
Officer**

J.V. Sobchak

Pres & CEO

J.N. Butler

COO

E.C. Kremling, II

Board Members

J. N. Butler
G. G. Ermentrout
C. T. Fraser
G. W. Gilman
D. L. Hatcher
F. C. Leonard, III
S. A. Thorington
K. A. Twitchell
R. L. Urbanowski

Domicile

Texas

Auditor

UHY LLP

Founded

1992

Employees

272

Stockholders

500

KMG Chemicals Inc**Key Stock Statistics**

Price as of May 28, 2010	\$16.83	Dividend Rate/Share	\$0.04	\$10K Invested 5 Yrs Ago	\$21,360	Total Shares Outstg. (M)	11.2
52-Wk Range	\$21.80-6.67	Trailing 12-Month P/E	11.7	Beta	1.99	Market Capitalization(B)	\$0.188
Trailing 12-Month EPS	\$1.44	Tangible Book Val/Share	\$4.24	Yield (%)	0.24	Institutional Ownership (%)	30

Key Growth Rates and Averages

Past Growth Rate (%)	1 Year	3 Years	5 Years	9 Years
Sales	23.53	41.98	34.94	22.13
Net Income	80.92	29.07	38.87	14.73

Ratio Analysis (Annual Avg.)	1 Year	3 Years	5 Years	9 Years
Net Margin (%)	5.37	6.28	5.86	5.99
% LT Debt to Capitalization	33.54	31.65	30.51	23.85
Return on Equity (%)	15.20	13.87	11.22	11.06

Expanded Ratio Analysis

	2009	2008	2007	2006
Price/Sales	0.88	0.36	1.78	1.33
Price/EBITDA	6.22	3.25	8.67	7.32
Price/Pretax Income	9.60	6.06	11.24	56.84
P/E Ratio	16.40	9.86	18.13	25.02
Avg. Diluted Shares Outstg (M)	11.2	11.2	11.0	9.4

Figures based on calendar year-end price

Company Financials Fiscal Year Ended Jul. 31

Per Share Data (\$)	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Tangible Book Value	4.24	3.44	2.69	1.86	0.11	0.52	1.68	2.27	1.88	1.76
Cash Flow	1.46	1.01	1.14	0.81	0.64	0.45	0.44	0.54	0.50	0.63
Earnings	0.91	0.50	0.80	0.40	0.37	0.23	0.25	0.36	0.35	0.50
Dividends	0.08	0.08	0.08	0.08	0.07	0.06	0.05	0.04	0.04	0.04
Payout Ratio	9%	16%	9%	19%	19%	26%	21%	12%	11%	7%
Prices:High	19.15	17.70	28.25	10.75	10.32	9.80	4.10	4.33	4.83	5.80
Prices:Low	3.75	2.25	9.25	7.04	5.28	2.65	2.01	2.31	1.45	2.84
P/E Ratio:High	21	35	35	27	28	43	16	12	14	12
P/E Ratio:Low	4	5	12	18	14	12	8	6	4	6

Income Statement Analysis (Million \$)

Revenue	191	154	89.8	71.0	59.2	43.6	35.5	34.4	35.8	33.8
Operating Income	27.0	17.2	18.4	12.9	7.61	4.76	4.56	5.52	5.38	7.22
Depreciation	6.17	5.66	3.80	3.91	2.20	1.64	1.42	1.39	1.13	1.07
Interest Expense	3.03	2.67	0.95	1.04	0.62	0.36	0.16	0.12	0.24	0.29
Pretax Income	17.5	9.21	14.2	1.66	4.82	2.84	2.98	4.33	4.26	6.17
Effective Tax Rate	41.5%	38.6%	37.7%	NM	36.7%	38.0%	35.7%	38.0%	38.0%	37.7%
Net Income	10.2	5.66	8.80	3.78	3.05	1.76	1.92	2.69	2.64	3.85

Balance Sheet & Other Financial Data (Million \$)

