

PRESS RELEASE

August 17, 2010

DOUBLE-DIGIT GROWTH IN SALES FOR FRUTAROM IN THE QUARTER AND IN THE FIRST HALF AND A MATERIAL INCREASE IN PROFIT AND MARGIN

EBITDA MARGIN OF 21% AND LEAP IN THE NET PROFIT TO US\$ 13 M IN THE QUARTER

SALES IN THE SECOND QUARTER IN LOCAL CURRENCY INCREASED BY 10% TO US\$ 114.3 M

GROSS PROFIT INCREASED BY 18.9% AND REACHED US\$ 46.9 M

OPERATING PROFIT INCREASED BY 52.1% TO US\$ 19.4 M AND OPERATING MARGIN INCREASED TO 17%

EBITDA INCREASED BY 38.1% TO US\$ 24 M AND EBITDA MARGIN IMPROVED TO 21%

PROFIT BEFORE TAX INCREASED BY 34.6% TO US\$ 17.1 M

NET PROFIT INCREASED BY 29.1% AND REACHED US\$ 13 M

EARNINGS PER SHARE INCREASED BY 29% AND REACHED US\$ 0.23

ACHIEVED CASH FLOW FROM CURRENT ACTIVITIES OF US\$ 25.3 M IN THE QUARTER

Haifa, Israel – August 17, 2010. Frutarom (LSE: FRUTq, TASE: FRUT, OTC: FRUTF) today presented its results of the second quarter and the first half of 2010.

Frutarom, one of the ten largest companies in the world in the field of flavors and specialty fine ingredients continues to successfully implement its rapid and profitable growth strategy, combining profitable organic growth and the implementation and merger of strategic acquisitions. In the second quarter, Frutarom also achieved profitable growth in sales. The accelerated growth in the sales of Frutarom's core activities and the steps it took in 2009 to strengthen and improve its competitiveness and its operational efficiency led to the material improvement in profit and profitability, which hit record levels.

Frutarom reports on a 10% increase in its revenues in the second quarter of 2010 in local currency terms to US\$ 114.3 M. In US\$ terms, an increase of 7.1% was recorded in the sales of the second quarter of 2010 compared to the same quarter last year. In the first half of 2010,



Frutarom's sales totaled US\$ 227.7 M – an increase of 10% in local currency terms compared to the same half in 2009. In US\$ terms, the increase in sales in the first half of 2010 totaled 11%.

The increase in sales **in the second quarter** arises mainly from an organic growth in Frutarom's Flavor Segment and from an accelerated growth in the activity of Specialty Fine Ingredients Segment, which is attributed to a successful penetration of new products, mainly natural and with higher than average margin rates, developed by the Company in recent years. The successful merger of CH Savory activity, acquired by Frutarom in the second quarter of 2009, has also contributed to the growth in sales. On the other hand, the weakening of the Euro and the Pound Sterling compared to the US\$ (which was slightly setoff as a result of the strengthening of the NIS against the US\$) compared to the second quarter of 2009, led to a decrease of approximately 2.9% in the Company's sales in US\$ terms.

In the second quarter of 2010, Frutarom achieved an increase of 18.9% in **gross profit** that totaled US\$ 46.9 M compared to US\$ 39.4 M in the same period last year. **Gross margin** reached 41.0% compared to 37.0% in the same period in 2009. **Operating profit** increased by 52.1% and reached US\$ 19.4 M compared to US\$ 12.8 M last year. **Operating margin** increased at a sharp rate and reached 17% compared to 12% in the same period of 2009. **The EBITDA in the second quarter of 2010** increased by 38.1% and reached US\$ 24 M compared to US\$ 17.4 M in the same quarter in 2009. **The EBITDA margin** improved significantly and reached 21.0% compared to 16.3% in the same period last year. The profitable growth in sales, the further improvement in the Company's product mix and the maintenance of the expense level achieved as a result of steps taken by Frutarom to achieve operational efficiencies while improving its competitiveness, contributed to the material improvement in profit and profitability.

In the second quarter of 2010, **income before taxes** increased by 34.6% and totaled US\$ 17.1 M (14.9% of sales) compared to US\$ 12.7 M (11.9% of sales) in the same quarter last year.

Net profit in the second quarter of 2010 increased by 29.1% and totaled US\$ 13.0 M compared to US\$ 10.1 M in the same period last year and **net margin** also increased at a sharp rate and reached 11.4% compared to 9.5% in the same quarter last year.

In the first half of 2010, **gross profit** increased by 21% and totaled US\$ 90.4 M compared to US\$ 74.7 M in the same period last year and **gross margin** reached 39.7% compared to 36.4% in the same half in 2009. **Operating profit** increased at a sharp rate of 56.4% and reached US\$ 36.0 M compared to US\$ 23.0 M in the same half last year. **Operating margin** also improved and reached 15.8% compared to 11.2% in the same period of 2009. **The EBITDA in the first half of 2010** increased by 42.2% and reached a record of US\$ 45.3 M compared to US\$ 31.9 M in the same period in 2009. **The EBITDA margin** significantly improved and reached 19.9% compared to 15.5% in the same period last year. **In the first half of 2010**, **income before taxes** increased by 65.1% and totaled US\$ 32.4 M (14.2% of sales) compared to US\$ 19.6 M (9.6% of sales) in the same period last year.

Net profit in the first half of 2010 increased at a sharp rate of 53.8% and totaled US\$ 24.1 M compared to US\$ 15.7 M in the same period last year and **net margin** also increased at a sharp rate and reached 10.6% compared to 7.6% in the same period last year.

During **the second quarter of 2010**, cash flow from current activities increased by 28.9% and totaled US\$ 25.3 M compared to a cash flow of US\$ 19.7 M achieved in the second quarter of 2009. **In the first half of 2010**, the Company generated a positive cash flow from current activities in the amount of US\$ 30.6 M compared to US\$ 30.4 M in the same period last year. The strong cash flow from current activities in the second quarter and the first half of the year was achieved in spite of the increase in Frutarom's sales compared to the same periods in 2009.



Earnings per share in the second quarter of 2010 increased by 29% and reached US\$ 0.23 compared to US\$ 0.18 per share in the same quarter last year. **Earnings per share in the first half of 2010** increased by 53.3% and reached US\$ 0.42 compared to US\$ 0.28 per share in the same half last year.

Ori Yehudai, Frutarom's President and CEO, summed up and stated: "We are satisfied by the continued positive trends expressed in the further achievement of organic growth while materially improving profit and margin which hit this quarter record levels. We witness fine results from the further improvement of our product mix and from the steps we took to strengthen and improve Frutarom's competitiveness and strengthen its operational efficiency. These steps contributed to the material increase in the rates of gross margin, operating margin and net margin and to a material increase of our net profit in the quarter and the first half of the year. The Company's strong capital, its low debt level and the positive cash flow it generates, will enable us, combined with support from leading banks, to continue and implement acquisitions. We will decisively continue to act to implement our rapid growth strategy which combines organic growth and strategic acquisitions and the two together will allow us to again double our sales turnover in 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 additives and cosmetic industries.

Frutarom, which employs approximately 1,450 people worldwide, has 2 main activities:

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

Frutarom's products are produced in 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

oyehudai@frutarom.com Email:

