

PRESS RELEASE

March 17, 2010

**FRUTAROM'S SALES IN THE FOURTH QUARTER
INCREASED BY 9.9%; PROFIT BEFORE TAX
INCREASED BY 86.7% AND NET PROFIT INCREASED
BY 24.1%**

**NET PROFIT EXCLUDING NON RECURRING EFFECTS
INCREASED BY 38.5%**

OPERATING PROFIT INCREASED BY 30.1% TO US\$ 11 M

EBITDA INCREASED BY 29.2% TO US\$ 16 M

PROFIT BEFORE TAX INCREASED BY 86.7% TO US\$ 10.1 M

**NET PROFIT EXCLUDING NON RECURRING EFFECTS INCREASED
BY 38.5% TO US\$ 7.5 M**

**RECORD IN THE CASH FLOW IN THE QUARTER AND FROM THE
BEGINNING OF THE YEAR: IN 2009 CASH FLOW OF US\$ 84.9 M
COMPARED TO US\$ 37 M IN 2008**

**EARNING PER SHARE EXCLUDING NON RECURRING EFFECTS
INCREASED BY 37.5% TO US\$ 0.13**

**WILL DISTRIBUTE DIVIDENDS IN THE AMOUNT OF NIS 0.18 PER
SHARE FOR AN OVERALL AMOUNT OF NIS 10.4 M (US\$ 2.8 M)**

Haifa, Israel – March 17, 2010. Frutarom (LSE: FRUTq, TASE: FRUT, OTC: FRUTF) today presented its 2009 full year and fourth quarter results.

Frutarom, one of the ten largest companies in the world in the field of and flavors and specialty fine ingredients, continues to successfully implement its rapid and profitable growth strategy, combining organic growth and the execution strategic acquisitions.

Frutarom achieved an increase of 9.9% in its **sales in the fourth quarter of 2009**, to US\$ 108.5 M. In local currency terms, sales increased by 3.1% compared to the fourth quarter of 2008. The strengthening of the European currencies and the NIS in which most of Frutarom's sales



are implemented, against the US\$, contributed approximately 6.8% to the increase in the Company's sales in US\$ terms.

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 implemented during the first half of 2009 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 fourth quarter US\$ 8.1 M and US\$ 25.3 M to the sales in 2009. Frutarom estimates that its strong cash flow, its solid capital structure and the support it has from leading financial institutions will enable it to further realize its acquisition strategy and to execute additional strategic acquisitions.

The global economic crisis made 2009 a challenging year to the global economy and to Frutarom as a leading player in the fields of Flavors and Specialty Fine Ingredients. Frutarom estimates that it maintained its market share with its customers and 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 its sales level and to future return to a growth trend at rates similar to those characterizing its activities in the past.

Gross profit in the fourth quarter of 2009 increased by 8.6% and reached US\$ 39.6 M compared to US\$ 36.5 M in the same quarter in 2008; **gross margin** reached 36.5%. **Operating profit** increased by 30.1% to US\$ 11 M compared to US\$ 8.4 M last year and **operating margin** increased and reached 10.1% compared to 8.5% in the same period in 2008.

EBITDA in the fourth quarter of 2009 increased by 29.2% to US\$ 16 M compared to US\$ 12.4 M in the same quarter in 2008. **EBITDA margin** improved and reached 14.8% compared to 12.6% in the same period last year. **Profit before taxes in the fourth quarter of 2009** increase at a sharp rate of 86.7% and totaled US\$ 10.1 M (9.3% of sales) compared to US\$ 5.4 M (5.5% of sales) in the same quarter last year.

Net profit in the period, excluding non-recurring effects for tax gains in 2008 compared to 2009, increased by 38.5% and totaled US\$ 7.5 M compared to US\$ 5.4 M in the same period last year and **net margin** improved and reached 6.9% compared to 5.5%. Including the non-recurring effects net profit in the period increased by 24.1% and totaled US\$ 7.5 M compared to US\$ 6 M in the same period last year and net margin improved and reached 6.9% compared to 6.1%.

In the fourth quarter 2009, Frutarom further improved its cash flow from current activities, which reached US\$ 27 M compared to a cash flow of US\$ 15.8 M in the fourth quarter of 2008. **In 2009** Frutarom generated a record cash flow from current activities in the amount of US\$ 84.9 M compared to US\$ 37.0 M in the same period last year. The strong cash flow achieved by Frutarom enables the reduction in the scope of its bank debt in spite of the three acquisitions made this year. Frutarom's strong cash flow, together with financial institutes' support, will enable Frutarom to implement additional strategic acquisitions.

Earning per share in the fourth quarter of 2009 excluding the non-recurring effects increased by 37.5% and totaled US\$ 0.13 compared to US\$ 0.09 per share in the same period



last year. **Including the non-recurring effects** earning per share in the period increased and totaled US\$0.13 compared to US\$ 0.10 in the same period last year.

In 2009, Frutarom's sales totaled US\$ 425.2 M – a decrease of 2.7% in local currency terms compared to 2008, where Frutarom achieved record results. The strengthening of the US\$ against the European currencies and the NIS, where most of the Company's sales are implemented, in sharp rates of up to 16% during the three first quarters of the year caused a decrease in sales in 2009 at a rate of approximately 7.5%. In US\$ terms, sales decreased in 2009 by 10.2% compared to 2008.

Frutarom's sales in 2009 were also affected from the ongoing effects of the economic crisis and the global slowdown trend, which temporarily changed the growth trend characterizing most of the global market in recent years and the business environment in which Frutarom operates. As a result of the crisis, many of Frutarom's customers in the world vigorously acted to reduce their inventory levels. The destocking trend became moderate and the Company's estimates that it ended during the fourth quarter of 2009. In addition, a decrease in the Trade and Marketing activity in Israel (an activity which is not of Frutarom's core activities) partially arising from the focus on products with higher profit margins, contributed approximately 1.3% to the decrease in sales.

Annual gross profit reached US\$ 155.5 M compared to US\$ 176.3 M in 2008. The decrease in gross profit arises from the decrease in sales. The actions taken by Frutarom to improve its compatibility and to reduce its expenses, moderated the effect of the decrease in sales on the gross profit and enabled the Company to maintain the gross margin level in the period which reached 36.6% compared to 37.2% in 2008.

During **2009** non-recurring costs of US\$ 1.4 M for the restructuring plan of the Company's activities in Germany and UK, mainly for the acquisition of the Savory activity of CH and of Oxford were recorded. Excluding these non-recurring effects, **the operating profit achieved by Frutarom in 2009** totaled US\$ 48.7 M compared to US\$ 56.6 M in 2008; **operating margin** reached 11.4% compared to 12% in the same period last year; and the **EBITDA** achieved by Frutarom **in 2009** totaled US\$ 67.6 M which comprise 15.9% of sales, compared to US\$ 76.3 M which comprise 16.1% of sales in 2008. **Including the non-recurring effects, the operating profit in 2009** totaled US\$ 47.3 M; **operating margin** reached 11.1%; and **the EBITDA** totaled US\$ 66.2 M which comprise 15.6% of the sales.

Operating profit and EBITDA in 2009 were affected by the strengthening of the US\$ against the European currencies at a rate of 7.5% and reduced the US\$ translation of the sales and the profits arising from Frutarom's activities in Europe (which comprise approximately 70% of Frutarom's activities).

Profit before taxes in 2009 excluding the non recurring effects totaled US\$ 44.3 M compared to US\$ 46.1 M in 2008 and the profit before tax margin improved and reached 10.4% compared to 9.7% in 2008. **Including the non-recurring effects**, profit before tax totaled US\$ 42.9 M (10.1% of sales) compared to US\$ 46.1 M (9.7% of sales) in 2008.

Excluding the net non-recurring effects in the total amount of US\$ 2.4 M, for the restructuring plan of the acquired activities and for the excess tax benefits in 2008, the **net profit in 2009** totaled US\$ 33.4 M compared to US\$ 34.9 M in the same period. **Net margin in 2009** improved and reached 7.8% compared to 7.4% in 2008. **Including the non-recurring effects**



the net profit reached US\$ 33.2 M compared to US\$ 37.2 M in 2008 which reflect net margin rate of 7.8%, similar to the net margin of 7.9% reached in 2008.

Frutarom's **shareholders equity** as at December 31, 2009 totaled US\$ 318.5 M (60.5% from the total balance sheet) compared to US\$ 278.3 M (54.5% of the total balance sheet) as at December 31, 2008. The main increase in shareholders' equity arises from the profit in the period.

Ori Yehudai, Frutarom's President and Chief Executive Officer, summed up and stated: "2009 was characterized by a relative slowdown in the markets, whose origin is in the global economic crisis. We entered this challenging and crisis-related period as a leading and strong global company, with a solid capital structure and an experienced global management. During the year, we acted to strengthen our competitiveness and improve our operational efficiency while tightly reducing and controlling our expense level and while continuing to strengthen our R&D and sales infrastructures to ensure the continuation of our rapid profitable growth. Our quick response to the conditions created by the global economic situation contributed to the improvement achieved in our results from quarter to quarter and 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 rate, 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, combining organic growth and strategic acquisitions. In 2009 we implemented three successful strategic acquisitions which support the further expansion of our global presence, our customer base throughout the world and the product portfolio we offer. The excellent cash flow we achieve, our solid capital structure and support we receive from leading financial institutions, will enable us to continue our rapid profitable growth strategy and again double our sales turnover within the next 4 years, to approximately US\$ 1 billion".

