

# PRESS RELEASE

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## **FRUTAROM REPORTS RECORD RESULTS FOR 2012:**

**SHARP 19.2% GROWTH IN REVENUES TO US\$618 MILLION**

**EBITDA LEAPING TO A RECORD OVER US\$100 MILLION**

**HIGHEST NET PROFIT IN COMPANY HISTORY:  
US\$ 52 MILLION**

**RECORD 91 MILLION CASH FLOW**

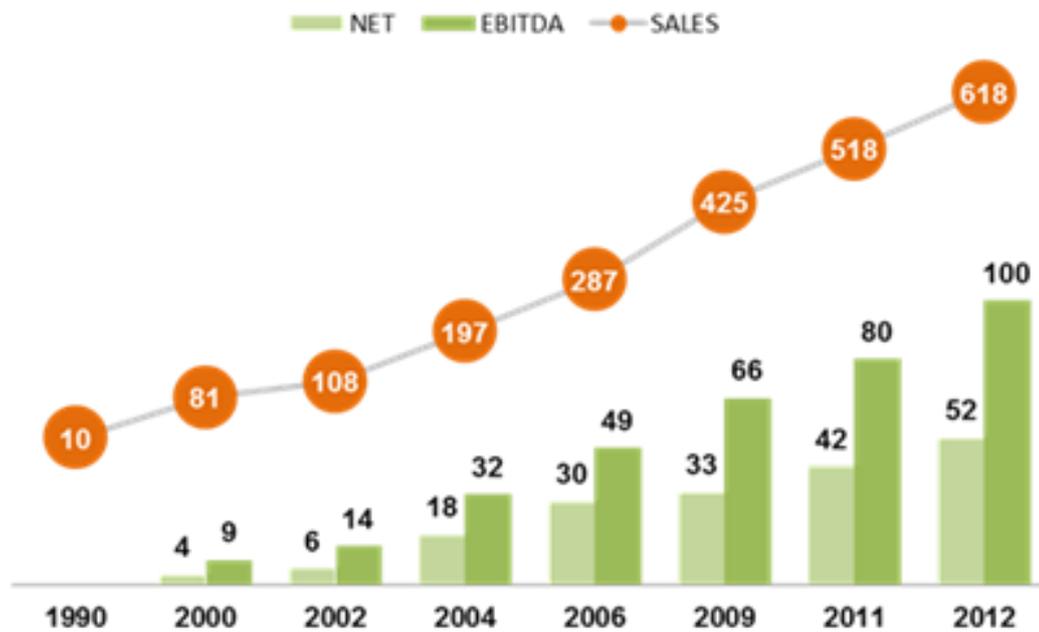
**RECORD FOURTH QUARTER RESULTS WITH US\$145 MILLION REVENUES, EBITDA of US\$20.7 MILLION AND US\$29 MILLION CASH FLOW**

- **24% growth in Flavors over the year, reaching 74% of total sales**
- **60% growth in activity in emerging markets**
- **Accelerated expansion into target markets with high growth rates**
- **43% growth in Flavors in the US, the largest flavors market in the world**
- **Additional US\$10 million yearly savings expected**

Frutarom, a top-ten company in the Flavors and Fine Ingredients markets, reports a record year for 2012: US\$618 M in sales, EBITDA crossing the 100 million dollar mark, net profit increased to US\$52 M or 8.4% of total sales, and cash flow took a 156% leap, reaching US\$91 M.

The successful implementation of Frutarom's rapid growth strategy combining profitable organic growth with strategic acquisitions has led the Company to consistent 19% average annual growth since 2000 and a significant improvement in gross profit, operating profit, EBITDA, net profit, cash flow and earnings per share.





In 2012 Frutarom continued to act with determination to successfully implement its strategy of rapid profitable growth. Frutarom significantly increased its activities in the Flavors segment, its most profitable activity, to 74% of total sales, and accelerated its expansion into target markets with high growth rates, reflected in the 60% growth achieved in 2012 in the emerging markets of China and South East Asia, Central and South America, Central and Eastern Europe and Africa. At the same time, rapid growth continued in the Company's Flavor activities in the US, the largest flavors market in the world, increasing by 43% in 2012.

These results were achieved in a relatively short time after the completion of Frutarom's eight recent acquisitions, three in the beginning of 2012. Integration of these eight acquisitions is moving ahead successfully and according to plan, and the acquisitions are contributing to both growth in sales as well as to significantly improved profit. Frutarom continues to realize the many cross-selling opportunities and its enhanced technological capacities as the result of these acquisitions, and the savings resulting from the integration of R&D, sales, marketing, operations and purchase infrastructures.

