

FRUTAROM REPORTS ANOTHER RECORD QUARTER
SIGNIFICANT GROWTH IN ITS GLOBAL BUSINESS AND MARKET
SHARE OF FASTEST-GROWING MARKETS; PROFITABILITY SOARED:

Record third-quarter sales - \$161.0 million;
Gross profitability leaped to 38.8% of total sales;
Operating profit grew 15.7% to \$22.6 million;
Net profit soared 18.3% to \$17.0 million

The net profit and EPS doubled from the third quarter of 2011.

EBITDA rose 12% to \$29.4 million; EBITDA margin – 18.3%
Earnings per share rose 16.2% to \$0.29

**In 2013 Frutarom completed three strategic acquisitions in South Africa,
Russia and Guatemala**

Frutarom Industries Ltd. (“**Frutarom**”), one of the world’s ten biggest companies in the flavors and fine ingredients industry, reported record results for the third quarter and for the first nine month of 2013 in terms of sales, gross profit, operating profit, EBITDA, net profit and earnings per share. The net profit and EPS doubled from the third quarter of 2011.

The record results for the third quarter and first nine months of 2013 were achieved owing to the significant expansion in the Company’s activities in developing markets with higher growth rates and in the USA; to the successful integration of all eight acquisitions that were made during 2011 and 2012 alongside Frutarom’s global activity, which bolster sales and improve profit and profitability; the stability in the prices of raw materials used by Frutarom and the improvement in the product mix, resulting from the development of new products with higher margins.

As part of the implementation of its rapid growth strategy, combining internal growth and strategic acquisitions and accelerated expansion into target markets with higher growth rates, Frutarom launched three additional acquisitions in 2013 of growing companies in South Africa, Russia and Guatemala. Frutarom’s share in developing markets as a percentage of total sales grew from 27% in 2010 to 36% in 2012. The last three acquisitions will accelerate the rise in market shares in these growing markets.

The eight acquisitions made by Frutarom in 2011 and 2012 have already been successfully merged with Frutarom’s global activities and they contribute to the growth in sales and the improvement in profit and margins. Owing to these acquisitions, Frutarom is exploiting the multiple cross-selling opportunities and is taking advantage of the vast technological capabilities added to the Company as a consequence. In addition Frutarom is acting to streamlining operations as a result of the consolidation of the R&D, sales, marketing, operations and purchase infrastructures. The consolidation and streamlining of production sites



and the relocation of other activities to countries with lower operating costs are expected to generate savings of \$10 million annually, as reflected in the financial statements for Q3, and whose impact will be strongly felt in 2014. In addition, Frutarom continues to optimize its global purchasing while exploiting the added purchasing power as a result of recent acquisitions. Frutarom is continually expanding its supplier base, while purchases are increasingly made in the countries of origin of raw materials (especially natural ingredients).

Frutarom anticipates further improvement in profit and margins as a result of its actions to streamline operations, reduce costs, reinforce its global purchase infrastructure and the successful merger of the acquisitions made in 2011 and 2012. The last three acquisitions in 2013 will also boost profit.

Frutarom reports continued growth in **sales in the third quarter of 2013** to \$ 161.0 million, up 2.5% from \$157.1 million in the third quarter of 2012. Frutarom's flavor sales, the most lucrative of all the Company's business activities, grew 4.6% to a record \$119.4 million in Q3/2013, accounting for 74.2% of total sales. **In the first nine months of 2013** Frutarom's sales rose to \$481.9 million and flavor sales grew 2.8% to \$355.1 million.

The gross profit in the third quarter of 2013 grew 7.8% to \$62.6 million from \$58.1 million in the third quarter of 2012. Gross profitability excluding the trade and marketing activity (which is not Frutarom's core activity), soared in Q3/2013 to 40.3% of total sales compared to 38.1% in Q3/2012. Gross profitability excluding the trade and marketing activity reached 38.8% of total sales compared with gross profitability of 37.0% in Q3/2012. The improvement in gross profitability stems, among others, from Frutarom's efforts to develop new products with higher margins and to improve its product mix. **The gross profit for the first nine months of 2013** rose 6.8% to \$186.6 million, 38.7% of total sales. Net of the trade and marketing activity, Frutarom's gross profitability in the first nine months of 2013 reached 40.0% of total sales compared to 37.9% of total sales in the same period of 2012.

The operating profit in the third quarter of 2013 totaled \$22.6 million, 14.0% of sales, up 15.7% from an operating profit of \$19.5 million in Q3/2012, which accounted for 12.4% of sales. **The operating profit in the first nine months of 2013**, net of one-time expenses, rose 15.7% to \$68.6 million, 14.2% of total sales. Without deducting one-time expenses the operating profit in the first nine months of 2013 rose 12.3% to \$66.4 million, 13.8% of sales, compared to \$59.1 million, 12.5% of total sales, in the same period of 2012.

