

**PRESS RELEASE**

**FRUTAROM CONTINUES TO ACHIEVE GROWTH  
IN SALES AND PROFITS**

**NET PROFIT REACHED US\$ 8.8 M COMPARED WITH US\$ 6.8 M IN THE  
FIRST QUARTER OF 2005**

**Grow 29.3% compared with the same period last year  
Net margin reached 12.5% compared with 10.6% in the same period in  
2005**

**SALES TOTALED US\$ 71.0 M**

**Grow 9.7% compared with the same period in 2005  
Excluding currency effect, sales grew by 15%  
compared with prior year quarter**

**OPERATING PROFIT UP 11.8% TO US\$ 10.4 M**

**Operating Margin reached 14.6% compared with 14.3%  
in the first quarter of 2005**

**EARNINGS PER SHARE FOR THE QUARTER TOTAL US\$ 0.16  
COMPARED WITH US\$ 0.13 IN THE SAME QUARTER IN 2005**

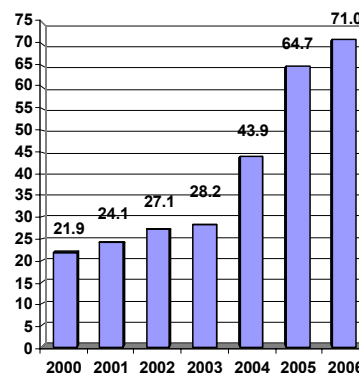
Haifa, Israel – May 23, 2006. Frutarom (LSE: FRUTq, TASE: FRUT, OTC: FRUTF) today reported its 2006 first quarter results.

Further to the positive trends seen in recent years, during the first quarter of 2006, Frutarom continued its trend of increased sales and profits, while successfully implementing its rapid growth strategy, combining organic growth in core activities, at rates above industry average, with strategic acquisitions of activities and know-how in the Company's main fields of business and in strategic geographic regions.

*Ori Yehudai, Frutarom Group's President and Chief Executive Officer*, commented, "Frutarom achieved nice results for the first quarter. Sales increased by 15% excluding currency effect, and by 9.7% in US Dollar. Growth in sales was reached while achieving an internal growth in our core activities and a significant increase in net profit which totaled to US\$ 8.8 M." *Yehudai* added, "We are very pleased with the acquisition of Nesse on which we announced at the beginning of the quarter. This acquisition made an immediate contribution to Frutarom's sales and profits. The integration of Frutarom's and Nesse's activities is being successfully executed and we are working to extract the considerable synergies existing in this strategic acquisition, while leveraging the many cross-selling opportunities. Nesse's acquisition significantly strengthens our activities in emerging markets such as CIS

countries as well as in Western-European countries. The acquisition strengthens Frutarom's technological capabilities and savory offering. Nesse made a significant contribution to Frutarom's sales and profits for the first quarter, and as Nesse's seasonality is opposite to Frutarom's seasonality, we expect it to make an even greater contribution during the rest of the year."

Frutarom's ***sales*** for the first quarter of 2006 totaled US\$ 71.0 million, showing growth of 9.7%, compared with the same quarter of 2005. Sales grew by 15%, excluding the weakening Western European currencies (in which most of Frutarom's sales are conducted) against the US Dollar at rates of between 9% and 11%, which lead to a decrease of more than 5% in Frutarom's overall sales. The increase in sales during the quarter was influenced mainly by the following factors: the integration of

