

# PRESS RELEASE

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## **RAPID PROFITABLE GROWTH STRATEGY LEADS**

### **FRUTAROM TO RECORD RESULTS:**

**26% SALES GROWTH IN Q2 TO US\$165 M;**

**RECORD RESULTS IN GROSS, OPERATIONAL EBITDA  
AND NET PROFITS;**

**NET PROFIT FOR H1 2012: US\$27 M**

**STRONG CASH FLOW - US\$22.3 FOR Q2**

Gross profit in Q2 grew by 27.4% to US\$61.8 M

Operating profit grew by 28.1% to US\$21.8 M and operating margin 13.2%

EBITDA increased by 28.3% to US\$28.5 M and EBITDA margin 17.3%

Profit per share reached US\$0.23

**Frutarom Industries Ltd.**, a top-ten company in the Flavors and Fine Ingredients markets, reports record quarterly revenues for Q2 2012 and for H1 2012 in terms of sales, gross profit, operating profit, EBITDA, net profit and profit per share, presenting substantial increase in cash flow. The successful implementation of the Company's rapid profitable growth strategy combining profitable internal growth and strategic acquisitions, and the continued progress of integration and the beginning of realization of the many synergies from the 8 acquisitions made since 2011, resulted in achieving the best financial results in the Company's history in both sales and revenues. These results were achieved within a relatively short period since the completion of most of the acquisitions, and while the Company believes that the primary resulting synergies will come to fruition only next year. The results were also achieved in spite of challenging market conditions in the global economy in general and in Western Europe in particular, and in spite the strengthening of the US dollar versus the exchange rates of most of the currencies in which the Company operates.



The Company reports a continued trend of rapid growth **in sales over Q2 2012**, reaching US\$164.8M, a 35.2% increase net of currency influence, compared to sales of US\$130.6 M over the same quarter last year. The strengthening of the dollar versus average exchange rates of most of the currency in which the Company operates, European currencies and the NIS in particular, detracted sales by US\$8.7 M, (9%). The acquisitions made in 2011 and in Q1 2012 contributed US\$38.6 M to sales over Q2. Frutarom's sales in the Flavors segment, Frutarom's most profitable activity, net of currency effects increased by 43.2% compared to the same quarter last year, reaching a record high of US\$122.5 M, reflecting 74.3% of Frutarom's total sales (compared to 40% in 2001). The acquisitions in the Flavors segment contributed US\$33.5 M.

**Over the first half of 2012, Frutarom sales grew**, net of currency effects, by 31.4%, reaching US\$316.0 M compared to US\$251.6 M in the same period of 2011. The strengthening of the dollar versus the average exchange rates of most of the currencies in which the Company operates, European currencies and the NIS in particular, diminished sales by US\$11.1 M (5.8%) of sales. The 8 strategic acquisitions made in 2011 and in Q1 2012 contributed US\$70.0 M to Company sales over H1 2012. Frutarom's sales in the Flavors segment over H1 2012, net of currency effects, increased by approximately 41.4% reaching a high of US\$231.4 M, 73.2% of Frutarom's total sales.

The trend of improvement in profit and profitability continues. Organic growth, strategic acquisitions, adjustment of the selling prices of Frutarom's products and stabilization and the start of a decrease in the prices of some of the raw materials Frutarom uses in the manufacture of its products, as well as actions taken for lowering costs of raw material by strengthening global purchase (also by utilizing the many operational synergies from the recent acquisitions) have led to a significant rise in Frutarom's profits and improvement in its cost structure, the results of which is expected to come more fully to fruition in 2013.

**Gross profit in Q2 2012** increased by 27.4% reaching US\$61.8 M compared to US\$48.5 during the same quarter in 2011. Gross margins, net of trade and marketing activity of Etol (a non-core activity for Frutarom), increased and achieved 38.5% compared to gross margins of 37.1% over the same quarter last year. Gross margins including Etol's trade and marketing activity increased and reached 37.5% of sales. **Gross profit for H1 2012** came to US\$116.7 M, a 24% increase compared to gross profit of US\$94.1 M for the same half in 2011.

**Operating profit in Q2 2012** totaled US\$ 21.8 M (13.2% of sales), a 28.1% increase compared to operating profit of US\$17 M (13% of sales) in the same quarter last year. **Operating margin in H1 2012** increased by 17.8% to US\$39.6, 12.5% of sales, compared to US\$33.6 M, 13.4% of sales during the same period last year.