The EBITDA in the third quarter of 2013 totaled \$29.4 million, 18.3% of sales, up 12% from an EBITDA of \$26.3 million, 16.7% of total sales, in Q3/2012. **The EBITDA for the first nine months of 2013**, net of one-time expenses, totaled \$89.3 million, 18.5% of sales, up 11.7% from the same period of 2012. Without deducting one-time expenses, the EBITDA for the first nine months of 2013 grew 9.9% to \$87.7 million, 18.2% of total sales, compared to \$79.8 million in the same period of 2012, which accounted for 16.9% of total sales.

Net profit for the third quarter of 2013 rose 18.3% totaling \$17.0 million compared with net profit of \$14.4 million in Q3/2012. **Net profit for the first nine months of 2013** totaled \$48.7 million, 10.1% of total sales, up 17.4% from a net profit of \$41.4 million, 8.8% of total sales, in the same period of 2012. Net of one-time expenses, net profit for the first nine months of 2013 totaled \$50.3 million, up 22.3% from the same period of 2012.

Earnings per share for the third quarter of 2013 rose 16.2% \$0.29 compared to \$0.25 in Q3/2012. **Earnings per share for the first nine months of 2013** were \$0.83 compared to \$0.72 in the same period of 2012. Net of one-time expenses, EPS for the first nine months of 2013 rose 20.8% to \$0.86 compared with EPS of \$0.71 in the same period of 2012.



Frutarom's shareholders' equity as of September 30, 2013, totaled \$496.3 million, 61.7% of total assets, compared to \$431.1 million, 56.1% of total assets, last year.

Ori Yehudai, President and CEO of Frutarom: "We are pleased with the results for the third quarter and first nine months of 2013 reflect the successful implementation of our rapid growth strategy. The considerable improvement in profitability and the net earnings in Q3, which doubled within two years, stems from the successful combination of organic growth with the acquisitions made in 2011 and 2012. We optimized business synergies and began capitalizing on cross-selling opportunities. The growth in gross profitability is also driven by the launch of unique, natural products with higher profit margins, which contribute to the improvement in the product mix. The expansion of the range of natural products with high profit margin is achieved by focusing on natural, health-oriented food, in response to a growing global demand.

All the acquisitions we made in 2011 and 2012 contribute to the growth in sales, earnings and margins. We managed to identify the right companies, the growing markets, to assimilative innovation and leading technologies, to add leading executives from acquired companies to Frutarom's management and to exploit business opportunities, while making solid acquisitions at attractive prices. This excellent platform enables Frutarom to start benefiting from economies of scale.

We recently completed three strategic acquisitions of growing companies in developing markets with R&D and production sites, as well as a wide customer base and access to significant and growing potential markets. The acquisition of South African JannDeRee, which develops and manufactures flavors with an emphasis on savory and sweet flavor solutions, allows Frutarom to expand and accelerate its business activities in South Africa and in important countries in the Sub-Saharan region, and it is synergetic with Frutarom's operations in these markets. The acquisition of Russian-based PTI is an important strategic acquisition, as it bolsters Frutarom's presence and positioning as a leading global manufacturer of savory flavor solutions, a business that Frutarom regards as its key growth engine. PTI is one of the leading local manufacturers in the Russian market and together with the support of a global manufacturer this will create significant advantages in the Russian market and in neighboring markets.

The acquisition of Guatemalan-based Aroma, provides Frutarom with the advantages of a global manufacturer with an local R&D and production infrastructure in Central America. The acquisition allows us to expand our business in the regions and achieve operational savings by relocating productions to the efficient Guatemalan plant, while reducing lead times and improving service to regional customers. Aroma is one the leading local manufacturers in Central America, and in recent years it has become a leading supplier to leading global food and beverage companies in these growing markets.

All the acquired activities are fully synergetic to Frutarom's growing flavor business. Frutarom will continue to invest in new and unique products, with high added value, in its global sites and will make efforts to accelerate its growth in developed and developing markets and expand its market share, by identifying and acquiring additional strategic companies. There are favorable investment opportunities and we will seek to exploit them.

As proven, Frutarom has the knowledge and experienced required to ensure a successful merger of its acquisitions. The companies acquired in 2013, alongside organic growth and prospective strategic acquisitions provide us with a significant competitive edge which will be translated into further improvement in profit and margins.

In the past three years we continued to reinforce our presence and market share in strategic markets in Asia, East Europe, Latin America and Africa, which are considered the fastest growing food markets. At the same time, we are enjoying growth and increasing our foothold in the US market, the world's biggest flavor market, with a view to additional strategic acquisitions.



The continued growth of the business, stability in the prices of raw materials used in the manufacture of our products and the contribution of the successful merger of recent acquisitions, the implementation of streamlining measures and improvement of cost structures, while taking advantage of global sites and bolstering global purchasing operations will enhance our profits and profitability down the line. Our capital structure and net debt, which is \$165.0 million, supported by strong cash flows, will allow us to successfully implement 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 and sale above 31,000 products in five continents to over 15,500 customers in more than 140 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 2,600 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.