Frutarom is also moving forward with the integration of production sites and activities, and transferring some activities to countries where operating costs are lower, anticipating further significant yearly savings of US\$10 million, which will come to fruition already in the second half of 2013 and mainly in 2014.

Additionally, the strengthening of Frutarom's global purchasing will allow more efficient utilization of the significant added purchasing power, while expanding Frutarom's pool of suppliers. Frutarom also emphasizes increased purchase of the raw materials, especially natural raw materials, from their countries of origin.

**Frutarom's revenues for 2012**, net of currency effects, grew by 24.2% reaching a yearly record high of US\$618 million, compared with US\$518.4 million in 2011, despite



challenging market conditions throughout the world and particularly in Western Europe, and despite the strengthening of the US dollar versus the main currencies in which the Company operates. In dollar terms, revenues grew by 19.2%. The acquisitions made in 2011 and 2012 contributed US\$115.5 million to sales in 2012.

**Frutarom's Flavor activity sales** in 2012 increased by 29.5%, or 74% of total Frutarom sales, net of currency effects. Organic growth in Flavors net of the contribution of the acquisitions and currency effects, reached 3.1% in 2012.

**Frutarom's sales over Q4 2012** net of currency effects grew by 13.5%, reaching a fourth quarter record high of US\$144.9 million, compared with US\$131.6 million during Q4 2011. In dollar terms, sales grew by 10.1%.

**Flavors Activity** sales increased by 15.7%, reaching a fourth quarter record high of US\$111.7 million. Organic growth in Flavors reached 2.0% this quarter.

**Gross profit in 2012 increased by 20%**, reaching US\$226.3 million compared with US\$188.6 million in 2011. Net of the trade and marketing activity added following the acquisition of Etol (a non-core activity for Frutarom), and of one-time reorganization expenses, gross profit reached 37.4%, compared with gross margin of 36.4% in 2011.

**Gross profit in Q4 2012** increased by 10.1% and reached a record Q4 high of US\$51.5 million. The gross margin, net of Etol's Trade and Marketing and net of one-time reorganization expenses, increased, reaching 36.4%, compared with 35.5% in Q4 2011.

**Operating profit in 2012** increased by 24.2%, reaching a yearly record high of US\$72.8 million, compared with US\$58.7 million last year. Operating margin net of onetime reorganization and acquisition expenses reached 12.0% of sales, compared with 11.7% in 2011.

**Operating profit in Q4 2012** increased by 12.9% reaching US\$13.7 million, compared with US\$12.2 million in the same quarter last year. Net of one-time reorganization expenses, operating margin in Q4 reached 10.4% of sales, compared with 9.5% in Q4 2011.

**EBITDA for 2012** increased by 24.9%, reaching a yearly record high of US\$100.4 million. Net of one-time reorganization and acquisition expenses, the EBITDA margin reached 16.5% of sales, compared with 15.9% of sales in Q4 2011.

**EBITDA Frutarom for Q4 2012** increased by 13.9%, reaching US\$20.7 million, compared with US\$18.1 million in the same period last year. EBITDA margin net of onetime reorganization expenses in Q4 reached 15.1% of sales, compared with 14.1% in Q4 2011.

**Net Profit in 2012** increased by 23.7%, reaching a yearly record high of US\$52.0 million, or 8.4% of revenues, compared with US\$42 million, or 8.1% of revenues in 2011.

**Net profit in Q4 2012** went up by 33.1%, also achieving a Q4 record high of US\$10.5 million, or 7.3% of revenues, compared with US\$7.9 million in Q4 2011, or 6.0% in Q4 2011.



**Record earnings per share were achieved in 2012**, increasing by 22.5% at US\$0.9, compared with US\$0.73 in 2011. **Fourth quarter earnings per share** were also record high, at US\$0.18 per share, compared with US\$0.14 per share in Q4 2011.

**There was a significant improvement in the Company's cash flow from operating activities in 2012**, which took a leap of 156% reaching US\$91.2 million, compared with US\$35.6 million in 2011. Cash flow from operating activities in Q4 was also significantly up, reaching US\$28.6 million, compared with US\$3.1 million in Q4 2011. The increase in cash flow from operating activities is the result of the increase in profit and from the Company's efforts to maintain an optimal level of working capital according to expected growth, while taking into account seasonality as well as the availability and prices of raw materials. Over the past four years, Frutarom has achieved a cumulative cash flow of US\$274 million, which has also contributed to its ability to continue its strategic acquisitions.

