

# PRESS RELEASE

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## **FRUTAROM REVENUES IN 2010 INCREASED BY 8% IN LOCAL CURRENCY AND 6.1% IN US DOLLARS TO**

**\$US 451.1 M;**

**33% RISE IN OPERATING PROFIT TO \$US 63 M;**

**NET PROFIT REACHED RECORD LEVEL OF US\$ 44.1 M**

## **RECORD RESULTS OBTAINED IN SALES, PROFIT AND MARGINS IN Q4 2010**

### **ORI YEHUDAI, FRUTAROM'S PRESIDENT AND CEO:**

**"FRUTAROM IS CONTINUOUSLY ACCELERATING ITS PENETRATION INTO EMERGING MARKETS, WHICH ARE CHARACTERIZED BY HIGH GROWTH RATES AND INCREASING DEMAND FOR THE COMPANY'S PRODUCTS, WHILE CONTINUING TO GROW IN TRADITIONAL MARKETS."**

#### **2010 HIGHLIGHTS:**

- OPERATING PROFIT INCREASED BY 33.2% REACHING A RECORD OF US\$ 63M
- EBITDA INCREASED BY 23.9% REACHING A RECORD OF US\$ 82 M
- PROFIT BEFORE TAX INCREASED 39.2% TO US\$ 59.8 M
- NET PROFIT INCREASED BY 32.8% REACHING A RECORD OF US\$ 44.1 M
- EARNING PER SHARE INCREASED BY 32.6% REACHING A RECORD OF 0.77\$



- **ADDITIONAL DIVIDEND DISTRIBUTION TOTALING NIS 11.6 M (US\$ 3.3 M)**

Frutarom (LSE: FRUTq, TASE: FRUT, OTC: FRUTF) presented its 2010 annual and fourth-quarter results today.

Frutarom, one of the top ten companies worldwide in the fields of Flavors and Specialty Fine Ingredients, reported record results in Q4 2010 as well as growth in revenues and record margins in FY 2010. The Company continues to successfully implement its rapid and profitable growth strategy, by achieving organic growth and executing strategic acquisitions.

The growth in the sales of Frutarom's core activities, the improvement in the Group's product mix and the maintenance of its competitive expense structure, led to record levels of sales, gross profit, operating profit, EBITDA, net profit, earnings per share, and operating margin rates in Q4 2010 with regard to Q4 in previous years.

**Frutarom's revenues in Q4 2010** totaled US\$ 112.4 million, a 7.3% increase in local currency terms compared to Q4 2009. The strengthening of the dollar against European currencies offset 3.7% of the increase in Frutarom's sales. In terms of US dollars growth of 3.6% was achieved.

**Frutarom's revenues in FY 2010** totaled US\$ 451.1 million, an 8% increase in comparison to revenues of US\$ 425.2 million in 2009 in local currency terms. The strengthening of the US dollar against European currencies offset 1.9% of the increase in Frutarom's sales. In terms of US dollars, the sales increased by 6.1% compared to 2009.

Frutarom is determined to accelerate its growth and increase its market share in key operating regions while putting a greater emphasis on additional emerging markets. Frutarom's strengthening of activities in emerging markets is reflected with impressive results: sales in Asia and the Far East grew in 2010 by 22.8% alongside an increase of 12.6% in America compared to the same period in 2009.

**Annual gross profit** increased by 12.4% totaling US\$ 174.8 million compared to US\$ 155.5 in 2009. **Gross margin** rose and reached 38.8% compared to 36.6% in 2009.

**Gross profit in Q4 2010** increased by 4.3% and reached US\$ 41.3 million compared to US\$ 39.6 million in the same quarter in 2009. **Gross margin** reached 36.8% compared to 36.5% in the same period in 2009.

**Operating profit in 2010** increased sharply by 33.2% and reached a record level of US\$ 63 million compared to US\$ 47.3 million in 2009. Operating margin reached 14%.

**Operating profit** increased in Q4 2010 by 10.0% to US\$ 12.1 million compared to US\$ 11 million in 2009. **Operating margin** in Q4 increased and reached 10.7% compared to 10.1% in the same period in 2009.

**EBITDA in 2010** increased by 23.9% and reached a record level US\$ 82 million compared to US\$ 66.2 million in 2009. **EBITDA margin** reached a record level of 18.2% of sales compared to 15.6% of sales in 2009.



**EBITDA in Q4 2010** increased by 5.3% to US\$ 16.9 million compared to US\$ 16 million in the same quarter in 2009. **EBITDA margin** improved and reached 15% compared to 14.8% in the same period last year.

Frutarom's continually profitable organic growth, diversification of product offering, and tight discipline of the competitive expense structure achieved through our focus on operational efficiency in 2009 and 2010 led to the material improvement in operating profit and margin and in the EBITDA and EBITDA margin, which reached record levels in 2010.

