

PRESS RELEASE

**FRUTAROM'S NET PROFIT INCREASED BY 6.3% - TO  
US\$ 10 M**

**IMPROVEMENT IN NET MARGIN – REACHED 9%**

**RECORD CASH FLOW IN THE QUARTER AND 9 MONTHS: IN THE  
FIRST NINE MONTHS – A CASH FLOW OF US\$ 57.9 M COMPARED  
TO US\$ 21.2 M IN 2008**

**MAINTAINS EBITDA MARGIN – 16.6% (EXCLUDING NON-  
RECURRING EXPENSES)**

**FRUTAROM'S SALES IN THE THIRD QUARTER – US\$ 111.6 M**

- The Company's revenues in the quarter and in the first nine months of the year 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
  - the moderating effects of the global economic crisis and the slowdown in the markets
  - the trend of destocking which ended during the third quarter
- The company estimates that it maintained its market share among its customers
- Frutarom maintains the operating margin in the quarter which reached 12.1% compared to 12.5% in the same quarter last year and the EBITDA margin rate of 16.6% (excluding non-recurring expenses)
- Net margin improved reaching 9.0% compared to 7.9% in the same period last year
- Margins were maintained in spite of the decline in sales, due to the actions regularly taken by Frutarom, and in more focused and profound way this year, 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
- Positive cash flow from current activities: In the quarter – US\$ 27.5 M compared to US\$ 12.6 M in the third quarter of 2008; in the first nine months – US\$ 57.9 M compared to US\$ 21.2 M in 2008



Haifa, Israel – November 24, 2009. Frutarom (LSE: FRUTq, TASE: FRUT, OTC: FRUTF) the seventh largest company in the field of flavors and specialty fine ingredients, today presented its results for the third quarter of 2009.

Frutarom sales in the third quarter of 2009 totaled **US\$ 111.6 M**, a decrease of approximately 1.6% in local currency terms compared to the third quarter of 2008. The strengthening of the US\$ compared to most of the European currencies and the NIS (in which most of Frutarom's sales are implemented) caused a decrease of 5.4% in sales. Therefore, in US\$ terms, the sales in the third quarter of the year decreased by 7.0% compared to the third quarter last year. **Frutarom's sales in the first nine months of the year reached US\$ 316.7 M**, a decrease of approximately 4.3% in local currency terms compared to the first nine months of 2008. The strengthening of the US\$ compared to most of the European currencies and the NIS caused a decrease in sales in the first nine months of the year at a rate of approximately 11.2%. Therefore, in US\$ terms, the sales decreased by 15.5% compared to the first nine months of 2008. The revaluation in the US\$ rate compared to the European currencies and the NIS seems to come to an end towards the end of the quarter and has reversed as from October. Should this trend continue, Frutarom is expected to be positively affected starting the fourth quarter this year.

The sales in the quarter and in the first nine months of the year were also affected by the continuation of the global crisis and the economic slowdown in the world, which temporarily changed the growth trend which characterized most of the global markets in recent years and the business environment in which Frutarom operates. As a result of the crisis, many customers vigorously act to reduce their inventory levels – this trend becomes more and more moderate and Frutarom estimates that it came to an end during the third quarter this year. In addition, a decrease in the trade and marketing activity in Israel (an activity which is not one of Frutarom's core activities) which partly results from focusing on products with higher profit margins, contributed approximately 2% to the decrease in sales.

Frutarom estimates that it maintained its market share among its customers and the stabilization of the global economy in recent months, the moderation in the fluctuations of currencies, the halt of the destocking trend and the signs of gradual improvement in consumption, including in countries significantly affected by the devaluation of their currency, will contribute to an improvement in its sales level and to future return to growth trend at rates similar to those characterizing its activities in the past.

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 the UK, FSI in the US and the Savory activity of Christian Hansen (CH) in Germany. The three acquisitions implemented during the first half of the year contributed to the sales in the third quarter approximately US\$ 8.1 M and contributed to the sales of the first nine months of the year approximately US\$ 17.2 M. Frutarom estimates that its strong cash flow, its solid capital structure and strong support from leading banks will enable it to implement additional strategic acquisitions and exploit opportunities created and which will be created as a result of the global economic crisis.

