

# PRESS RELEASE

November 27, 2012

## RECORD RESULTS AGAIN FOR FRUTAROM FOR THIRD QUARTER:

**16.2% GROWTH IN SALES - US\$157.1 M;  
24% GROWTH IN SALES NET OF CURRENCY EFFECTS;  
21.8% GROWTH IN GROSS PROFIT - US\$58.1 M;  
51.5% GROWTH IN OPERATING PROFIT- US\$19.5 M;  
41.7% GROWTH IN EBITDA - US\$26.3 M;  
HIGHEST NET PROFIT IN COMPANY HISTORY -  
US\$14.4 M;  
LEAP IN CASH FLOW - US\$22.7 M**

### RECORD RESULTS ALSO FOR FIRST 9 MONTHS OF 2012:

**Sales grew by 22.3% to US\$473 M**

**Gross profit grew by 23.2% to US\$175 M**

**Operating profit grew by 27.1% to US\$59 M**

**EBITDA increased by 28.1% to US\$80 M**

**Net profit grew by 21.5% to US\$41 M; Earnings per share reached US\$0.72**

**93% leap in cash flow to US\$ 62.6 M**



**Frutarom Industries Ltd.**, (LSE: FRUTq, TASE: FRUT, OTC: FRUTF) a top-ten company in the Flavors and Fine Ingredients markets, reports continued rapid growth and record results again for Q3 2012 and for the first nine months of 2012 in terms of sales, gross profit, operating profit, EBITDA, net profit and earnings per share, presenting substantial increase in cash flow.

Frutarom's organic growth, reflected also in its accelerated expansion into target markets in emerging markets where growth rates are high, the continued rapid growth of the Company's Flavors sector in North America, the largest flavor market, alongside the successful integration and utilization of the synergies and cross selling opportunities resulting from the eight acquisitions Frutarom made since 2011, have brought about record results for the third quarter, despite challenging market conditions in the global economy in general and in Western Europe in particular and despite the strengthening of the dollar versus the main currencies in which the Company operates, which detracted from sales and dollar profits.

The process of integration of sales, marketing, research and development, purchasing, supply chain and production activities of the eight acquisitions are progressing successfully as planned. Over Q3 these acquisitions continued to contribute not only to a growth in sales but also to improved profit. As integration progresses and the many synergies achieved from the acquisitions are realized, their contribution to profits will increase, the greater part of which will come to fruition in 2013.

In addition, Frutarom is also progressing with plans to integrate a number of production sites and moving other activities to countries where operational costs are lower. The contribution of these activities will come to fruition starting in the second half of 2013.

The Company reports continued rapid growth in **third quarter sales**, to US\$157.1 M, a 24% growth net of currency effects, compared with US\$135.3 M during the same quarter in 2011. In dollar terms, sales grew by 16.2%. Frutarom's sales in the Flavors segment, the most profitable of the Company's activities, grew, net of currency effects, by 26.4% during Q3 of this year, compared with the same quarter last year, reaching a third quarter record high of US\$114.2 M. Flavors' sales already constitutes 73% of total Frutarom sales (compared with 40% in 2001).

**Over the first nine months of 2012, Frutarom sales grew**, net of currency effects, by 27.9%, achieving record sales for the first nine months of US\$473.1 M, versus US\$386.9 M during the first nine months of 2011. In dollar terms, sales grew by 22.3%. Frutarom's sales in the Flavors segment, net of currency effects, increased by 34.6% compared with the first nine months of last year, reaching a high of US\$345.6 M for the first nine months. Frutarom's internal growth in Flavors is above growth rates in the main markets in which Frutarom operates and in markets which are strategic for the Company, with an emphasis on North America, Latin America, Asia, Africa and Central and Eastern Europe.



The trend of improvement in profit and gross and operational margins continues. Organic growth, strategic acquisitions, adjustments in Frutarom's product selling prices to its customers, continued stabilization and even the start of a decrease in the prices of some of the raw materials Frutarom uses in the manufacture of its products, actions taken for lowering costs of raw materials by strengthening global purchase and utilization of the many operational synergies derived from the recent acquisitions and improvement in the cost structure have led to a significant rise in Frutarom's margins and profit, also expected to continue in 2013.

**The Company's gross profit in Q3 2012** increased by 21.8%, reaching a third quarter record high of US\$58.1 M compared with US\$47.7 M during the same quarter last year. Gross margin net of the trade and marketing activity of the acquired company Etol, a non-core activity of Frutarom, increased, reaching 38.1% compared with gross margin of 35.2% during the same period in 2011. Gross profit including the trade and marketing activity of Etol, also increased, coming to 37% of sales. **Gross profit for the first nine months of 2012** increased by 23.2%, reaching a record high for the first nine months of US\$174.8 M compared with US\$141.8 M in for the first nine months of 2011.