**Profit before tax in 2010** increased sharply by 39.2% totaling US\$ 59.8 million and accounts for 13.3% of sales compared to profit before tax of US\$ 42.9, which accounts for 10.1% of sales in 2009.

**Profit before tax in Q4 2010** increased sharply by 21.4% totaling US\$ 12.2 million (10.9% of sales) compared to US\$ 10.1 million (9.3% of sales) in the same quarter last year.

**Net profit in 2010** increased sharply by 32.8% and reached a record level of US\$ 44.1 million compared to US\$ 33.2 million in 2009. **Net margin in 2010** improved and reached 9.8% compared to 7.8% in 2009.

**Net profit in Q4 2010** increased by 17.8% and reached a Q4 record level of US\$ 8.8 million compared to US\$ 7.5 million in 2009. **Net margin** also increased and reached 7.9% compared to 6.9% in the same quarter last year.

**Earnings per share in 2010** increased sharply by 32.6% and reached a record level of US\$ 0.77 per share compared to US\$ 0.58 per share in 2009. **Earnings per share in Q4 2010** increased by 17.9% and reached a Q4 record level of US\$ 0.15 compared to US\$ 0.13 per share in the same quarter last year.

**In 2010, Frutarom's generated cash flow from current activity** of US\$ 62.1 million compared to a cash flow of US\$ 84.9 million in 2009. The strong cash flow that was achieved in the last two years significantly contributed to a material reduction in Frutarom's debt level to approximately US\$ 20 million. The strong cash flow of 2009 was also affected by a significant reduction in inventory levels performed by Frutarom in response to inventory reduction undertaken by its customers. Frutarom is continually working to maintain an optimal inventory level to suit the expected growth in sales while taking into consideration seasonality, supply and demand of raw materials along with their current and forecasted prices.

Frutarom's **equity** as of December 31, 2010 totaled US\$ 359.8 million (69.3% of the total balance sheet) compared to US\$ 318.5 million (60.5% of the total balance sheet) on December 31, 2009. The majority of the increase in equity resulted from the net profit generated during the period.

The Company reports the distribution of additional dividends for the sum of NIS 11.6 million (approximately US\$ 3.3 million).

**Ori Yehudai, Frutarom's President and CEO**, summarized the results saying, "2010 was a year of growth in Frutarom's sales and a record year in profit and margin. This year was characterized by a return to growth in the global economy in general, and in the food, flavors and specialty ingredients



industries in particular. Frutarom is continuously accelerating its penetration into emerging markets which are characterized by a high growth rate and increasing demand for the Company's products, while continuing to grow in traditional markets. We had preemptively identified the trend towards health products and convenience foods, and we were wise to integrate them into the Company's unique product offering; this allowed us to achieve a marketing and competitive advantage that will ensure the continued long-term growth of the Company".

"In recent months, we have witnessed a global trend of increased prices of raw materials, including some of the raw materials used by Frutarom in the manufacture of its products. We have acted determinedly, and shall continue to do so as long as this trend prevails, to prevent future effects on the results of our activity including by adjusting selling prices of affected products. We are constantly acting to expand our sources of supply and optimally use the diverse capabilities of Frutarom's production sites worldwide."

"Upon the recovery of the mergers and acquisition market from the effects of the global economic crisis during 2009, we have restarted in recent months to implement acquisitions and acquired the Savory Activity of Rieber & Son from Norway and the assets and activities of EAFI in the UK. These two acquisitions, as well as previous acquisitions we implemented in 2009, are synergetic with our activities, expand our customer base and our product mix and enable us to offer our diverse customer a high-quality and comprehensive solutions to their demands".

"Frutarom's solid capital structure, has been supported by the strong cash flow achieved in the last two years, significantly contributing to the reduction of debt; combined with the strong support of leading financial institutions, it will allow us to continue implementing persistently our rapid growth strategy, combining organic, profitable growth and strategic acquisitions, while continuing to strengthen Frutarom's position as one of the world's leading companies in the flavors and specialty ingredients fields. Frutarom strives for realizing its excellent acquisitions pipeline and will put a greater emphasis on acquisitions in the growing, target markets of Asia, Eastern Europe, Central and South America, alongside acquisitions in traditional markets such as North America. Alongside the acquisitions, we will continue to act for achieving profitable, organic growth, to achieve our goal and again double our turnover within the next 4 years".

#### **About Frutarom**

**Frutarom** is a global company operating in the global flavor and fine ingredients markets. Frutarom has significant production and development centers on three continents and it markets its products in 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 additives and cosmetic industries.

Frutarom, which employs approximately 1,500 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, South Africa 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, Costa Rica, China, Japan, Hong Kong, India, Indonesia and South Africa. The Company also works through local agents and distributors worldwide.

For further information, visit our website: [www.frutarom.com](http://www.frutarom.com).