**Gross profit** in the third quarter of 2009 totaled US\$ 41.2 M compared to US\$ 45.3 M in the same quarter last year. The decline in gross profit is a result of the reduction in sales. Gross margin in the quarter totaled 37.0% compared to 37.7% in the same period in 2008. Gross margin rate was achieved in spite of a decline in sales thanks to the actions taken by Frutarom to reduce and tightly command and control the expense level.



Excluding non-recurring costs (in the amount of approximately US\$ 0.2 M) for a restructuring plan in the Company's activities in UK due to the acquisition of Oxford, the **operating profit in the third quarter** totaled US\$ 13.5 M compared to US\$ 15.0 M in the same period of 2008 and operating margin reached 12.1% compared to 12.5% in the same period.

Excluding the aforementioned non-recurring effects, **EBITDA achieved by Frutarom in the third quarter of 2009** totaled US\$ 18.5 M which comprise 16.6% of sales compared to EBITDA of US\$ 20.0 M which also comprise 16.6% of sales in the third quarter of 2008.

**Net profit** in the third quarter of 2009 increased by 6.3% and totaled US\$ 10.0 M compared to US\$ 9.4 M in the same period last year. **Net margin** improved and reached 9% compared to 7.9% in the same period.

During the first nine months of the year, non-recurring costs in the amount of US\$ 1.3 for the restructuring plan in the Company's activities in Germany and in UK mainly due to the acquisition of the Savory activity of CH and of Oxford were recorded compared with non-recurring revenues in the same period last year, in the amount of US\$ 0.9. The total non-recurring effects in the first nine months of the year were US\$ 2.2 M net. Excluding the aforementioned non-recurring effects, the **EBITDA Frutarom achieved in the first nine months** of 2009 totaled US\$ 51.5 M which comprise 16.3% of sales compared to US\$ 63.0 M which comprise 16.8% of sales in the first nine months of 2008.

Excluding the aforementioned non-recurring effects, **net profit in the first nine months** of 2009 totaled US\$ 26.7 M compared to US\$ 30.4 M in the same period. **Net margin** improved and reached 8.4% compared to 8.1% last year.

**During the third quarter** of 2009, Frutarom continued to improve its cash flow from current activities, which reached US\$ 27.5 M compared to a cash flow of US\$ 12.6 M achieved during the third quarter of 2008. **In the first nine months of 2009**, Frutarom generated a record cash flow from current activities in the amount of US\$ 57.9 M compared to US\$ 21.2 M in the same period last year. The strong cash flow achieved by Frutarom enabled the reduction of the level of its bank debt, in spite of the three acquisitions it has already implemented this year and will enable it, together with a bank support, to continue and implement additional strategic acquisitions.

**Ori Yehudai** summed up and stated: "The global crisis changed the growth trend which characterized most of the global markets in recent years. Frutarom entered this challenging and crisis-related period as a leading and strong global company, with a solid capital structure and an experienced global management. Since the breakout of the global economic crisis, Frutarom deepened its focus and decisively acted to strengthen its competitiveness and to improve its operational efficiency while tightly reducing and controlling its expense level. Concurrently, we continue to strengthen our R&D and sales infrastructures to ensure the continuation of our profitable growth. Our rapid alignment toward the global economic situation enabled us to maintain our operating and EBITDA margins and to improve our net margin in spite of the slowdown in the markets. We estimate that the stabilization of the global economy in recent months, the moderation in currencies fluctuations, the halt of the destocking trend and the signs of gradual improvement in consumption, including in countries significantly affected by the devaluation in their currency, will contribute to an improvement in our sales level and to future return to a growth trend at rates similar to those characterizing our activities in the past.

We will continue decisively to act to implement our rapid growth strategy which integrates organic growth and strategic acquisitions. In 2009 we have already implemented three successful strategic acquisitions which support the further expansion of our global deployment,



our customer base throughout the world and our product portfolio. The excellent cash flow we achieve, our solid capital structure and strong support from leading financial institutions will enable us to continue with our acquisition strategy and to exploit opportunities created and which will be created as a result of the global economic crisis. We are convinced that we will be able to achieve our target and to again double Frutarom's sales turnover in the next 4 years, to approximately US\$ 1 billion".

#### **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 1,440 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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