

PRESS RELEASE

**FRUTAROM BENEFITS FROM ITS RAPID  
GROWTH STRATEGY**

**SHARP GROWTH AND CONSIDERABLE  
IMPROVEMENT IN PROFIT AND IN MARGIN  
LEVELS; RECORD NET PROFIT: US\$ 9.7 M**

**FIRST QUARTER SALES LEPT 51.6% TO US\$ 122 M**

**GROSS PROFIT GREW BY 50.2% TO US\$ 44.8 M**

**OPERATING PROFIT GREW 47.8% TO US\$ 44.8 M**

**EBITDA GREW BY 52.3% TO US\$ 20.2 M**

**NET PROFIT GREW 27.3% TO US\$ 9.7 M**

**PROFIT PER SHARE ROSE 21.0% TO US\$ 0.17**

- As expected, Frutarom completed most of the merger process of the 7 strategic acquisitions made last year, and substantially improved profit and profitability levels
  - Level of gross profit – 36.7%
  - Level of operating profit – 12.6%
- Determined actions to adjust Frutarom's selling prices to increased raw materials prices contributed to the significant improvement in margin
- Ori Yehudai, Frutarom's President and Chief Executive Officer: "We are satisfied with the seven strategic acquisitions made in 2007, and are focusing on extracting the greatest possible commercial and operational synergies from the acquired activities and our global activity. We will continue to adjust selling prices to any further increases in raw materials prices. We are committed to sustaining the trend of improvement to profit and profitability."

Frutarom, a producer of flavors and unique fine ingredients, continues to implement its strategy for rapid growth, which is expressed in organic growth and in the execution of strategic acquisitions. Frutarom is today one of the ten large, leading global companies in the field of flavors and specialty ingredients. Frutarom's sharp, ongoing growth in sales turnover is also leading to improvement in profit and profitability.

**Frutarom reported record income of US\$ 122 million for the first quarter of 2008 – growth of 51.6% compared with the same quarter in 2007.** The Company also had **sharp growth of 50.2% in gross profit for the quarter, to US\$ 44.8 million, and growth of 47.8% in operating profit compared with the level achieved in the same quarter last year, totaling US\$ 15.3 million for the first quarter of 2008.**

In its core activities, Frutarom's continues to create double digit growth that is considerably (three times) higher than the growth level of its market of operations. In the last five years Frutarom has registered growth of 330% in quarterly sales, from a level of US\$ 28 million to a level of US\$ 122 million.

The following factors contributed to the sharp growth in the Company's sales in the last year: organic growth in sales of flavors produced and sold by the Flavors Division; organic growth in the Fine Ingredients Division's sales; the merger of Acatris's and Abaco's activities with the Fine Ingredients Division's global activities; the merger of Belmay's and Jupiter's activities with the Flavors Division's activities in England; the merger with the Flavors Division's activities in Israel of Raychan's, Adumim's and Rad's activities; the merger of the Gewurzmueller Group's activities with the Flavors Division's activities in Germany; extraction of the synergy and cross selling opportunities between Frutarom's divisions and its customers and products, both existing and added through the acquisitions made in recent years; strengthening of the West European currencies (in which most of Frutarom's sales are made) against the US dollar; and growth in Frutarom's Trade & Marketing activity in Israel.

According to **Ori Yehudai, President and Chief Executive Officer of Frutarom**, "The results that we achieved in the first quarter reflect the successful continuation of our strategy for rapid growth. During the quarter we attained considerable growth in our sales, consisting of double digit growth in core activities and the contribution of the seven acquisitions made in 2007, which were successfully merged and consolidated with our global activity. During the last three quarter of 2007 these acquisitions added to sales but, as expected, did not contribute to profit and even had a slight adverse affect on profitability. This year, with most of the merger and consolidation processes relating to the acquired companies completed, Frutarom is enjoying considerable growth in sales and substantial improvement in profit and profitability."

Raising Frutarom's selling prices and adjusting them to the increased prices of raw materials used in the Company's production contributed to the improvement in Frutarom's profitability compared with the last three quarters of 2007. **Frutarom's gross profit in the first quarter of 2008 totaled US\$ 44.8 million, growing 50.2% compared with the same quarter last year.** According to Yehudai, "The resolute actions taken during the third and particularly the fourth quarters of 2007 to adjust our selling prices to price rises in raw materials, contributed to the improvement in profit margins." Frutarom's gross profit level for the quarter reached 36.7% of income, similar to the first quarter of 2007 (37%), but significantly higher than during the preceding quarters. During the fourth quarter of 2007, the Company's gross profit was 33.8% of sales.

**Frutarom's operating profit grew substantially during the first quarter of 2008 to US\$ 15.3 million—growth of 47.8%** compared with the same quarter last year. Operating margin, which during 2007 was influenced by the acquisitions made and the influence of higher raw materials prices, showed considerable improvement compared with the margin achieved during the last three quarters of 2007. Operating profit reached 12.6% of the

Company's income, similar to the level reached in the first quarter of last year and markedly higher than during the second half of 2007, which totaled 8% of income.

**The EBITDA achieved by Frutarom in the first quarter of 2008 totaled US\$ 20.2 million or 16.6% of sales—growth of 52.3%** compared with the same period in 2007. **Frutarom's EBITDA in the first quarter of 2007 was similar, reaching 16.5% of sales.** As planned, in view of the completion of most of the acquisitions' merger processes and the determined actions take to adjust selling prices to the increasing raw materials prices, Frutarom shows substantial improvement in EBITDA levels compared with the second half of 2007, when these reached 12% of income.

**Net profit for the first quarter of 2008 grew by 27.3% to reach a quarterly record of US\$ 9.7 million**, compared with US\$ 7.6 million for the same quarter in 2007. Frutarom's net profit for the first quarter of 2008 is the highest in the Company's history and doubled compared with the previous quarter, in spite of finance expenses in the amount of US\$ 2.8 million (2.3% of sales) compared with US\$ 0.1 million (0.9% of sales) in the last quarter of 2007.

**Profit per share rose during the first quarter of 2008 by 21.0% to reach US\$ 0.17**, compared with US\$ 0.14 per share in the same period in 2007.

**Frutarom's equity** as at March 31, 2008 totaled US\$ 271.5 million (46.2% of the balance sheet) compared with US\$ 223.6 million (65.1% of the balance sheet) as at the end of the same quarter last year.

**Yehudai** summed up the quarter, noting "We will continue to implement our strategy for rapid and profitable growth. We are satisfied with the rate of organic growth and the seven acquisitions made in 2007, and are focusing on extracting the greatest possible commercial and operational synergies from the acquired activities and our global activity. The resolute actions that we have taken to adjust the Company's selling prices to the price increases of raw materials, and the merger process for the acquisitions, which have been executed as planned, contributed to the considerable improvement in profit margins compared with the last three quarters of 2007. Frutarom is committed to sustaining the trend of rapid growth in our activity and improvement in profit and profitability."

#### Background on the Company

Frutarom is a global company active in the global markets for flavors and ingredients. Frutarom has significant production and development centers on three continents and markets its products on 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 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. Frutarom has about 1,500 employees worldwide.

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

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