



**PRESS RELEASE**

**FRUTAROM CONTINUES ACHIEVING RECORD RESULTS AND FIFTH  
CONSECUTIVE YEAR OF GROWTH**

**SALES GREW 41.2% TO US\$ 196.8 M**

**NET PROFIT INCREASES SIGNIFICANTLY BY 91.6% TO US\$ 15.8 M**

**NET MARGIN FOR 2004 ROSE 8% COMPARED WITH 5.8% FOR LAST YEAR**

**CASH FLOW FROM CURRENT OPERATIONS REACHED US\$ 17.3 M**

**Haifa, Israel - March 24, 2005.** Frutarom (LSE: FRUTq, TASE: FRUT) today presented its full year and fourth quarter 2004 results.

2004 was the fifth consecutive year of record results for Frutarom. This year, the Company continued on its trend of increased sales, profitability and profits following the successful implementation of Frutarom's rapid growth strategy combining organic growth of core activities with strategic acquisitions of activities and knowhow in its main fields of business and in strategic geographic regions.

According to Ori Yehudai, the Frutarom Group's President and Chief Executive Officer, "In 2004 Frutarom made further significant progress in positioning itself as one of the world's leading flavors and fragrances companies. The excellent results that Frutarom achieved are due to the double digit organic growth in core activities (as achieved in previous years), the successful integration of the Flachsmann activities acquired by Frutarom in 2003; and our focus on leveraging the cross selling possibilities from the recent acquisition of the Food Systems activity from International Flavors & Fragrances, Inc. ("IFF"). The activities and achievements of recent years coupled with the many cross-selling opportunities serve as a solid foundation for Frutarom's continued future growth and prosperity.

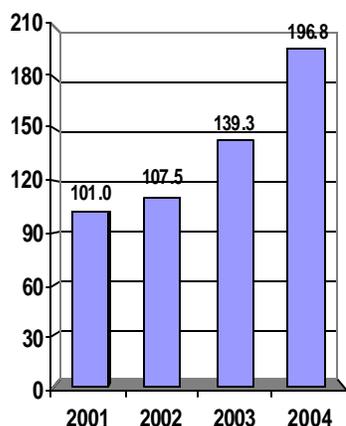
During the second half of 2004, Frutarom completed the acquisition of IFF's Food Systems activity in Europe. The Food Systems business develops, produces and markets unique compounds of fruit and other natural ingredients used in a wide variety of food products. This acquisition significantly expanded Frutarom's multinational food and beverage customer base; geographic reach in Europe, including entry to new countries; and its product portfolio, including new and unique products that integrate flavors, natural functional food ingredients and food systems. Additionally, the acquisition strengthened Frutarom's savory flavor offering, which is a growing segment of the food industry, and which Frutarom will focus on strengthening. Frutarom estimates that the acquisition will leverage and strengthen its position as a leading global supplier to the food industry, offering natural, comprehensive solutions to leading food manufacturers, including a broad and innovative range of products for the functional food industry.

During the **fourth quarter of 2004** the first phase of the integration of the Food System activity with Frutarom's existing activities ended, including transferring the production activity previously conducted by IFF in France to Frutarom's Food Systems production sites in Switzerland and Germany, and the integration of Frutarom's existing Food Systems activity in England. In addition, the sales and marketing and research and development teams in Europe were fully integrated. Following the completion of this first phase, Frutarom started the second phase of leveraging the many cross selling opportunities between the new customers and products and Frutarom's existing customers and products.

According to Yehudai, "In 2004, Frutarom's management completed a strategic planning process so as to redefine the Company's vision, goals and strategy for the coming years, which will materially strengthen our position as a leading global company. The Company's management has set a revenues target of US\$ 500 - 600 million for 2008. This goal will be achieved by continuing to implement our rapid growth strategy of recent years, which includes accelerated growth in core activities, above-industry average growth, and by executing strategic acquisitions. Frutarom will continue to focus on both large multinational customers and on mid size and local customers by providing superior, high quality tailor-made service. Frutarom will persevere in strengthening its presence in developed markets, Western Europe and the United States, and intensify its activities in fast growing emerging markets where it currently operates, as well as entering additional countries. The Company will continue to offer a broad product portfolio consisting largely of natural products and new innovative products such as functional food ingredients."

Frutarom's **sales**<sup>1</sup> in 2004 totaled US\$ 196.8 million, a 41.2% increase compared with 2003, when sales reached US\$ 139.3 million. **Gross profit** during the period rose by 49.1% to reach US\$ 74.3 million compared with US\$ 49.9 million last year. **Gross margin** grew from 35.8% to 37.8%. **Operating profit** grew sharply by 75.2% to US\$ 22 million compared with US\$ 12.6 million in 2003, while **operating margin** improved to 11.2% compared with 9.0% last year. **Net profit** grew significantly by 96.1% to US\$ 15.8 million compared with US\$ 8 million in 2003. Net margin also grew from 5.8% in 2003 to 8.0% in 2004.