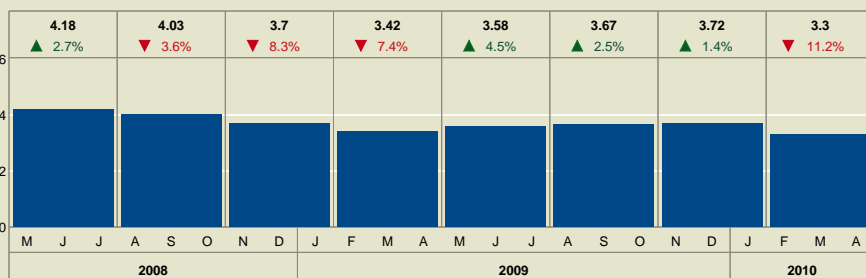
Cash	7.17	2.61	16.0	11.2	8.78	0.97	1.66	1.43	3.13	7.83
Current Assets	60.8	68.2	42.6	31.0	22.3	15.3	15.0	14.7	13.3	14.8
Total Assets	144	156	81.2	72.7	61.1	43.2	32.3	28.9	27.8	25.3
Current Liabilities	31.1	37.2	13.9	11.4	10.0	7.26	5.06	5.63	6.87	5.17
Long Term Debt	39.3	53.5	10.5	14.0	17.6	11.2	4.25	1.72	1.62	2.55
Common Equity	71.0	63.7	56.4	46.9	32.9	24.6	23.0	21.5	19.3	17.6
Total Capital	117	117	67.0	61.0	50.8	35.8	27.3	23.2	20.9	20.1
Capital Expenditures	3.01	2.73	0.58	2.09	0.44	0.97	0.28	1.36	2.44	0.23
Cash Flow	16.4	11.3	12.6	7.69	5.26	3.41	3.34	4.08	3.77	4.91
Current Ratio	2.0	1.8	3.1	2.7	2.2	2.1	3.0	2.6	1.9	2.9
% Long Term Debt of Capitalization	33.5	45.7	15.6	22.7	34.7	31.4	15.6	7.4	7.7	12.7
% Net Income of Revenue	5.4	3.7	9.7	5.3	5.2	4.0	5.4	7.8	7.4	11.4
% Return on Assets	6.8	4.8	11.4	5.6	5.9	4.7	6.3	9.5	9.9	16.0
% Return on Equity	15.2	9.4	17.0	3.9	10.6	7.4	8.6	13.2	14.3	24.4

Data as orig reptd.; bef. results of disc opers/spec. items. Per share data adj. for stk. divs.; EPS diluted. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked. UR-Under Review.

KMG Chemicals Inc

Institutional Holdings

Shares Held by All Institutions (M)



Company Details

Primary Shares Outstanding (M)	11.2
Market Capitalization (M)	\$188.9
Price as of 05/27/10	\$17.07
Institutional Ownership (%)	30

Institutional Holdings Analysis as of 05/15/10

	Holders	Shares (000)
Total Shares Held	51	3,333
New Positions	11	143
Increased Positions	16	557
Decreased Positions	25	548

Top Ten Institutional Holders (excluding Mutual Funds)

Holder	Reported	Shares (000)	% Shares Outstg.	% Change from Prev. Period	Current Mkt. Value (M\$)
MARXE, AUSTIN W. & GREENHOUSE, DAVID M.	Mar'10	591	5.28	7.75 ▲	10.1
ACADIAN ASSET MANAGEMENT	Mar'10	400	3.58	74.8 ▲	6.83
DIMENSIONAL FUND ADVISORS LP	Mar'10	275	2.46	0.90 ▲	4.70
PERRITT CAPITAL MANAGEMENT, INC.	Mar'10	253	2.26	17.3 ▲	4.33
LORD ABBETT & CO	Mar'10	240	2.15	168 ▲	4.10
SKYLANDS CAPITAL, LLC	Mar'10	174	1.55	52.5 ▲	2.96
RENAISSANCE TECHNOLOGIES, LLC	Mar'10	166	1.48	-15.8 ▼	2.83
FCA CORPORATION	Mar'10	147	1.31	-0.15 ▼	2.51
Bard Associates Inc.	Mar'10	118	1.06	1.85 ▲	2.02
SUNTRUST BANKS, INC.	Mar'10	117	1.04	-3.95 ▼	1.99
Total		2,481	22.17	21.0 ▲	42.4

