

FRUTAROM INDUSTRIES LTD.
INTERIM FINANCIAL INFORMATION
(Unaudited)
31 MARCH 2009

FRUTAROM INDUSTRIES LTD.

INTERIM REPORT

(Unaudited)

31 MARCH 2009

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26 May, 2009

Report on Review of Interim Financial Information

Introduction

We have reviewed the accompanying financial information of Frutarom Industries Ltd. and its subsidiaries (hereafter - the group), which includes the condensed consolidated statement of financial position as of 31 March, 2009 and the related condensed consolidated statements of income, changes in shareholders' equity and cash flows for the three-month period then ended. The Board of Directors and management are responsible for preparation and presentation of the financial information for this reporting period in accordance with IAS 34 – "Interim Financial Reporting"; our responsibility is to express a conclusion of the financial data for this interim period based on our review.

We did not review the condensed interim financial information of certain consolidated companies, whose assets included in consolidation constitute approximately 2.87 % of total consolidated assets as of 31 March, 2009 and whose revenues included in consolidation constitute approximately 6.38 % of total consolidated revenues for the three-month period ended on that date. The condensed financial information of these companies was reviewed by other auditors, whose review reports have been furnished to us; and our conclusion, insofar as it relates to the financial information included for these companies, is based on review reports of the other auditors.

Scope of review

Our review was performed in accordance with Standard No. 1 on Review Engagements of the Institute of Certified Public Accountants in Israel - "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". Review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Auditing Standards generally accepted in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review and the review reports of the other auditors, nothing came to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Sincerely,
Kesselman & Kesselman

FRUTAROM INDUSTRIES LTD.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 MARCH 2009

	<u>31 March</u>		<u>31 December</u>
	<u>2009</u>	<u>2008</u>	<u>2008</u>
	<u>(Unaudited)</u>		<u>(Audited)</u>
	<u>U.S. dollars in thousands</u>		
A s s e t s			
CURRENT ASSETS:			
Cash and cash equivalents	27,625	23,384	37,229
Financial assets at fair value through profit or loss	44	601	52
Accounts receivable:			
Trade	70,980	93,145	68,204
Other	10,454	12,057	11,573
Prepaid expenses and advances to suppliers	4,030	3,942	2,564
Inventories	91,450	103,361	94,916
	<u>204,583</u>	<u>236,490</u>	<u>214,538</u>
NON-CURRENT ASSETS:			
Property, plant and equipment	122,480	145,252	125,705
Intangible assets	180,635	200,003	166,083
Deferred income tax assets	3,204	3,811	2,990
Prepaid expenses in respect of operating lease	1,466	1,888	1,476
	<u>307,785</u>	<u>350,954</u>	<u>296,254</u>
Total assets	<u>512,368</u>	<u>587,444</u>	<u>510,792</u>

_____) Chairman of the Board
Dr. John Farber)
_____) President and CEO
Ori Yehudai)
_____) Executive Vice
Alon Granot) President and CFO

Date of approval of the interim financial information by the board of directors: 26 May, 2009

	<u>31 March</u>		<u>31 December</u>
	<u>2009</u>	<u>2008</u>	<u>2008</u>
	<u>(Unaudited)</u>		<u>(Audited)</u>
	<u>U.S. dollars in thousands</u>		
Liabilities and shareholders' equity			
CURRENT LIABILITIES:			
Short-term bank credit and loans and current maturities of long-term loans	53,701	43,750	42,784
Accounts payable:			
Trade	28,639	42,120	26,705
Other	31,345	102,014	27,801
Provisions for other liabilities	934	338	1,028
	<u>114,619</u>	<u>188,222</u>	<u>98,318</u>
NON-CURRENT LIABILITIES:			
Long-term loans, net of current maturities	92,630	90,614	99,383
Retirement benefit obligations	10,786	12,200	11,269
Deferred income tax liabilities	21,256	23,457	22,142
Provisions for other liabilities, net of current maturities	--	1,420	1,420
	<u>124,672</u>	<u>127,691</u>	<u>134,214</u>
Total liabilities	<u>239,291</u>	<u>315,913</u>	<u>232,532</u>
EQUITY			
Share capital	16,490	16,466	16,490
Capital surplus	95,951	94,692	95,802
Currency translation differences	1,300	31,196	9,836
Retained earnings	162,648	132,094	159,502
Less - cost of company shares held by subsidiary	(3,312)	(2,917)	(3,370)
Total equity	<u>273,077</u>	<u>271,531</u>	<u>278,260</u>
Total equity and liabilities	<u>512,368</u>	<u>587,444</u>	<u>510,792</u>

The accompanying notes are an integral part of these condensed financial statements.