**Frutarom's equity capital** as of December 31, 2012 totaled US\$453.6 million (58.7% of the balance sheet) compared with US\$393.6 million as of December 31, 2011 (60.6% of the balance sheet). The increase in equity derives mainly from the increase in net profit.

The Company has declared a distribution of **dividends** of NIS14 million, after the date of the financial reports, 0.24 per share, a 20% increase compared with last year.

**Ori Yehudai, President and CEO of Frutarom:** "We are proud of our financial results for 2012, which was another record breaking year for sales, profit and cash flow for Frutarom. These results are the product of the successful and systematic implementation of our profitable rapid growth strategy. Frutarom has for the past few years successfully implemented its strategy of organic growth alongside strategic acquisitions and successfully utilized the many resulting synergies, so that within three to four quarters of the completion of acquisitions we are already witness to their contribution to the increase in sales and to improved profit and margins. The Company's successful identification of the right companies and pinpointing of the growing markets, recognition and assimilation of leading innovative technologies, recruitment of leading managers in the acquired companies and adding these to Frutarom's management team and taking advantage of business opportunities, while performing acquisitions in attractive multiplies – all these have provided Frutarom with an excellent platform for further growth.

"In 2012 Frutarom performed another quantum leap in strengthening its status as one of the leading companies in the world in the field of flavors and specialty fine ingredients, and we have again succeeded in leveraging the combination of integration of our acquired activities with the Group's global activities. This was achieved thanks to a number of strategic measures we have taken, including the continued focus on our growing flavors activity, the most profitable among our activities; expansion of activities in developed markets and accelerated penetration into emerging markets characterized by high growth rates and profitability; an emphasis on natural products which enjoy higher-than-average demand ; building a competitive edge by expanding our product portfolio, ensuring significant added value for our customers; the development of unique solutions combining taste with health and nutritional ingredients; the strengthening of our research and development, production and sales infrastructures, and a constant examination of additional possible strategic acquisitions.



Frutarom intends to continue to accelerate growth in both developed and emerging markets. Frutarom's unique solutions are based on innovation and on the combination of taste and health. Frutarom is targeting both the large multi-national customers and mid-size local customers, with a special emphasis on the rapidly growing private label market. Frutarom's thousands of different tailor made taste and health solutions are being constantly adapted to changing consumer preferences and to its customer's future demands.

"We intend to continue investing in growing regions, including in Asia, Central and South America, Central and Eastern Europe and Africa, following the growth of our market share in emerging markets from 27% in 2010 to 36% in 2012, and to 31% this year in the BRIC countries. At the same time and as a result, our share of sales in Western European markets (which also increased), went down from 51% in 2010, to 42% this year.

"Frutarom in 2013 stands with strong infrastructures for continued growth and improving margins. The rapid growth, continued stability in prices of the raw material we use for our products, together with the contribution of continued realization of furthering the streamlining processes and improvement of our cost structure, while taking optimal advantage of our sites throughout the world, strengthening our global purchase infrastructure and successfully integrating our recent acquisitions, will bring about improved future margins. The Company's equity structure and net debt level, which stands at a low US\$136.1 million, supported by the strong cash flow, will allow Frutarom to continue to successfully realize its rapid growth strategy while strengthening its competitiveness and to continue to fulfill its commercial goals".

### **About Frutarom**

**Frutarom** is a multi-national company operating in the global flavor and fine ingredients markets. Frutarom has significant production and development centers on three continents and markets over 30,000 products to over 14,000 customers in more than 140 countries on five continents. Frutarom's products are intended for the food, beverage, flavor, fragrance, pharmaceutical, nutraceutical, health food, functional food, food additives and cosmetic industries.

Frutarom, which employs approximately 2,020 people worldwide, has two 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 and Turkey. The Company's global marketing organization includes branches in Israel, the US, UK, Switzerland, Germany, Belgium, the Netherlands, Denmark, France, Italy, Hungary, Romania, Russia, Ukraine, Poland, Kazakhstan, Belarus, Turkey, Brazil, Mexico, Costa Rica, China, Japan, Hong Kong, India and Indonesia. The Company also works through local agents and distributors worldwide.

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