About the Company

Frutarom is a multinational company operating in the global flavor and fine ingredients markets. Frutarom has significant production and development centers in three continents and it markets its products in five continents to over 10,000 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 1,450 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 US, UK, Switzerland, Germany, Israel, China, and Turkey. The Company's global marketing organization includes branches in Israel, the US, UK, Switzerland, Germany, Belgium, the Netherlands, 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.

Company Contact

Ori Yehudai, President & CEO
Frutarom Ltd.
Tel: +97299603800
Email: oyehudai@frutarom.com



FRUTAROM INDUSTRIES LTD.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<u>As of 31 December</u>		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
	<u>U.S. dollars in thousands</u>		
A s s e t s			
CURRENT ASSETS:			
Cash and cash equivalents	42,940	37,229	31,942
Financial assets at fair value through profit or loss		52	1,279
Accounts receivable:			
Trade	65,194	68,204	78,006
Other	13,380	11,573	11,995
Prepaid expenses and advances to suppliers	3,018	2,564	3,637
Inventories	79,113	94,916	90,452
	<u>203,645</u>	<u>214,538</u>	<u>217,311</u>
NON-CURRENT ASSETS :			
Property, plant and equipment - net	126,113	125,705	135,607
Intangible assets - net	191,145	166,083	190,150
Deferred income tax assets	3,653	2,990	3,745
Prepaid expenses in respect of operating lease	1,557	1,476	1,898
	<u>322,468</u>	<u>296,254</u>	<u>331,400</u>
T o t a l a s s e t s	<u><u>526,113</u></u>	<u><u>510,792</u></u>	<u><u>548,711</u></u>

	<u>As of 31 December</u>		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
	<u>U.S. dollars in thousands</u>		
Liabilities and Shareholders' Equity			
CURRENT LIABILITIES:			
Credit and short term loans and current maturities of long-term loans	46,911	42,784	44,221
Accounts payable:			
Trade	28,290	26,705	38,797
Other	25,788	27,801	96,412
Provisions	407	1,028	440
	<u>101,396</u>	<u>98,318</u>	<u>179,870</u>
NON-CURRENT LIABILITIES:			
Long-term loans net of current			



maturities	70,204	99,383	82,579
Liability for employee rights upon retirement – net	11,605	11,269	11,518
Deferred income taxes	24,433	22,142	22,209
Provisions in respect of other liabilities net of current maturities		1,420	1,420
	<u>106,242</u>	<u>134,214</u>	<u>117,726</u>
COMMITMENTS AND CONTINGENT LIABILITIES			
T o t a l liabilities	<u>207,638</u>	<u>232,532</u>	<u>297,596</u>
SHAREHOLDERS' EQUITY:			
Ordinary shares	16,597	16,490	16,466
Capital surplus	96,995	95,802	94,392
Translation differences	18,063	9,836	17,638
Retained earnings	190,237	159,502	125,279
Net of - cost of Company shares held by subsidiary	(3,417)	(3,370)	(2,660)
T o t a l equity	<u>318,475</u>	<u>278,260</u>	<u>251,115</u>
T o t a l equity and liabilities	<u>526,113</u>	<u>510,792</u>	<u>548,711</u>

FRUTAROM INDUSTRIES LTD.

CONSOLIDATED INCOME STATEMENTS AND CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December		
	2009	2008	2007
	U.S. dollars in thousands, (except for per share data)		
SALES	425,179	473,286	368,261
COST OF SALES	269,677	297,015	237,506
GROSS PROFIT	<u>155,502</u>	<u>176,271</u>	<u>130,755</u>
SELLING AND MARKETING, RESEARCH AND DEVELOPMENT EXPENSES – net	75,408	85,003	66,898
GENERAL AND ADMINISTRATIVE EXPENSES	33,004	35,206	29,525
OTHER INCOME – net	(195)	(549)	(194)
OPERATING PROFIT	<u>47,285</u>	<u>56,611</u>	<u>34,526</u>
FINANCIAL EXPENSES – net	<u>4,344</u>	<u>10,550</u>	<u>2,923</u>



PROFIT BEFORE TAXES ON INCOME	42,941	46,061	31,603
TAXES ON INCOME	9,721	8,832	7,410
NET INCOME FOR THE YEAR	<u>33,220</u>	<u>37,229</u>	<u>24,193</u>

U.S dollars

EARNINGS PER SHARE:

BASIC	<u>0.58</u>	<u>0.65</u>	<u>0.42</u>
FULLY DILUTED	<u>0.58</u>	<u>0.64</u>	<u>0.41</u>

U.S. dollars in thousands

INCOME FOR THE YEAR	33,220	37,229	24,193
OTHER COMPREHENSIVE INCOME - translation differences	8,227	(7,802)	11,922
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>41,447</u>	<u>29,427</u>	<u>36,115</u>