FRUTAROM INDUSTRIES LTD.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2009

	3 months ended		Year ended
	31 March		31 December
	2009	2008	2008
	(Unaudited)		(Audited)
	U.S. dollars in thousands,		
	except for income per share data		
SALES	98,424	122,030	473,286
COST OF SALES	63,200	77,257	297,015
GROSS PROFIT	35,224	44,773	176,271
SELLING, MARKETING, RESEARCH AND DEVELOPMENT, GENERAL AND ADMINISTRATIVE EXPENSES:			
Selling, marketing, research and development - net	17,090	20,845	85,003
General and administrative	7,798	8,716	35,206
OTHE EXPENSE (INCOME) - net	107	(134)	(549)
INCOME FROM OPERATIONS	10,229	15,346	56,611
FINANCIAL EXPENSES – net	3,310	2,824	10,550
PROFIT BEFORE TAXES ON INCOME	6,919	12,522	46,061
TAXES ON INCOME	1,318	2,817	8,832
NET INCOME FOR THE PERIOD	5,601	9,705	37,229
NET INCOME PER SHARE:			
Basic	0.10	0.17	0.65
Fully diluted	0.10	0.17	0.64

The accompanying notes are an integral part of these condensed financial statements.

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FRUTAROM INDUSTRIES LTD.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2009

	<u>Share Capital</u>	<u>Capital Surplus</u>	<u>Currency translation differences</u>	<u>Retained earnings</u>	<u>Cost of company shares held by subsidiary</u>	<u>Total</u>
	U. S. dollars in thousands					
BALANCE AT 1 JANUARY 2009 (audited)	16,490	95,802	9,836	159,502	(3,370)	278,260
CHANGES DURING THE 3 MONTHS ENDED 31 MARCH 2009 (unaudited):						
Net income not recognized in the net profit - changes in currency translation			(8,536)			(8,536)
Net income				5,601		5,601
Total recognized income for 3 months ended 31 March 2009						(2,935)
Plans for allotment of company shares to employees of subsidiary:						
Acquisition of company shares by subsidiary						
Receipts in respect of allotment of company shares to employees					58	58
Allotment of shares and options to senior employees- recognition of compensation related to employee stock and options grants		149				149
Dividend (note 4)				(2,455)		(2,455)
BALANCE AT 31 MARCH 2009 (unaudited)	<u>16,490</u>	<u>95,951</u>	<u>1,300</u>	<u>162,648</u>	<u>(3,312)</u>	<u>273,077</u>

FRUTAROM INDUSTRIES LTD.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)

FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2009

	<u>Share capital</u>	<u>Capital surplus</u>	<u>Currency translation differences</u>	<u>Retained earnings</u>	<u>Cost of company shares held by subsidiary</u>	<u>Total</u>
	U . S . d o l l a r s i n t h o u s a n d s					
BALANCE AT 1 JANUARY 2008 (audited)	16,466	94,392	17,638	125,279	(2,660)	251,115
CHANGES DURING THE 3 MONTHS ENDED 31 MARCH 2008 (unaudited):						
Net income not recognized in the net profit - changes in currency translation			13,558			13,558
Net income				9,705		9,705
Total recognized income for 3 months ended 31 March 2008						23,263
Plans for allotment of company shares to employees of subsidiary:						
Acquisition of company shares by subsidiary					(570)	(570)
Receipts in respect of allotment of company shares to employees					313	313
Allotment of shares and options to senior employees - recognition of compensation related to employee stock and options grants		300				300
Dividend				(2,890)		(2,890)
BALANCE AT 31 MARCH 2008 (unaudited)	<u>16,466</u>	<u>94,692</u>	<u>31,196</u>	<u>132,094</u>	<u>(2,917)</u>	<u>271,531</u>