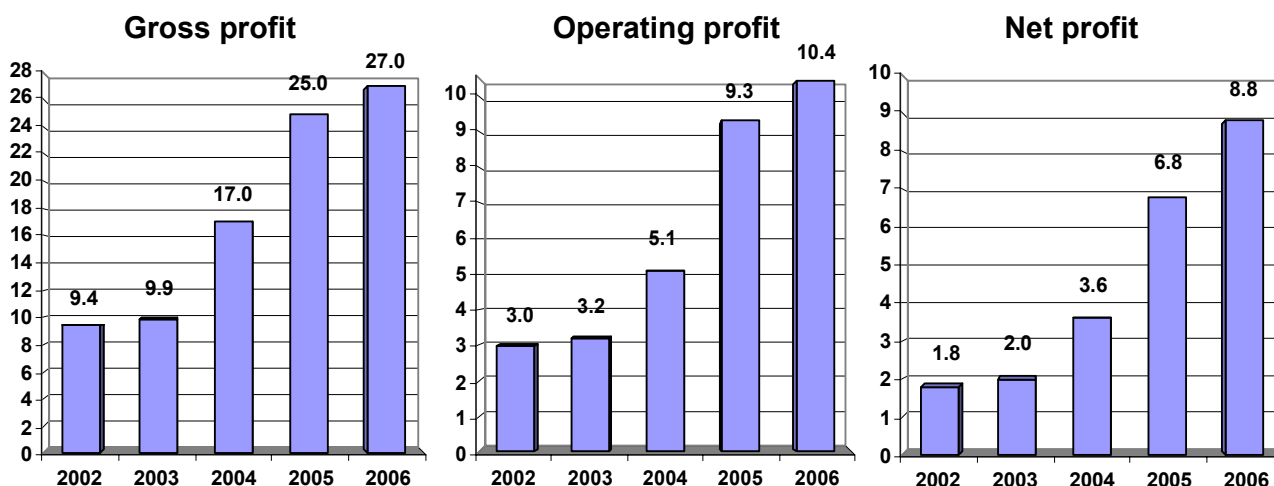


Nesse's activity with the Frutarom Group's global activity; growth in the Fine Ingredients Division's sales, mainly due to the introduction of new innovative products, expansion and development of the global sales infrastructure and the successful integration and utilization of the synergy existing between its research and development and production sites worldwide; and Utilizing the synergy and cross-selling opportunities between Frutarom's Divisions, existing customers and products and those added through the acquisitions made in recent years. The increase in sales was offset by the following factors: weakening Western European currencies (in which most of Frutarom's sales are made) against the US Dollar; significant erosion in selling prices of natural extracts and flavor compounds containing natural vanilla, due to the significant price decline in raw materials required for their manufacture; decrease in sales of food systems products due to the planned improvement in product mix, which will be achieved by shifting from low margin products to unique products with high added value and higher margin than average.; relatively cold and long European winter which influenced the demand for the Company's products used for the manufacture of beverages, ice-cream and other summer products; and decline in the Trade & Marketing activity in Israel of products which are not manufactured by the Company (this activity is not in the Company's core business).

***Gross profit*** for the first quarter grew by 8.2% to reach US\$ 27.0 million, compared with US\$ 25.0 million in the same quarter of 2005. Gross margin reached 38.1% during the period, compared with 38.6% during the same period in 2005. Postponed demand for the Company's products used for the manufacturing of summer products (such as beverages, ice creams and yogurts) due to the long and cold winter in Europe, impacted the margin, as these products usually have higher

margins than average. **Operating profit** grew by 11.8% during the first quarter of 2006 to reach US\$ 10.4 million, compared with US\$ 9.3 million in the same quarter of 2005. Operating margin for the period reached 14.6%, compared with 14.3% during the same period in 2005. **Net profit** for the first quarter rose by 29.3% to reach US\$ 8.8 million, compared with US\$ 6.8 million in the first quarter of 2005. Net margin also rose, reaching 12.5%, compared with 10.6% in the same quarter in 2005. **Earnings per share** continued to grow during the first quarter of the year and reached US\$ 0.16 compared with US\$ 0.13 in the first quarter of 2005. The growth in the earnings per share was achieved despite the increase in the Company's average issued share capital compared with prior year quarter.

#### Development of Profit for the First Quarters of 2002–2006 (US\$ million)



**Yehudai** added that, "Frutarom will continue to focus on both large multinational customers and on mid-size and local customers, providing superior, high quality and tailor-made products and service. We will persevere in strengthening our presence in developed markets, such as Western Europe and the United States, and in intensifying our activities in the fast growing emerging markets where we currently operate, as well as entering new emerging markets where the growth rate is higher than the global average. We will continue to invest in developing new products and offering our customers a broad product portfolio consisting largely of natural products and new innovative products such as functional food ingredients."

**Yehudai** concluded, "Frutarom continues to be focused on realizing its rapid growth strategy, combining organic growth of core activities at rates above the industry average with strategic acquisitions of activities and know-how in its main fields of business and in strategic geographic regions. The proceeds from the London offering completed last year, together with the successful integration of the activities acquired by Frutarom, form an even more solid base than previously for

realizing our rapid growth strategy and for future growth. Our management will continue to invest substantial efforts and resources in identifying and executing potential acquisitions, and in continuing to achieve growth targets in our core activities, which will ensure that we reach our ambitious goals while creating value for our shareholders.”