**Operating profit in Q3 2012** achieved a record third quarter high of US\$19.5 M, 12.4% of sales, a 51.5% increase compared with US\$12.9 M during the same quarter last year, which constituted 9.5% of sales. **Operating profit in the first nine months of 2012** increased by 27.1% to US\$59.1 M - 12.5% of sales, compared with US\$46.5 M - 12.0% of sales - over the same period last year.

**The EBITDA achieved by Frutarom in Q3** reached a third quarter record high of US\$26.3 M - 16.7% of sales, a 41.7% increase compared with US\$18.6 M during the same period last year - 13.7% of sales. **Frutarom's EBITDA in the first nine months of 2012** came to US\$79.8 M, a 28.1% increase, compared with US\$62.3 M in the same period last year.

**Net profit in Q3 2012** was the highest in the Company's history, reaching US\$14.4 M - 9.2% of total revenues, a 66% increase, compared with US\$8.7 M in Q3 2011, when it comprised 6.4% of total revenues. **In the first nine months of 2012** net profit came to US\$41.4 M, a 21.5% increase, compared with US\$34.1 M in the first nine months of 2011.

**Earnings per share In Q3 2012** reached a quarterly high of US\$0.25 per share, compared with US\$ 0.15 in the same quarter last year. **Earnings per share in the first nine months of 2012** reached US\$0.72 per share, compared with US\$ 0.59 per share in the first nine months of 2011.

Q3 2012 also showed a marked improvement in the Company's **cash flow** from operating activities, reaching US\$22.7 M, compared with a cash flow of US\$16.6 M for the same quarter last year. **Over the first nine months of 2012** cash flow from operating activities increased by 93% reaching US\$62.6 M, compared with US\$32.5 M during the corresponding period last year. Growth in profit



and the actions taken for optimizing inventory levels were the main drivers for the growth in cash flow.

**Frutarom's equity** as at September 30, 2012 totaled US\$434.7 M (56.6% of the total balance sheet) compared with US\$395.5 M (64.6% of its total balance sheet) as at September 30, 2011 and US\$393.6 M as at December 31, 2011 (60.6% of its total balance sheet).

**Ori Yehudai, Frutarom's President and CEO**, commented: "Quarter after quarter we have succeed in realizing our rapid profitable growth strategy - a business vision which has led and continues to lead Frutarom to strengthening its business and competitive status and to establish its positioning as one of the largest companies in the world in the area of flavors and fine ingredients. The financial results for the third quarter of 2012 are record results for a quarter, with the highest net profit in the history of the Company. Over the first nine months of 2012 we have achieved profit similar to that achieved over the entire year in 2011.

"Following our strategic plan, we continue in the performance of a number of measures which accelerate the Frutarom's growth rate and strengthen our profitability. We accelerated our expansion into target markets with higher growth rates, and we continue, as planned, to expand and change our global sales mix. Over the first nine months of the year we achieved a 70% growth in the emerging markets of China, South East Asia, Central and South America, Central and Eastern Europe and Africa, which currently constitute 35% of our sales compared to 25% of sales only two years ago. In the BRIC countries, Frutarom's sales grew by 41%. At the same time, rapid growth in our flavor sector continues in North America, the largest flavor market in the world, where we grew this year by 60%.

"The types of acquisitions we made, their timing, the fast integration of the acquired companies and the rich experience which Frutarom has in integrating acquired activities into its global activities contributed to the improvement in our profit and profitability. The acquisitions also significantly expanded the activity of Frutarom's flavors segment, the most profitable from among the Company's segments, which reached 73% of total company sales (compared to 40% in 2001), while ensuring organic growth at a rate higher than that of the main markets we operate in.

"Our innovative taste and health solutions provide the ultimate solutions for consumers' demands, and are in line with major trends of the global food market, offering advanced combinations of taste and health, anti-aging products and foods targeted towards the needs of specific populations and age groups. The great added value of the Company's solutions, its global purchase infrastructure and its high management abilities for the Company's large product mix provide an excellent business infrastructure for continued growth, utilization of the important competitive advantage in emerging and developed markets and maximization of the potential and of the many business



opportunities existing in the global market. These have allowed us to achieve rapid profitable growth even in the challenging market conditions - and this will continue.

“At the same time, we look forward to achieving significant savings in costs and further improvement in our profit margin, as apart from our many cross selling opportunities, the acquisitions created many opportunities for improvement of the Company's profit and margin resulting from the integration of production infrastructures in the main countries we operate, optimization of supply and logistics infrastructures, improvement of global purchase capacity and strengthening our purchase resources. These will take effect mainly next year. In addition, we are also moving ahead with plans to integrate a number of production sites and to transfer other activities to countries where operational costs are lower. The contribution of these activities to profit and margin will mainly come to fruition starting from the second half of next year.

“Frutarom's capital structure and level of net debt, which was significantly reduced, supported by the Company's strong cash flow from operating activities which reached US\$63 M over the first nine months of 2012, will allow us to continue to relentlessly realize our rapid and profitable growth strategy”.

#### **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 2,050 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, Slovenia, Italy, 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, Italy, France, Hungary, Romania, Russia, Ukraine, Poland, 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).

