

**PRESS RELEASE**

August 27, 2009

**FRUTAROM SALES IN THE SECOND QUARTER  
REACHED US\$ 106.7 M, WITH NET PROFIT OF US\$  
10.1 M**

**SALES ARE STILL AFFECTED BY THE STRENGTHENING OF  
THE US\$ AND REDUCTION OF INVENTORIES TREND;  
FRUTAROM PRESENTS IMPROVEMENT IN PROFITABILITY  
MARGINS AND IN NET PROFIT COMPARED TO THE FIRST  
QUARTER**

**MAINTAINS OPERATING MARGIN – 12.7% COMPARED TO  
12.8% IN THE SAME QUARTER LAST YEAR AND IMPROVES  
NET PROFIT MARGIN TO 10% EXCLUDING NON-RECURRING  
EXPENSES**

**PRESENTS STRONG CASH FLOW IN THE QUARTER AND THE  
HALF: IN THE FIRST HALF CASH FLOW OF US\$ 30.4 M  
COMPARED TO US\$ 8.6 M IN THE FIRST HALF OF 2008**

**CONTINUES ITS GROWTH STRATEGY AND IMPLEMENTS 3  
ACQUISITIONS DURING THE FIRST HALF**

- Frutarom's sales were mainly affected by the following factors:
  - material revaluation in the US dollar rate compared to the European currencies and the NIS, in which most of the Company's sales are made, which affected US\$ sales at a rate of 14.0%
  - the effects of the global economic crisis and the inventory reduction trend among its customers, a trend which undergoes a moderation process
- The company estimates that it maintained its market share among its customers
- Frutarom maintains the operating margin rates in the quarter which reached 12.7% compared to 12.8% in the same quarter last year, excluding non-recurring expenses, and even improves net margin which reached 10.0% compared to 8.5% in the same quarter in 2008

- **Maintenance of profitability was achieved due to the actions regularly taken by Frutarom and in more focused and profound way in the recent period for further reduction of expenses and achieving maximum efficiencies, while improving its competitiveness. Concurrently, Frutarom continues to strengthen its R&D and sales infrastructures to ensure its further profitable growth in the long term**
- **Positive cash flow from current activities: In the quarter – US\$ 19.7 M compared to US\$ 14.9 M in the second quarter of 2008; in the half – US\$ 30.4 M compared to US\$ 8.6 M**
- **Following 2008 in which Frutarom focused on merging, consolidating and utilizing the significant synergies from the seven acquisitions made in 2007, Frutarom resumed in 2009 the implementation of its acquisition strategy and has so far implemented three strategic acquisitions in 2009. Their merger advances according to plans**
- **Ori Yehudai, the President and CEO of Frutarom: "Frutarom will continue to determinedly act for the implementation of its rapid growth strategy which combines organic growth and strategic acquisitions. We estimate that with the stabilization of the global markets, the moderation of the fluctuations in exchange rates in the world, the discontinuation of the inventory reduction trend and the gradual improvement in consumption, mainly in countries significantly affected by the devaluation in their currency rate, the Company will return to growth rates similar to those characterizing its activities in the past**

Frutarom, a producer of flavors and specialty fine ingredients, today the seventh largest company in the field of flavors and specialty fine ingredients, reports **sales of US\$ 106.7 M in the first quarter of 2009 and of US\$ 205.1 M in the first half of the year** – a decrease of approximately 5.5% in local currency terms compared to the second quarter of 2008 and the first half of 2008, in which Frutarom achieved record results.

**The sales in the second quarter and in the first half** are mainly affected by a material revaluation in the dollar rate against European currencies and the NIS, in which most of the Company's sales are made, and from the continued effects of the global economic crisis. The strengthening of the US\$ against the European currencies and the NIS at sharp rates of 7% to 22% reduced the sales in the second quarter and in the first half, in dollar terms, at approximately 14%. In dollar terms, the sales in the quarter decreased by 19.5% compared to the same periods last year and in the first half by 19.4% compared to the same half last year.

The sales are affected by the continuation of the global crisis and the economic slowdown in the world, which materially changed the growth trend which characterized most of the global markets in recent years and the business environment in which Frutarom operates. The aforementioned economic slowdown significantly affected the North American economy as from last year's fourth quarter and was noticed more intensely in Europe during the first half this year. As a result of the crisis, many customers vigorously act to reduce their inventory levels – a trend which undergoes a moderation process and is expected to significantly decrease during the second half of the year. Frutarom estimates that it maintained its market share among its customers and with the stabilization of the global markets, the moderation of the fluctuations in currencies, the discontinuation of the inventory reduction trend and the gradual

improvement in consumption, mainly in countries significantly affected by the devaluation in their currency rate, the Company will return to growth rates similar to those characterizing its activities in the past. Indeed, Frutarom results in the second quarter already reflect an improvement compared to the first quarter of the year.

In accordance with its strategic plan, after Frutarom focused during 2008 on the integration and utilization of the many synergies from the seven acquisitions made in 2007 Frutarom resumed its acquisitions strategy in 2009 and has already implemented three successful strategic acquisitions: Oxford in UK, FSI in the US and the Savory activities of Christian Hansen (CH) in Germany. The three acquisitions contributed to the sales in the quarter approximately US\$ 5.6 M and approximately US\$ 9.1 M to the sales of the first half of the year. CH's Savory activities marginally contributed to the sales in the quarter as the acquisition was implemented only in the second half of June. Frutarom estimates that its solid capital structure and strong support from leading financial institutions will enable it to exploit opportunities created and which will be created as a result of the global economic crisis and to execute strategic acquisitions in addition to the acquisitions already made this year.

**In the second quarter of 2009**, non-recurring expenses were recorded mainly for the restructuring plan of the Company's activities in Germany as a result of the acquisition of CH Savory activities in the amount of approximately US\$ 0.8 M compared to non-recurring income recorded in the same quarter of 2008 in the amount of approximately US\$ 0.9 M net for income from the realization of real estate in Switzerland which was setoff by expenses for the completion of the restructuring activities in UK. **In the first half of 2009**, non-recurring expenses for the restructuring plan of the Company's activities in Germany and in UK were recorded as a result of the acquisition of CH's Savory activities and Oxford in the amount of approximately US\$ 1.2 M compared to non-recurring expenses recorded in the same half in 2008 in the amount of approximately 0.9 M net, as mentioned above.

**Gross profit in the quarter** totaled US\$ 39.4 M compared to US\$ 49.7 M in the same quarter last year. Excluding non-recurring effects, **gross margin** in the quarter reached 37.2% compared to 37.5% in the same period last year. The gross margin in the quarter including non-recurring effects reached 37%.

**Gross profit in the first half** totaled US\$ 74.7 M compared to US\$ 94.5 M in the same half last year. Excluding non-recurring effects, **gross margin** in the first half reached 36.5% compared to 37.1% in the same period last year. The gross margin in the half including the non-recurring effects reached 36.4%.

**Operating profit in the second quarter of 2009** excluding non-recurring effects, totaled US\$ 13.6 M compared to US\$ 17.0 M in the same period last year and the **operating margin** is similar to that achieved by Frutarom in the same period of 2008 and reached 12.7% compared to 12.8% in the second quarter of 2008. The aforementioned margin was achieved in spite of the decline in sales. Maintaining the operating margin rates was achieved as a result of the actions taken by Frutarom regularly and in a more focused and profound way in recent months for further reduction of expenses and achieving maximum efficiencies. Concurrently, Frutarom continues to strengthen its R&D and sales infrastructures in order to ensure the continuation of its profitable growth. Including non-recurring effects, operating profit totaled US\$ 12.8 M compared to US\$ 17.9 M in the same quarter last year which was a record quarter for Frutarom and operating margin reached 12.0% compared to 13.5% last year.

**Operating profit in the first half of 2009**, excluding non-recurring effects, reached US\$ 24.1 M compared to US\$ 32.3 M in the same half of 2008 and **operating margin** reached 11.8% of sales compared to 12.7% in the same half in 2008. Including the non-

recurring effects, operating margin in the first half of 2009 reached US\$ 23.0 M compared to US\$ 33.2 M in the same half of 2008 and operating margin reached 11.2% compared to 13.0% last year.

The **EBITDA** achieved by Frutarom in the **second quarter** of 2009, excluding non-recurring effects, totaled US\$ 18.2 M which comprise 17.1% of sales compared to an EBITDA of US\$ 22.9 M which comprise 17.3% of sales in the second quarter of 2008. Including non-recurring effects, the **EBITDA** achieved by Frutarom in the second quarter of 2009 totaled US\$ 17.4 M compared to US\$ 23.8 M in the same quarter of 2008 – an EBITDA rate of 16.3% compared to 17.9% in the same quarter last year.

The **EBITDA** achieved by Frutarom in the **first half** of 2009, excluding non-recurring effects, totaled US\$ 33.0 M which comprise 16.1% of sales compared to an EBITDA of US\$ 43.1 M which comprise 16.9% of sales in the first half of 2008. Including non-recurring effects, the **EBITDA** achieved by Frutarom in the first half of 2009 totaled US\$ 31.9M which compared to US\$ 44.0 M in the same quarter of 2008 – an EBITDA rate of 15.5% compared to 17.3% in the same period last year.