FRUTAROM INDUSTRIES LTD.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2009

	<u>Share capital</u>	<u>Capital surplus</u>	<u>Currency translation differences</u>	<u>Retained earnings</u>	<u>Cost of company shares held by subsidiary</u>	<u>Total</u>
	<u>U. S. dollars in thousands (audited)</u>					
BALANCE AT 1 JANUARY 2008	16,466	94,392	17,638	125,279	(2,660)	251,115
CHANGES IN 2008:						
Net income not recognized in the net profit - changes in currency Translation			(7,802)			(7,802)
Net income				37,229		37,229
Total recognized income for 2008						<u>29,427</u>
Plan for allotment of Company shares to employees of subsidiary:						
Purchase of Company shares by subsidiary						
Receipts in respect of allotment of Company shares to employees					(1,160) 450	(1,160) 450
Allotment of shares and options to senior employees:						
Allotment of share capital to senior employees	24	237				261
Recognition of compensation related to employee stock and option grants		1,173				1,173
Dividend				(3,006)		(3,006)
BALANCE AT 31 DECEMBER 2008	<u>16,490</u>	<u>95,802</u>	<u>9,836</u>	<u>159,502</u>	<u>(3,370)</u>	<u>278,260</u>

FRUTAROM INDUSTRIES LTD.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THREE-MONTH PERIOD ENDED 31 MARCH 2009

	3 months ended		Year ended
	31 March		31 December,
	2009	2008	2008
	U.S. dollars in thousands		
	(Unaudited)		(Audited)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash generated from operations (used in operations) (Note 8)	13,802	(4,838)	51,560
Income tax paid	(3,073)	(1,532)	(14,540)
Net cash provided by (used in) operating activities	<u>10,729</u>	<u>(6,370)</u>	<u>37,020</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment	(1,562)	(3,336)	(10,462)
Purchase of intangibles	(622)	(72)	(943)
Interest received	158	* 66	264
Acquisition of subsidiary – net of cash acquired			(51,761)
Acquisition of operations – net of cash acquired (Notes 2 and 3)	(29,398)		
Reimbursement in respect of acquisition of operations			425
Proceeds from sale of property, plant and equipment	587	71	8,245
Disposal of securities classified at fair value through profit or loss	8	734	1,227
Net cash used in investing activities	<u>(30,829)</u>	<u>(2,537)</u>	<u>(53,005)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Receipts from senior employees in respect of allotment of shares			261
Interest paid	(1,388)	* (1,277)	(8,015)
Receipt of long-term bank loans	9,245	7,032	82,117
Repayment of long-term bank loans	(15,218)	(4,340)	(27,621)
Receipt (repayment of) short-term bank credit and loans – net	15,694	2,013	(19,917)
Purchase of company shares by subsidiary – net of receipts in respect of the shares	58	(257)	(710)
Dividend paid			(3,006)
Net cash provided by financing activities	<u>8,391</u>	<u>3,171</u>	<u>23,109</u>
INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND BANK CREDIT	(11,709)	(5,736)	7,124
BALANCE OF CASH AND CASH EQUIVALENTS AND BANK CREDIT AT BEGINNING OF PERIOD	37,229	28,177	28,177
EARNINGS ON EXCHANGE DIFFERENCES IN RESPECT OF CASH AND BANK CREDIT	1,928	935	1,928
BALANCE OF CASH, CASH EQUIVALENTS AND BANK CREDIT AT END OF PERIOD (Note 7)	<u>27,448</u>	<u>23,376</u>	<u>37,229</u>

* Reclassified.

The accompanying notes are an integral part of these condensed financial statements.

FRUTAROM INDUSTRIES LTD.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2009

(UNAUDITED)

1. General:

- a) The interim condensed consolidated financial information of the group as of 31 March , 2009 and for the 3 month period ended on that date (hereinafter - the interim financial information) was prepared in accordance with International Accounting Standard No. 34 - "Interim Financial Reporting" (hereafter – "IAS 34"). The interim financial information should be read in conjunction with the annual financial statements as of 31 December, 2008 and for the year ended on that date and with the notes thereto, which were all prepared in accordance with International Financial Reporting Standards (hereafter – "IFRS").