#### Background on the Company

Frutarom is a global company active in global flavor and fine ingredients markets. Frutarom has significant production and development centers on three continents and markets its products on five continents to over 5,000 customers in more than 100 countries. Frutarom’s products are intended for the food and beverage, flavor and fragrance, pharmaceutical, nutraceutical, 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, markets and sells 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, Denmark, China, and Turkey. The Company’s global marketing organization includes branches in Israel, the United States, England, Switzerland, Germany, Denmark, Norway, France, Spain, Italy, 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 employs about 1,100 people worldwide.

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

#### **Company Contact**

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## FRUTAROM INDUSTRIES LTD

### CONDENSED CONSOLIDATED BALANCE SHEET AT 31 MARCH 2006

A s s e t s	31 March		31 December
	2006	2005	2005
	U.S. dollars in thousands		
	(Unaudited)		(Audited)
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	15,449	29,982	33,723
Short-term Investments	3,043		
Accounts receivable:			
Trade	53,752	50,100	40,289
Other	9,022	6,884	6,756
Prepaid expenses and advances to			
Suppliers	2,831	3,649	2,206
Inventories	50,026	43,866	46,886
T o t a l current assets	134,123	134,481	129,860
<b>NON-CURRENT ASSETS:</b>			
Property, plant and equipment	94,681	93,613	87,905
Intangible assets	37,484	14,127	10,804
Deferred income tax assets	3,058	3,037	3,319
Other non-current assets	1,968	4,164	1,978
T o t a l non-current assets	137,191	114,941	104,006
T o t a l assets	271,314	249,422	233,866

	<u>31 March</u>		<u>31</u>
	<u>2006</u>	<u>2005</u>	<u>December</u>
	<u>U.S. dollars in thousands</u>		
	<u>(Unaudited)</u>		<u>(Audited)</u>
<b>Liabilities and shareholders' equity</b>			
<b>CURRENT LIABILITIES:</b>			
Bank credit and loans	735	4,729	289
Accounts payable:			
Trade	22,564	21,876	17,895
Other	27,372	23,519	22,162
Provisions	787	1,153	547
T o t a l current liabilities	<u>51,458</u>	<u>51,277</u>	<u>40,893</u>
<b>NON-CURRENT LIABILITIES:</b>			
Loans and credit from banks (net of current maturities)		16,396	
Retirement benefit obligations	8,272	8,298	7,775
Deferred income tax liabilities	7,184	6,020	7,390
T o t a l non-current liabilities	<u>33,711</u>	<u>30,714</u>	<u>15,165</u>
T o t a l liabilities	<u>85,169</u>	<u>81,991</u>	<u>56,058</u>
<b>SHAREHOLDERS' EQUITY:</b>			
Share capital	16,399	16,380	16,399
Additional paid-in capital	92,045	91,195	91,666
Currency translation differences	(4,059)	3,142	(5,160)
Retained earnings	82,802	55,905	73,929
Amount designed for distribution of dividend declared subsequent to balance sheet date		1,740	2,005
Cost of company shares held by subsidiary	(1,042)	(931)	(1,031)
T o t a l shareholders' equity	<u>186,145</u>	<u>167,431</u>	<u>177,808</u>
Total shareholders' equity and liabilities	<u>271,314</u>	<u>249,422</u>	<u>233,866</u>

**FRUTAROM INDUSTRIES LTD.**

CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2006

	<b>3 months ended</b>		<b>Year ended</b>
	<b>31 March</b>		<b>31 December</b>
	<b>2006</b>	<b>2005</b>	<b>2005</b>
	<b>(Unaudited)</b>		<b>(Audited)</b>
<b>SALES</b>	70,988	64,729	243,803
<b>COST OF SALES</b>	43,944	39,724	149,285
<b>GROSS PROFIT</b>	27,044	25,005	94,518
<b>SELLING, MARKETING, RESEARCH AND DEVELOPMENT, GENERAL AND ADMINISTRATIVE EXPENSES - net:</b>			
Selling, marketing, research and development - net	11,096	10,808	43,818
General and administrative	5,595	4,946	18,217
<b>OTHER INCOME – net</b>	22	25	1,255
<b>OPERATING PROFIT</b>	10,375	9,276	33,738
<b>FINANCIAL (INCOME) EXPENSES - net</b>	(313)	200	416
<b>PROFIT BEFORE TAXES ON INCOME</b>	10,688	9,076	33,322
<b>TAXES ON INCOME</b>	1,842	2,234	6,475
<b>NET INCOME FOR THE PERIOD</b>	8,846	6,842	26,847

**U . S . D o l l a r s**

**EARNINGS PER SHARE:**

**BASIC**

0.16	0.13	0.49
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**DILUTED**

0.15	0.13	0.48
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