

## PRESS RELEASE

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### **FRUTAROM SALES IN THE FIRST QUARTER REACHED US\$ 98.4 M – SALES MATERIALLY AFFECTED BY THE STRENGTHENING OF THE US\$ AGAINST THE EUROPEAN CURRENCIES AND THE NIS**

### **CONTINUES ITS GROWTH STRATEGY AND IMPLEMENTS TWO ACQUISITIONS DURING THE FIRST QUARTER**

### **SIGNIFICANT IMPROVEMENT IN CASH FLOW**

- Frutarom sales are affected mainly by the following:
  - 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 13.8%
  - the effects of the global economic crisis
  - the continuation of the trend of inventory reduction among Frutarom's customers
  - the effect of a significant devaluation in the local currency in countries such as Russia, Ukraine, Turkey and Korea, where sales are significant for Frutarom, which led to a reduction in the purchasing power of the customers and food manufacturers in those countries
- Frutarom estimates that it maintained and in some cases increased its market share with its customers
- Positive cash flow from current activities – US\$ 10.7 M compared to a negative cash flow of US\$ 6.4 M in the first quarter of 2008.
- After focusing during 2008 on the integration and utilization of the many synergies from the seven acquisitions made in 2007, during the first quarter of 2009, Frutarom resumed its acquisitions strategy and made two successful acquisitions. The integration of these acquisitions is progressed as planned.
- Ori Yehudai, Frutarom's President and Chief Executive Officer: "Frutarom will continue to act determinedly to implement its rapid growth strategy, combining organic growth and strategic acquisitions. We consider the challenging and complex period which the global economy undergoes as an opportunity for further strengthening. Frutarom entered this challenging and crisis-related economic period, as a leading, global, stronger-than-ever company, with strong management and a solid capital

**structure. Frutarom's core businesses and products, mostly intended for the food industry, which place it in a relatively stable and defensive field and its ability to continue improving its cash flow generation from current activities, will enable it to successfully glide through the global economic crisis and exploit opportunities which have emerged and continue to emerge as a result of this crisis."**

**Haifa, Israel – May 27, 2009. Frutarom (LSE: FRUTq, TASE: FRUT, OTC: FRUTF) today presented its first quarter 2009 results.**

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\$ 98.4 M in the first quarter of 2009** – a decrease of approximately 5.5% in local currency terms compared to the first quarter of 2008, in which Frutarom achieved extremely good results.

The sales in the first quarter 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 effects of the global economic crisis. The strengthening of the US\$ against the European currencies and the NIS (in which most of Frutarom's sales are made) at sharp rates of 7% to 28% reduced the sales, in dollar terms, in the first quarter at approximately 13.8%. In dollar terms, the sales in the quarter decreased by 19.3% compared to the same quarter last year. The global economic crisis, which has already materially affected the North American economy in the beginning of the fourth quarter last year, was noticed more intensely in Europe during the first quarter this year. As a result of the crisis, many customers acted and acting intensively to reduce their inventory levels. In addition, a significant devaluation in the local currency in countries such as Russia, Ukraine, Turkey and Korea, where sales are important to Frutarom, led to a decline in the purchasing power of the customers and of food manufacturers in those countries (a trend which seems to be changing in the past few weeks).

In accordance with its strategic plan, after Frutarom focused during 2008 on the integration, consolidation and utilization of the many synergies from the seven acquisitions made in 2007 Frutarom resumed its acquisitions strategy in 2009 and has already implemented two successful strategic acquisitions: Oxford in UK and FSI in the US. Both acquisitions made during the first quarter this year contributed to the sales in the quarter approximately US\$ 3.5 M. Frutarom estimates that its solid capital structure and support from financial institutions will enable it to exploit opportunities created and which will be created as a result of the global crisis and to execute strategic acquisitions in addition to the acquisitions already made this year.

**Gross profit** in the quarter totaled US\$ 35.2 M compared to US\$ 44.8 M in the same quarter last year. **Gross margin** reached 35.8% compared to 36.7% in the same period last year. **Operating profit** totaled US\$ 10.2 M compared to US\$ 15.3 M in the same period last year. **Operating margin** reached 10.4% compared to 12.6% in the first quarter of 2008. The aforementioned margin was achieved in spite of the decline in sales due to the measures regularly taken by Frutarom, on an ongoing basis and mainly lately, for further reduction of expenses and for achieving continued improvement in efficiencies while continuing with the strengthening of its management, R&D and sales infrastructures. The reduction will have its effect mainly in the next quarters. The EBITDA achieved by Frutarom in the first quarter of

2009 totaled US\$ 14.5 M compared to an EBITDA of US\$ 20.2 M in the first quarter of 2008. The **EBITDA** margin reached 14.7% compared to 16.6% in the same period last year. **Net income** in the first quarter of 2009 totaled US\$ 5.6 M compared to US\$ 9.7 M in the same period last year. **Net margin** reached 5.7% compared to 8.0%.

During the first quarter of 2009, the Company generated a positive cash flow of US\$ 10.7 M from current activities compared to a negative cash flow of approximately US\$ 6.4 M achieved during the first quarter of 2008.

**Ori Yehudai** summed up and stated: "During the last months of 2008, the economic atmosphere in the world, which permeated to the global economy, materially changed the growth trend characterizing most of the world's economies 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. We are partners in the creation process of essential products, which answer the basic human needs of consumers around the world. And indeed, analyzing previous economic crises tells us that the food industry and industries related usually demonstrate relatively low sensitivity to the effects of slowdown and instability in the macro-economic environment, especially in comparison to other industries. We estimate that 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, Frutarom will return to growth rates similar to those characterizing its activities in the past. Frutarom estimates that it did not lose a market share with its customers. Frutarom's management is wisely and determinedly preparing for and coping with the effects of the economic crisis including by tightening its monitoring and control of its operational expenses, adjusting and reducing them. The reduction will have its effect mainly in the next quarters. 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, consolidation and utilization of the many synergies from the seven acquisitions we made in 2007, during the first quarter of 2009, we resumed our acquisition strategy. We have already made two successful strategic 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 institutes 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, 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).

**Company Contact**

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