**EBITDA in Q2 2012** increased and reached US\$28.5 M, 17.3% of revenues, an increase of 28.3% compared to an EBITDA of US\$22.2 M, 17% of total revenues, in the same quarter last year. **The EBITDA for H1 2012** came to US\$53.5 M, a 22.3% increase compared to the EBITDA of US\$43.7 M during the same period in 2011.

**Net profit in Q2 2012** increased and came to US\$13.5 M, a 10% increase compared to US\$12.3 M in the same quarter last year. **Net profit for H1 2012** came to US\$27 M, a 6.3% increase compared to net profit for the same period last year.



**Earnings per share in Q2 2012 increased**, reaching US\$0.23 per share compared to US\$0.21 per share in the same quarter in 2011. **Earnings per share in H1 2012** increased and reached US\$0.47 per share compared to US\$ 0.44 per share in the same period last year.

**A substantial increase was achieved in Frutarom's cash flow** from operating activities, reaching US\$22.3 M, compared to cash flow of US\$13.1 M during the same quarter last year. Over the first half of 2012, cash flow from operating activities more than doubled, reaching US\$39.9 M compared to cash flow of US\$15.9 M over the same period in 2011. Growth in profit, actions taken for optimizing inventory levels and adjustment to changes in prices of raw materials together with a decrease in tax payments, all contributed to the increase in cash flow from operating activities.

**Frutarom's equity** as of June 30, 2012 totaled US\$412.9 M (54.7% of total balance sheet), compared to US\$402.2 M (70.6% of total balance sheet) at the end of the same quarter last year, and US\$393.6 M (60.6% of total balance sheet) as at the end of 2011.

**Ori Yehudai, Frutarom's President and CEO**, commented: "We are pleased with the results achieved during the second quarter and the first half of the year. The fact that the Company has achieved record highs in performance, in both revenues and profit, despite current market conditions and currency effects, is a testament to the success of the Company's rapid growth strategy, based on profitable organic growth and supporting strategic acquisitions, and optimal management of the Company's broad product portfolio together with accelerated expansion into target markets with higher growth rates.

"Over the last ten years Frutarom has grown at an average yearly rate of 17% through a combination of organic growth and 23 acquisitions. The Company's revenues over this period grew from revenues of approximately US\$100 M and net profit of US\$4 M in 2001 to revenues of US\$518.4 M and net profit of US\$42 M in 2011. Over the first half of 2012 Frutarom has continued its rapid and profitable growth trend and achieved record sales of US\$316 M, and a record net profit of US\$27.0 M.

"We have made 8 acquisitions since 2011, and integration of these is moving ahead successfully according to plan, already contributing in this quarter not only to growth in sales but also to improved profits. The average rate of integration of the acquired companies is planned in such a way that the principle synergies resulting are expected to come to fruition over the next year, when their contribution to Company's profits will increase. The type of acquisitions made and their timing, as well as Frutarom's great experience in integration of acquired activities into the Company's global activities, today place Frutarom in the best competitive and commercial position.

"The acquisitions have created many opportunities for improvement of Frutarom's profit and margins, among other things, through integration of production sites in the main countries in which it operates, optimizing supply and logistics which also advances the high level of service the Company offers its customers, and improvement of global purchase capacity, utilizing the Company's purchase power which substantially increased and strengthened purchase sources. In addition, we are also acting to realize a number of plans for integration of production sites and activities and examining transfer of other activities to countries where operating costs are lower,



with the anticipation of achieving further savings in costs, even beyond those achieved from full utilization of the synergies from integration of the companies acquired.

“The acquisitions allowed us to expand our growing activities in the area of Flavors, our most profitable activity, which today enjoys organic growth above market growth rates. As planned, we strengthened our presence in strategic markets mainly in North America, Asia, Latin America, Africa and Central and Eastern Europe, currently considered the fastest growing food markets in the world. We continue to invest great resources in accelerating growth in these markets in order to utilize the great potential and opportunities there.

Frutarom acts to achieve maximum efficiency, to improve its cost structure and thus to ensure continued improvement of margins and strengthening its future competitiveness. Continued successful realization of our strategy combining profitable organic growth and acquisitions with streamlining processes has already brought about a significant increase in profit and margins this quarter, and we expect it to lead us to achieve a further significant leap in Frutarom’s sales as well as profits and margins over the coming quarters, and especially in 2013”.

#### **About Frutarom**

**Frutarom** is a global company operating in the global flavor and fine ingredients markets. Frutarom has significant production and development centers in three continents and it markets its products in five continents to over 14,000 customers in more than 130 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 2,100 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, Norway, 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).