Sales Development in 2001 – 2004 (US\$ million)



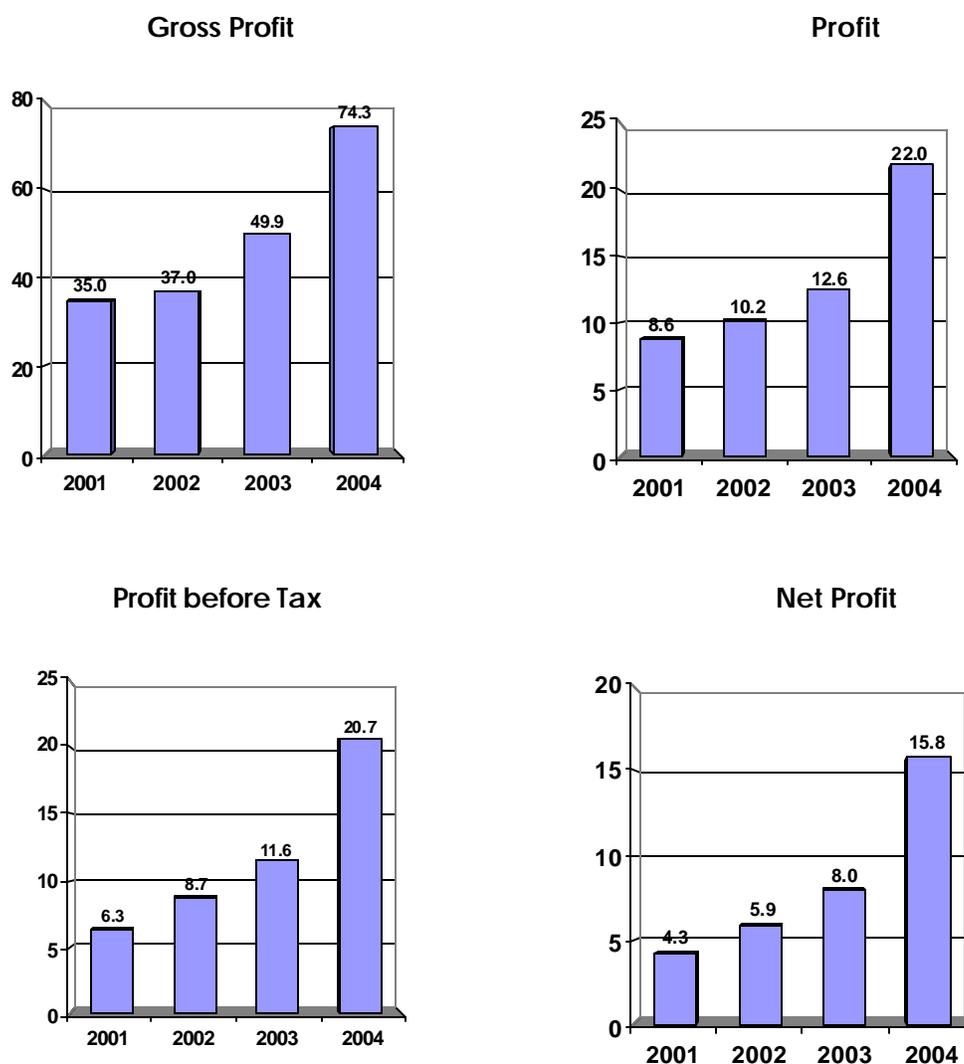
Yehudai emphasized that the growth in sales is impressive, particularly in comparison to the industry's average annual growth rates, ranging from 2% to 4%. In 2004 the growth in the Flavors Division's sales, which typically generate higher margins than fine ingredients products, as a proportion of Frutarom's total sales reached 56.4% this year (compared with 42.1% in 2002). The Fine Ingredients Division grew through its continued focus on developing innovative value-added products with higher than average margin. The ongoing improvement in efficiencies and synergies also contributed to the growth.

<sup>1</sup> Prepared in accordance with the consolidated financial reports of Frutarom Industries Ltd. which were prepared in accordance with the IFRS, as required by the UKLA

In 2004, Frutarom achieved a **cash flow from operations** of US\$ 17.3 million compared with US\$ 10.1 million in 2003. The cash flow was used to reduce debt, finance investments and grow the Company's cash balances.

Frutarom's equity as at December 31, 2004 totaled US\$ 78.7 million, which is 36.8% of the balance sheet, compared with US\$ 59.6 million as at December 31, 2003, or 42.4% of the balance sheet. The growth comes largely from the profit for the period.

### Development of Profit for 2001-2004 (US\$ million)



During the **fourth quarter**, Frutarom's **sales** totaled US\$ 56.9 million, up 51.0% compared with the fourth quarter of 2003, when sales reached US\$ 37.7 million. **Gross profit** for the quarter rose by 52.6% to reach US\$ 20.2 million. **Operating profit** rose sharply by 246% to total US\$ 4.3 million, with gross margin reaching 7.5% compared with 3.3% during the same quarter in 2003. The fourth quarter's **net profit** also grew significantly by 275.7%, to total US\$ 3.0 million compared with US\$ 0.8 million in 2003. **Net margin** also rose sharply to reach 5.3% compared with 2.1% last year.