The interim financial information is reviewed and is not audited.

- b) The principal accounting policies and calculation methods used in preparation of the interim financial information are consistent with those used in preparation of the annual financial statements as of 31 December 2008 and for the year then ended.

Income tax for interim periods is included based on the best management's estimate of the weighted average annual income tax rate expected for the full financial year.

c) Basis of preparation

- 1) Standards and interpretations to existing standards that came into effect and are effective for reporting period commencing on January 1, 2009, but whose first time implementation had no material effect on the group's financial statements:
- (a) International Accounting Standard No. 1 (Amended) – "Presentation of Financial Statements". In addition, commencing January 1, 2009 and amendment to this standard came into effect.
 - (b) International Financial Reporting Standard No. 8 – "Operating Segments" .
 - (c) Amendments to IAS 23, "Borrowing costs".
 - (d) Interpretation No. 16 issued by the International Financial Reporting Interpretation Committee – "Hedges of a Net Investment in a Foreign Operation".
 - (e) Amendment to International Financial Reporting Standard No. 2 – "Share Based Payment"
 - (f) Amendment to International Accounting Standard No. 36 – "Impairment of Assets".
 - (g) Amendment to International Accounting Standard No. 38 – "Intangible Assets".
 - (h) Amendment to International Accounting Standard No. 19 – "Employee Benefits".

FRUTAROM INDUSTRIES LTD.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

31 MARCH 2009

(UNAUDITED)

1. General (continued):

- d) The Company's activity is subject to seasonal fluctuations, with generally higher sales in the first half of a given year and lower sales in the second half of a given year (in particular in the fourth quarter).

Many of the Company's products are used by its customers in the manufacture of beverages and dairy products such as soft drinks, ice cream and yogurts, for which demand generally increases during the summer months. As a result, sales of certain flavors and fine ingredients produced by the Company are higher in the first half of the year than in the second half.

2. Acquisition of Oxford Chemicals Limited:

On 30 January, 2009, the group acquired, through a subsidiary, the operations of Oxford Chemicals Limited (hereafter- Oxford).

Oxford is a UK resident company engaged in the development, manufacture and marketing of unique raw materials for the flavor and fragrances industry.

The consideration paid in cash in respect of the acquisition was £ 8,250 thousands (U.S. \$ 11,734 thousands); the acquisition was financed by a long-term loan.

The cost of acquisition was allocated to tangible assets, intangible assets (including goodwill) and to acquired liabilities based on their fair value at the date of acquisition. The fair value of assets and liabilities would be determined subject to final assessments performed for the Company.

The cost of acquisition presented in these financial statements includes acquisition costs. The cost of acquisition amounts to £ 8,630 thousands (U.S. \$ 12,274 thousands).

The intangible assets that were recognized include: products formulas at the total amount of £ 700 thousands (U.S. \$ 996 thousands), customer relationships at the total amount of £ 150 thousands (U.S. \$ 213 thousands) and goodwill at the total amount of £ 4,071 thousands (U.S. \$ 5,790 thousands).

The products formula and customers relationship are amortized over an economic life of 20 years and 10 years, respectively.

The goodwill is not amortized but tested annually for impairment.

FRUTAROM INDUSTRIES LTD.
NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)
31 MARCH 2009
(UNAUDITED)

2. Acquisition of Oxford Chemicals Limited (continued):

Set forth below are data included in the consolidated financial statements as of 31 March, 2009:

	31 March 2009
	U.S. dollars in thousands
	(Unaudited)
Current assets:	
Cash and cash equivalents	365
Accounts receivable:	
Trade	2,537
Other	165
Inventories	2,301
Non-current assets:	
Property, plant and equipment	2,687
Intangible assets	7,030
Deferred income taxes	31
Current liabilities:	
Short-term credit and loans	(177)
Accounts payable:	
Trade	(1,524)
Other	(1,004)
	12,411

The acquired operations resulted with revenues of £ 1,785 thousands (U.S. \$ 2,556 thousands) and net income of £ 16 thousands (U.S. \$ 23 thousands), net of re-organization expenses of £ 226 thousands (U.S. \$ 324 thousands) for the period from 1 February 2009 to 31 March 2009.