**Net profit in the second quarter** of 2009, excluding non-recurring effects, totaled US\$ 10.7 M compared to US\$ 11.2 M in the same period. **Net margin** improved and reached 10.0% compared to 8.5% in the same period. Including non-recurring effects, net profit reached US\$ 10.1 M compared to US\$ 12.0 M in the second quarter of 2008 and net margin improved and reached 9.5% compared to 9.1% in the same quarter last year.

**Net profit** in the **first half** of 2009, excluding non-recurring effects, totaled US\$ 16.5 M compared to US\$ 21.0 M in the same period last year. In spite of the decrease in sales the achieved **net margin** of 8.1% is similar to the net margin achieved in the first half of 2008, which was 8.2%. Net profit in the first half of 2009, excluding non-recurring effects, reached US\$ 15.7 M compared to US\$ 21.8 M in the first half of 2008. Net margin reached 7.6% compared to 8.5% in the same period last year.

**During the second quarter of 2009**, Frutarom continued to improve its cash flow from current activities which reached US\$ 19.7 M compared to a cash flow of US\$ 14.9 M achieved during the second quarter of 2008. **In the first half of 2009**, Frutarom generated a positive cash flow from current activities of US\$ 30.4 M compared to US\$ 8.6 M in the same period last year. The solid cash flow achieved by Frutarom from and strong bank support will enable it to continue and implement acquisitions in addition to the three acquisitions already implemented this year.

**Ori Yehudai** summed up and stated: "The global crisis and the economical slowdown in the world materially changed the growth trend which characterized most of the global markets in recent years. Frutarom entered this challenging and crisis-related economic period, as a leading, global, stronger-than-ever company, with a solid capital structure, experienced global management and varied and diversified customer base. Our core businesses are mostly geared for the food industry which is considered stable and defensive. And indeed, analyzing previous economic crises tells us that the food industry and its derived industries usually demonstrate relatively low sensitivity to the effects of slowdown and instability in the macro-economic environment, especially in comparison to other industries. Frutarom's management acts regularly and even more intensely since the outbreak of the economic crisis for maximizing its efficiency while reducing and controlling expenses, which lead to the improvement of its competitiveness. Concurrently, we continue to strengthen our R&D and sales infrastructures in order to ensure our further profitable growth in the long term. Our rapid preparation for the global economic situation led to the maintenance of operating margin

rates and to the improvement of net margin in spite of the effects of the slowdown in the markets. We estimate that with the stabilization of the global markets, the moderation of the fluctuations in exchange rates in the world, the discontinuation of the inventory reduction trend and the gradual improvement in consumption, mainly in countries significantly affected by the devaluation in their currency rate, Frutarom will return to growth rates similar to those characterizing its activities in the past. Indeed, we witness an improvement in profitability and profit rates compared to the first quarter of the year. We will continue to determinedly act for the implementation of our rapid growth strategy, combining organic growth and strategic acquisitions. After focusing during 2008 on the integration and the utilization of the many synergies from the seven acquisitions we made in 2007, in 2009 we resumed implemented acquisitions and have already implemented three successful strategies acquisitions which enhance the further expansion of our global presence, our customer base throughout the world and the product range we offer them. Frutarom's solid capital structure and the strong support we receive from leading financial initiations will enable us to utilize acquisition opportunities created due to the global economic crisis and to continue implementing our acquisition strategy. We consider the challenging and complex period which global economics undergoes as an opportunity for further strengthening. We are convinced, that we will be able to achieve our goals and double Frutarom's turnover again in the next 4 years, so that it will reach US\$ 1 billion by 2012."

#### **About the Company**

Frutarom is a global company active in the world markets for flavors and ingredients. Frutarom has significant production and development centers on three continents and markets its products on five continents to over 13,000 customers in more than 120 countries. Frutarom's products are intended mainly for the food, beverage, flavor, fragrance, pharmaceutical, nutraceutical, health food, functional food, food additive, and cosmetic industries.

Frutarom, which employs approximately 1,500 people worldwide, operates through two Divisions:

- The Flavors Division, which develops, produces and markets flavor compounds and food systems.
- The Fine Ingredients Division, which develops, produces and markets natural flavor extracts, natural functional food ingredients, natural pharma/nutraceutical extracts, specialty essential oils and citrus products, and aroma chemicals.

Frutarom's products are produced at its plants in the United States, England, Switzerland, Germany, Israel, China, and Turkey. The Company's global marketing organization includes branches in Israel, the United States, England, Switzerland, Germany, Belgium, Holland, Denmark, France, Hungary, Romania, Russia, Ukraine, Kazakhstan, Belarus, Turkey, Brazil, Mexico, China, Japan, Hong Kong, India and Indonesia. The Company also works through local agents and distributors worldwide.

For further information, visit our website: [www.frutarom.com](http://www.frutarom.com).

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