Frutarom's activity is characterized by seasonal fluctuations, generally with higher sales and profitability during the first half of the year and lower sales and margin during the second half. The impact of seasonality on the Company's results has steadily decreased in recent years as the Company has increased its sales of products such as savory flavors, functional food ingredients and natural pharma/nutraceutical extracts, which generally have lower seasonality in demand. The especially cold and wet summer that hit Europe in 2004 harmed the sales of some Frutarom customers (mainly in beverages and ice cream). Nevertheless, Frutarom was still able to succeed in growing all of its core activities during the second half of the year.

Yehudai concluded, "Frutarom's management invests considerable resources in identifying and executing potential acquisitions and in achieving rapid growth in core activities to ensure that value is created for our shareholders. During the first quarter of 2005, Frutarom completed a US\$ 75.8 million (net) offering and registration of shares on the London Stock Exchange Official List. This offering added leading international investors to the Frutarom shareholder portfolio and strengthened our global position. The proceeds will be used largely to finance future strategic acquisitions as part of the implementation of Frutarom's strategy".

### **Results Conference Call**

The Company will be hosting a conference call today, Thursday, March 24th at 3pm GMT, 10am EST or 5pm Israel time. On the call, management will review and discuss the results and will be available to answer investor questions.

To participate, please call one of the following teleconferencing numbers. Please begin placing your calls at least 5 minutes before the conference call commences. If you are unable to connect using one of the toll-free numbers, please try the international dial-in number.

US Dial-in Numbers: 1-866-860-9642  
UK Dial-in Number: 0-800-917-5108  
Switzerland: 0-800-563-248  
ISRAEL Dial-in Number: 03-918 0610  
INTERNATIONAL Dial-in Number: +972 03-918 0610

A replay of the call will also be available by telephone starting two hours after the call ends until Monday, April 4th at 3pm GMT. To access the replay please dial: 0-800-917-4256 (UK), 1-866-276-1485 (US) or +972-3-9255953 (international and Israel).

## Background on the Company

Frutarom is a global company with significant production and development centers on three continents, which markets its product to over 3,500 customers in more than 100 countries worldwide. Frutarom's products are intended largely for the food, beverage, flavor, fragrance and pharmaceutical industries.

Frutarom operates through two Divisions:

- The Flavors Division, which develops, produces and markets flavors and food systems
- The Fine Ingredients Division, which develops, produces and markets raw materials intended mainly for the production of flavors, fragrances, plant extracts and natural products, including medicinal extracts.

Frutarom is also active in several innovative activities, including through its ArtChem activity, which develops, produces and markets raw materials in the peptide field, intended for the pharmaceutical industry producing through biotechnological methods.

Frutarom's products are produced at its plants in the United States, England, Switzerland, Germany, Israel, Denmark, China, and Turkey. The Company's global marketing organization includes branches in Israel, the United States, England, Switzerland, Germany, Denmark, France, Hungary, Romania, Russia, Ukraine, Kazakhstan, Belarus, Turkey, Brazil, Mexico, China, Japan, Hong Kong and India. The Company also works through local agents and distributors worldwide. Frutarom employs about 1,000 people worldwide.

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

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Summary Income Statements (US\$ million)

	<u>2004</u>	<u>2003</u>	<u>Change (%)</u>
<u>Sales</u>	<u>196.8</u>	<u>139.3</u>	<u>41.2%</u>
<u>Gross profit</u>	<u>74.3</u>	<u>49.9</u>	<u>49.1%</u>
<u>Selling, Marketing, R&amp;D, Administration and General expenses</u>	<u>52.3</u>	<u>37.3</u>	<u>40.3%</u>
<u>Operating profit</u>	<u>22.0</u>	<u>12.6</u>	<u>75.2%</u>
<u>EBIDTA</u>	<u>31.1</u>	<u>17.5</u>	<u>77.6%</u>
<u>Financial expenses</u>	<u>1.3</u>	<u>1.0</u>	<u>35.2%</u>
<u>Profit before tax</u>	<u>20.7</u>	<u>11.6</u>	<u>78.6%</u>
<u>Net profit</u>	<u>15.8</u>	<u>8.0</u>	<u>96.1%</u>

	<u>Q404</u>	<u>Q403</u>	<u>Change (%)</u>
<u>Sales</u>	<u>56.9</u>	<u>37.7</u>	<u>51.0%</u>
<u>Gross profit</u>	<u>20.2</u>	<u>13.3</u>	<u>52.6%</u>
<u>Selling, marketing, R&amp;D Administration and General expenses</u>	<u>15.9</u>	<u>12.0</u>	<u>32.7%</u>
<u>Operating profit</u>	<u>4.3</u>	<u>1.2</u>	<u>246.0%</u>
<u>EBIDTA</u>	<u>6.7</u>	<u>2.5</u>	<u>165.9%</u>
<u>Financial expenses</u>	<u>0.6</u>	<u>0.3</u>	<u>69.2%</u>
<u>Profit before tax</u>	<u>3.7</u>	<u>0.9</u>	<u>309.0%</u>
<u>Net profit</u>	<u>3.0</u>	<u>0.8</u>	<u>275.7%</u>