Assets and liabilities of Oxford as of the date of acquisition:

	Fair value	Value of the acquired operations in books of Oxford
	U.S. dollars in thousands	
Current assets:		
Accounts receivable:		
Trade	1,724	1,724
Other	188	188
Inventories	2,254	2,364
Non-current assets:		
Property, plant and equipment	2,792	2,792
Intangibles assets	1,209	
Goodwill	5,790	
Deferred income taxes	31	
Current liabilities:		
Accounts payable:		
Trade	(1,182)	(1,182)
Other	(532)	(532)
	*12,274	5,354

* Not including additional acquisition costs of £ 380 thousands (U.S. \$ 540 thousands).

FRUTAROM INDUSTRIES LTD.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

31 MARCH 2009

(UNAUDITED)

3. Acquisition of Flavor Specialties Inc.:

On 4 March, 2009, the group acquired, through a subsidiary, the operations of the U.S. company Flavors Specialties Inc. (hereafter – FSI)

FSI is a company engaged in the development, production and marketing of flavor extracts and botanical extracts, mainly for the food and beverages industries.

The consideration paid in cash in respect of the acquisition was \$ 17,200 thousands; the acquisition was financed by a long-term loan.

The purchase agreement stipulates a mechanism for the payment of a future consideration based on the average EBITDA achieved by FSI in the course of the 24 months ending 31 December 2010, multiplied by 5.5 so that the total consideration may increase to \$ 27 million or decrease to \$ 13.35 million.

The said mechanism would increase the consideration in case where the average EBITDA of the acquired operations would exceed \$ 3.1; the said mechanism would decrease the consideration in case where the average EBITDA of the acquired operations would decrease below \$ 2.7 million.

The cost of acquisition was allocated to tangible assets and intangible assets (including goodwill) acquired based on their fair value at the date of acquisition. The fair value of assets and liabilities would be determined subject to final assessments performed for the Company.

The cost of acquisition presented in these financial statements includes acquisition costs. The cost of acquisition amounts to U.S. \$ 17,458 thousands.

The intangible assets that were recognized include: products formulas at the total amount of U.S. \$ 2,868 thousands, customer relationships at the total amount of U.S. \$ 2,850 thousands and goodwill at the total amount of U.S. \$ 8,530 thousands.

The products formula and customers relationship are amortized over an economic life of 20 years and 7 years, respectively.

The goodwill is not amortized but tested annually for impairment.

FRUTAROM INDUSTRIES LTD.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

31 MARCH 2009

(UNAUDITED)

3. Acquisition of Flavor Specialties Inc. (continued):

Set forth below are data included in the consolidated financial statements as of 31 March, 2009:

	31 March 2009
	<u>U.S. dollars in thousands</u>
	<u>(Unaudited)</u>
Current assets:	
Cash and cash equivalents	152
Accounts receivable:	
Trade	1,646
Other	71
Inventories	1,558
Non-current assets:	
Property, plant and equipment	570
Intangible assets	14,212
Current liabilities:	
Accounts payable:	
Trade	(235)
Other	(407)
	<u>17,567</u>

The acquired operations resulted with revenues of U.S. \$ 985 thousands and net income of U.S. \$ 186 thousands, net for the period from 4 March 2009 to 31 March 2009.

Assets and liabilities of FSI as of the date of acquisition:

	Fair value	Value of the acquired operations in books of FSI
	<u>U.S. dollars in thousands</u>	<u>U.S. dollars in thousands</u>
Current assets:		
Accounts receivable		
Trade	1,314	1,314
Other	13	13
Inventories	1,515	1,515
Non-current assets:		
Property, plant and equipment	590	590
Intangibles	5,718	
Goodwill	8,530	
Current liabilities:		
Accounts payable:		
Trade	(222)	(222)
	<u>*17,458</u>	<u>3,210</u>

* Not including additional acquisition costs of U.S. \$ 258 thousands.