Top Ten Mutual Fund Holders

Holder	Reported	Shares (000)	% Shares Outstg.	% Change from Prev. Period	Current Mkt. Value (000\$)
PERRITT MICROCAP OPPORTUNITIES FUND	Mar'10	220	1.97	15.2 ▲	3,755
DFA U.S. SMALL CAP VALUE SERIES	Jan'10	91.5	0.82	Nil	1,562
OPPENHEIMER MAIN STREET SMALL CAP FUND	Dec'09	80.3	0.72	100 ▲	1,370
RidgeWorth Small Cap Value Equity Fd	Dec'09	66.5	0.59	-7.77 ▼	1,135
BRIDGEWAY FDS INC-ULTRA SMALL COMPANY MARKET FD	Dec'09	58.8	0.53	Nil	1,004
BRIDGEWAY FDS INC-ULTRA SMALL COMPANY FD	Dec'09	51.8	0.46	100 ▲	883
BOGLE INVESTMENT MANAGEMENT-SMALL CAP GROWTH FUND	Feb'10	49.0	0.44	100 ▲	836
LORD ABBETT SECURITIES TRUST-MICRO-CAP VALUE FUND	Jan'10	44.9	0.40	111 ▲	767
TFS CAPITAL INVESTMENT TR-TFS MARKET NEUTRAL FUND	Jan'10	38.5	0.34	100 ▲	657
DFA TAX-MANAGED U.S. SMALL CAP PORTFOLIO	Jan'10	32.0	0.29	Nil	547
Total		733	6.55	57.1 ▲	12,517

Insider Trading Activity

Insider Buys Insider Sells Stock Performance

Activity (No. of Transactions)



Most Recent Insider Trades

Holder	Reported	Shares
HATCHER, DAVID L.	04/26/10	1,000,000 ▼
URBANOWSKI, RICHARD L.	04/01/10	500 ▼
URBANOWSKI, RICHARD L.	12/14/09	2,500 ▼
SOBCHAK, JOHN V.	12/30/08	2,050 ▲
SOBCHAK, JOHN V.	12/29/08	4,950 ▲
SOBCHAK, JOHN V.	12/29/08	1,400 ▲
THORINGTON, STEPHEN A.	11/04/08	25,000 ▲

Shares are "as reported" as of the transaction date. ▲ Buy ▼ Sell

KMG Chemicals Inc**Sub-Industry Outlook**

We have a neutral fundamental outlook for the specialty chemicals sub-industry for the next 12 months, although business conditions vary for individual companies. Major categories of specialty chemicals include water treatment and manufacturing processing chemicals, additives, coatings, pesticides, electronic materials, catalysts, flavors, fragrances, adhesives and sealants.

Specialty producers are generally smaller in terms of dollar size than traditional commodity producers; some focus on only one product line, while others boast a diverse product mix. Many companies generate a significant share of total sales from outside the U.S. We think consolidation within product lines will continue as companies try to boost sales and earnings growth.

Based on S&P's estimate of 3.0% growth in real U.S. GDP in 2010 and favorable currency exchange rates, we expect many specialty chemical companies to report increased organic sales in 2010, depending on performance of their non-U.S. operations. With our forecast of economic growth through 2010, companies could begin to report more favorable comparisons than earlier in 2009. Raw material and energy costs in the second quarter of 2010 may be higher versus year-earlier levels, with the impact on profit margins varying by company and product line.

Although long-term prospects vary widely for different types of specialty chemical producers, depending on market conditions, we think industry sales growth over the longer term will moderately exceed real economic growth. We believe specialty chemical products, which are of higher value than commodity chemicals, sell more on the basis of performance specifications than price. Although specialties generally require higher R&D spending and incur greater marketing and customer service costs, their production is typically less capital

intensive than that of commodities. Specialty chemical producers are generally less affected by cyclical changes in the economy and supply/demand balances than commodity producers. Therefore, we expect specialty companies to have more stable profit margins over a business cycle than commodity makers.