FRUTAROM INDUSTRIES LTD.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

31 MARCH 2009

(UNAUDITED)

4. Dividend

On 18, March 2009, the Company's Board of Directors declared the distribution of a dividend of NIS 0.18 per share, in the total amount of \$ 2,455 thousands. On 6 May, 2009, a dividend of \$ 2,485 thousands was paid to the shareholders.

5. Equity

During the 3-month period ending March 31, 2009, 21,074 options, which were granted in the past to employees, were exercised to purchase 21,074 shares of NIS 1 par value (unaudited). The total exercise price is U.S. \$ 58 thousands (NIS 227 thousands).

6. Segment Reporting:

The company operates in three operating segments: the flavors division, the fine ingredients division and the trade and marketing division.

Performance of the segments is measured based on the operating profit.

	Flavors Division	Fine ingredients division	Trade and Marketing division	Eliminations	Total Consolidated
	U.S. dollars in thousands				
3 months ended 31 March 2009 (unaudited):					
Revenues	67,383	29,592	2,191	(742)	<u>98,424</u>
Segment results	8,139	1,945	118	27	<u>10,229</u>
3 months ended 31 March 2008 (unaudited):					
Revenues	84,405	35,266	3,675	(1,316)	<u>122,030</u>
Segment results	12,071	3,261	190	(176)	<u>15,346</u>
Year ended 31 December 2008 (audited):					
Revenues	339,819	124,339	13,175	(4,047)	<u>473,286</u>
Segment results	47,557	8,332	814	(92)	<u>56,611</u>

The reconciliation of the reported profits and total profits before taxes for the reported periods is described below:

	3 months ended		Year ended
	31 March		31 December
	2009	2008	2008
	(Unaudited)		(Audited)
	U.S. dollars in thousands		
Reported segment profits	10,229	15,346	56,611
Financing expenses	3,310	2,824	10,550
Profit before taxes on income	<u>6,919</u>	<u>12,522</u>	<u>46,061</u>

FRUTAROM INDUSTRIES LTD.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

31 MARCH 2009

(UNAUDITED)

7. Cash and cash equivalents

Cash and bank overdrafts at the end of the reported periods include the following for the purposes of the cash flow statement:

	31 March		31 December
	2009	2008	2008
	(Unaudited)		(Audited)
	U.S. dollars in thousands		
Cash and cash equivalents	27,625	23,384	37,229
Bank overdrafts	(177)	(8)	
	<u>27,448</u>	<u>23,376</u>	<u>37,229</u>

8. Cash Flows from Operations (used in operations):

	3 months ended		Year ended
	31 March		31 December
	2009	2008	2008
	U.S. dollars in thousands		
	(Unaudited)		(Audited)
Profit before taxes on income	6,919	12,522	46,061
Adjustments required to reflect the cash flows from operating activities:			
Depreciation and amortization	4,102	4,550	18,551
Recognition of compensation related to employee stock and option grants	149	300	1,173
Liability for employee rights upon retirement – net	21	(173)	243
Deferred income taxes – net	(140)	(499)	1,879
Loss (gain) from sale of fixed assets	31	17	(3,231)
Increase (decrease) in provisions – net		(102)	588
Erosion of long-term loans	(755)	1,089	558
Interest paid - net	1,231	1,211*	7,751
	<u>4,639</u>	<u>6,393</u>	<u>27,512</u>
Changes in operating asset and liability items:			
Decrease (increase) in accounts receivable:			
Trade	(1,886)	(12,844)	2,850
Other	(977)	672	1,114
Increase (decrease) in accounts payable:			
Trade	849	1,627	(11,991)
Other	990	(4,410)	(3,228)
Decrease (increase) in inventories	3,268	(8,798)	(10,758)
	<u>2,244</u>	<u>(23,753)</u>	<u>(22,013)</u>
Cash flows from operating activities (used in operating activities)	<u>13,802</u>	<u>(4,838)</u>	<u>51,560</u>
Non-cash transactions:			
Refund receivable in respect of land in North of Israel			<u>359</u>

* Reclassified.