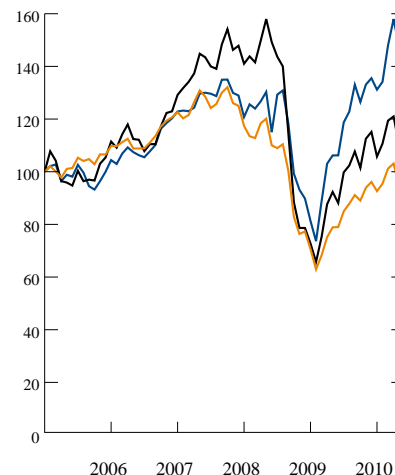
The S&P Specialty Chemicals Index increased 16.6% year to date through April 30, versus a 7.3% increase for the S&P 1500 Composite Index. The sub-index rose 50.9% in 2009, versus a 24.3% increase for the S&P 1500. Rohm & Haas, the largest U.S. specialty chemical company in terms of sales and market value, was acquired on April 1, 2009.

--Richard O'Reilly, CFA

Stock Performance

GICS Sector: Materials
Sub-Industry: Specialty Chemicals

Based on S&P 1500 Indexes
Month-end Price Performance as of 05/28/10



Sub-Industry Sector S&P 1500

NOTE: All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS)

Sub-Industry : Specialty Chemicals Peer Group*: Specialty Chemicals (Smaller)

Peer Group	Stock Symbol	Stk.Mkt. Cap. (Mil. \$)	Recent Stock Price(\$)	52 Week High/Low(\$)	Beta	Yield (%)	P/E Ratio	Fair Value Calc.(\$)	Quality Ranking	S&P IQ %ile	Return on Revenue (%)	LTD to Cap (%)
KMG Chemicals	KMGB	188	16.83	21.80/6.67	1.99	0.2	12	NA	B+	69	5.4	33.5
Altair Nanotechnologies	ALTI	48	0.52	1.45/0.50	1.51	Nil	NM	NA	C	17	NM	1.4
Amer Pacific	APFC	42	5.60	9.15/5.39	1.33	Nil	NM	NA	B-	18	NA	60.8
Balchem Corp	BCPC	685	24.29	26.94/15.34	0.82	0.5	26	NA	A-	92	12.2	NA
Landec Corp	LNDC	163	6.19	7.45/5.50	0.87	Nil	23	6.20	B-	24	3.3	NA
MTI Global	MTI.C	8	0.27	0.33/0.10	NA	Nil	NM	NA	C	NA	NA	NA
Zep Inc	ZEP	397	18.28	24.37/11.13	1.09	0.9	22	NA	NR	22	1.9	19.1
Zoltek Co	ZOLT	329	9.57	12.63/7.10	1.78	Nil	NM	9.00	C	65	NA	0.3

NA-Not Available NM-Not Meaningful NR-Not Rated. *For Peer Groups with more than 15 companies or stocks, selection of issues is based on market capitalization.

KMG Chemicals Inc**S&P Analyst Research Notes and other Company News****May 26, 2010**

KMG Chemicals Inc. announced that its Board of Directors declared a quarterly cash dividend of \$0.02 per common share. The dividend is payable on June 25, 2010 to shareholders of record as of June 11, 2010. As of May 25, 2010, there were approximately 11.2 million common shares outstanding.

April 28, 2010

KMG Chemicals Inc. announced that it has signed a distribution agreement with R&D LifeSciences, LLC to distribute R&D's product line of animal feed additives in North and South America. The product offering also includes digestion, growth and performance enhancing products administered via the watering systems in dairies, poultry facilities, swine barns and feed lots.

April 21, 2010

DOWN 1.63 to 18.01... KMGB says that an offering of 1M KMGB shares has been priced at \$17.50 per share. Notes all of the shares are being offered by David Hatcher, the Chairman of the Board of Directors. Says Mr. Hatcher is the largest stockholder of KMG, and after the offering, he will continue to own over 3.1M KMGB shares.

March 9, 2010

KMG Chemicals Inc. reported unaudited consolidated earnings results for the second quarter and six months ended January 31, 2010. For the quarter, the company reported net sales were \$45.1 million producing operating income of \$6.9 million, and net income of \$4.0 million or \$0.35 per diluted share compared to net sales of \$44.2 million resulting in operating income of \$2.5 million, and net income of \$903,000 or \$0.08 per diluted share for the same period a year ago. Income from continuing operations was \$3.96 million or \$0.35 per diluted share compared to \$907,000 or \$0.08 per diluted share for the same period a year ago. Income from continuing operations before income taxes was \$6.32 million compared to \$1.48 million for the same period a year ago. For the six months ended January 31, 2010, the company reported net sales were \$94.55 million producing operating income of \$14.87 million, and net income of \$8.58 million or \$0.75 per diluted share compared to net sales of \$96.44 million resulting in operating income of \$6.03 million, and net income of \$2.52 million or \$0.22 per diluted share for the same period a year ago. Income from continuing operations was \$8.58 million or \$0.75 per diluted share compared to \$2.52 or \$0.22 per diluted share for the same period a year ago. Income from continuing operations before income taxes was \$13.69 million compared to \$4.1 million for the same period a year ago.

February 26, 2010

KMG Chemicals Inc. announced that Charles L. Mears has retired from the Board of Directors, and that Karen A. Twitchell has joined its Board. Twitchell was Vice President and Treasurer of Lyondell Basell Industries and Lyondell Chemical Company from 2001 to 2009, where she was responsible for global treasury operations for this worldwide chemical and refining company.

December 8, 2009

KMG Chemicals Inc. announced unaudited consolidated financial results for the first quarter ended October 31, 2009. For the quarter, the company's net sales were \$49.4 million producing operating income of \$8.0 million, and record net income of \$4.6 million or \$0.41 per diluted share. In the first fiscal quarter of 2009, net sales were \$52.2 million resulting in operating income of \$3.5 million, and net income of \$1.6 million or \$0.14 per diluted share. Income before income taxes was \$7.4 million against \$2.6 million a year ago.

December 7, 2009

DOWN 1.10 to 15.55... KMGB posts \$0.41 vs. \$0.14 Q1 EPS despite 5.4% sales drop. Says it remains cautious and believes challenging market conditions could continue during FY 10.

October 14, 2009

KMG Chemicals Inc. reported unaudited consolidated earnings results for the fourth quarter and year ended July 31, 2009. For the quarter, the company reported, net sales were \$48.4 million compared to \$51.4 million for the same period last year. Operating income was \$9.8 million against \$2.0 million for the same period last year. Income from continuing operations before income taxes was \$8.7 million against \$1.2 million for the same period last year. Income from

continuing operations was \$4.9 million, or \$0.44 per diluted share against \$0.6 million, or \$0.05 per diluted share for the same period last year. Net income was \$4.9 million, or \$0.44 per diluted share, compared to \$0.6 million, or \$0.05 per diluted share for the same period last year. For the year ended, the company reported, net sales were \$190.7 million compared to \$154.4 million for the same period last year. Operating income was \$20.9 million against \$11.5 million for the same period last year. Income from continuing operations before income taxes was \$17.5 million against \$9.2 million for the same period last year. Income from continuing operations was \$10.2 million, or \$0.91 per diluted share against \$5.6 million, or \$0.50 per diluted share for the same period last year. Net income was \$10.2 million, or \$0.91 per diluted share, compared to \$5.4 million, or \$0.48 per diluted share for the same period last year. The record results of fiscal 2009 were achieved despite an extremely challenging year, which required extraordinary effort and teamwork to maximize efficiencies, strip out unnecessary costs and redundancies, and improve profitability with virtually no growth in volumes. The company provided earnings guidance for the fiscal year 2010. The company expect 2010 results to be slightly better than 2009.

September 8, 2009

KMGB expects FY 09 EPS to be significantly greater than the \$0.48 earned in FY 08 and moderately higher than the previous record of \$0.80 set in FY 07. Sales are expected to be about \$190M, a 23% increase from FY 08.

June 5, 2009

KMG Chemicals Inc. announced financial results for the third quarter and nine months ended April 30, 2009. For the third quarter, net sales were \$45.9 million compared to \$50.3 million in the third quarter of 2008. Operating income was up 40% to \$5.4 million versus \$3.9 million in the third quarter of last year. Net income rose 66% to \$2.8 million or \$0.25 per diluted share, compared to \$1.7 million or \$0.15 per diluted share in the third quarter of last year. The company reported income from continuing operations before income taxes of \$4,694,000 compared to \$2,865,000 for the same period a year ago. Income from continuing operations was \$2,792,000 or \$0.25 per diluted share as compared to Income from continuing operations of \$1,814,000 or \$0.16 per diluted share for the same period prior year. Year-to-date net sales rose 38% to \$142.3 million producing operating income of \$11.5 million, and net income of \$5.3 million or \$0.47 per diluted share. In the same period in fiscal 2008, net sales were \$103.0 million resulting in operating income of \$9.5 million, and net income of \$4.8 million or \$0.43 per diluted share. The company reported income from continuing operations before income taxes of \$8,788,000 compared to \$8,052,000 for the same period a year ago. Income from continuing operations was \$5,315,000 or \$0.47 per diluted share as compared to Income from continuing operations of \$5,055,000 or \$0.45 per diluted share for the same period prior year.

KMG Chemicals Inc

Glossary

Quantitative Evaluations

In contrast to our qualitative STARS recommendations, which are assigned by S&P analysts, the quantitative evaluations described below are derived from proprietary arithmetic models. These computer-driven evaluations may at times contradict an analyst's qualitative assessment of a stock. One primary reason for this is that different measures are used to determine each. For instance, when designating STARS, S&P analysts assess many factors that cannot be reflected in a model, such as risks and opportunities, management changes, recent competitive shifts, patent expiration, litigation risk, etc.

S&P Quality Ranking

Growth and stability of earnings and dividends are deemed key elements in establishing S&P's Quality Rankings for common stocks, which are designed to encapsulate the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

A+ Highest	B Below Average
A High	B- Lower
A- Above Average	C Lowest
B+ Average	D In Reorganization
NR Not Ranked	

S&P Fair Value Rank

Using S&P's exclusive proprietary quantitative model, stocks are ranked in one of five groups, ranging from Group 5, listing the most undervalued stocks, to Group 1, the most overvalued issues. Group 5 stocks are expected to generally outperform all others. A positive (+) or negative (-) Timing Index is placed next to the Fair Value ranking to further aid the selection process. A stock with a (+) added to the Fair Value Rank simply means that this stock has a somewhat better chance to outperform other stocks with the same Fair Value Rank. A stock with a (-) has a somewhat lesser chance to outperform other stocks with the same Fair Value Rank. The Fair Value rankings imply the following:

- 5-Stock is significantly undervalued
- 4-Stock is moderately undervalued
- 3-Stock is fairly valued
- 2-Stock is modestly overvalued
- 1-Stock is significantly overvalued

S&P Fair Value Calculation

The price at which a stock should trade at, according to S&P's proprietary quantitative model that incorporates both actual and estimated variables (as opposed to only actual variables in the case of S&P Quality Ranking). Relying heavily on a company's actual return on equity, the S&P Fair Value model places a value on a security based on placing a formula-derived price-to-book multiple on a company's consensus earnings per share estimate.

Insider Activity

Gives an insight as to insider sentiment by showing whether directors, officers and key employees who have proprietary information not available to the general public, are buying or selling the company's stock during the most recent six months.

Funds From Operations (FFO)

FFO is Funds from Operations and equal to a REIT's net income, excluding gains or losses from sales of property, plus real estate depreciation.

Volatility

Rates the volatility of the stock's price over the past year.

Technical Evaluation

In researching the past market history of prices and trading volume for each company, S&P's computer models apply special technical methods and formulas to identify and project price trends for the stock.

Relative Strength Rank

Shows, on a scale of 1 to 99, how the stock has performed versus all other companies in S&P's universe on a rolling 13-week basis.

Global Industry Classification Standard (GICS)

An industry classification standard, developed by Standard & Poor's in collaboration with Morgan Stanley Capital International (MSCI). GICS is currently comprised of 10 Sectors, 24 Industry Groups, 67 Industries, and 147 Sub-Industries.

Exchange Type

ASE - American Stock Exchange; NNM - Nasdaq National Market; NSC - Nasdaq SmallCap; NYSE - New York Stock Exchange; BB - OTC Bulletin Board; OT - Over-the-Counter; TO - Toronto Stock Exchange.

Dividends on American Depository Receipts (ADRs) and American Depository Shares (ADSs) are net of taxes (paid in the country of origin).