

## **PRESS RELEASE**

### **FRUTAROM SALES FOR 2011 GREW BY 15% BREAKING THE HALF BILLION MARK FOR THE FIRST TIME REACHING A RECORD US\$ 518.4 MILLION**

**17% GROWTH BRINGS RECORD FOURTH QUARTER SALES  
OF US\$ 131.6 MILLION**

**EIGHT ACQUISITIONS COMPLETED SINCE THE BEGINNING OF 2011**

**Annual gross profit reached a record US\$188.6 million**

**Annual operational profit (net of one-time acquisition expenses) US\$60.6M**

**Annual net profit: US\$42 million**

**Frutarom to distribute an additional NIS 11.6 million (US\$ 3.1 million) in  
dividends**

Frutarom, a top-ten company in the Flavors and Fine Ingredients markets, reports record Q4 and annual revenues for 2011. The Company successfully continued implementing its rapid growth strategy, with eight successful acquisitions completed since the beginning of 2011.

**Frutarom's revenues for 2011** came to US\$518.4 million, a 15% increase compared to US\$451.1 million in 2010. The strengthening of European currencies and the Israeli shekel against the dollar contributed 5.8% to sales. Five acquisitions performed over 2011 contributed US\$34.8 million. On a pro-forma basis the 5 acquisitions made in 2011 contributed US\$72.8 million to sales, bringing total sales to US\$556.4 million.

The Flavors Activity, Frutarom's most profitable activity, presented the highest growth rates, both internally and due to the acquisitions. **Flavor sales in 2011 increased** by 20.7%, reaching a record US\$369.9 million. Exchange rates contributed 7.0% to sales.

**Frutarom's Specialty Fine Ingredients** sales in 2011 reached US\$145, a 2.5% increase compared to the previous record achieved in 2010, which had been affected by Frutarom's



customers' significant restocking trend. Exchange rates contributed approximately 3.9% to sales.

**Frutarom's revenues over Q4 2011** reached a record of US\$131.6 million, a 17% increase compared to Q4 2010. Exchange rates contributed 0.6% to sales. Acquisitions completed over 2011 contributed US\$17.6 million to sales.

Frutarom continues to work towards accelerated growth and to increase its market share both in developed and emerging markets, investing more resources into Latin America, Central and Eastern Europe, Asia and Africa, markets of relatively high growth potential. Frutarom made eight strategic acquisitions since the beginning of 2011 which have positioned it and increased its market share in important developed markets, including in the US and the UK, as well as in the emerging markets in Latin America (Brazil) and Central and Eastern European markets. Frutarom is continuously acting to successfully integrate and optimally utilize its many synergies and cross-selling opportunities resulting from its recent acquisitions. The acquisitions performed over 2011 contributed to an increase in sales, but their contribution to profits remained marginal, due to the one-time acquisition costs (totaling US\$1.9 million in 2011), and primarily because some of the integration processes are yet to be completed. Frutarom anticipates that all of the acquisitions will contribute to an improvement in the Group's profit.

**Gross profit for 2011** increased by 7.9%, reaching a yearly record of US\$188.6 million in 2010 (36.4% gross margin), compared to US\$174.8 million in 2010 (38.8% gross margin). **Gross profit for the quarter** increased by 13.2%, reaching a record US\$46.8 million (35.5% gross margin) compared to US\$41.3 million in 2010 (36.8% gross margin).

**Gross margin** for 2011 and for Q4 were affected by the global trend of a substantial rise in the prices of most of the raw materials Frutarom uses to manufacture its products, which began during the second half of 2010. This trend began to subside somewhat over the third quarter of 2011, and throughout the fourth quarter prices began to stabilize and some of the raw materials prices began to drop from the high they had reached towards the end of the year. Frutarom has continuously acted with determination and will continue to do so as long as the trend continues in order to prevent future adverse effects on its results and margins, including by increasing prices of products (some of which is not yet reflected in 2011 Q4 results), optimizing the potential to reduce raw material costs by strengthening global procurement, including in primary countries of production such as India, China and Brazil, and maximally utilizing its capacities at Frutarom production sites throughout the world and its many operational synergies from the acquisitions made over 2011 and the beginning of 2012.

**Operating profit for 2011** (net one-time acquisition expenses) came to \$60.6 million (11.7% of sales), compared to \$63.0 million in 2010 (14% of sales). **Operating profit for the quarter** (net one-time acquisition expenses) increased and achieved \$12.5 million (9.5% of sales) compared to US\$12.1 million in 2010 (10.7% of sales).



**EBITDA in 2011** (net of one-time acquisition expenses) was US\$82.3 million (15.9% of sales) compared to US\$82.0 million during the same period last year (18.2% of sales). **EBITDA in Q4 2011** (net of one-time acquisition expenses) increased by 9.6%, reaching US\$18.5 million (14.1% of sales) compared to US\$16.9 million in 2010 (15.0% of sales).

The operational margin and EBITDA were affected mainly by the trend of increase in raw material prices and its effect on gross margins.

**In 2011, financing expenses** totaled US\$5.8 million (1.1% of sales), compared to US\$3.2 million (0.7% of sales) in 2010. Financing expenses due to currency exchange differences totaled US\$3.3 million compared to US\$1.1 million in 2010. The changes in financing expenses from exchange differences derives from the strengthening of the exchange rate of the US dollar versus European currencies and the Israeli shekel as of December 31, 2011, compared to the exchange rate of the US dollar versus those same currencies on December 31, 2010.

**Net profit in 2011** reached US\$42.0 million (8.1% of sales), compared to US\$44.1 million in 2010 (9.8% of sales). **Net profit for Q4 2011** reached US\$7.9 million (6.0% of sales) compared to US\$8.8 million in 2010 (7.9% of sales) during the same quarter last year.

**Frutarom's equity** as of December 31, 2011 totaled US\$393.6 million (60.6% of the balance sheet), compared to US\$359.8 million as of December 31, 2010 (69.3% of the balance sheet). The change primarily derives from the period's net profit.

The Company reports the distribution of an additional **dividend** in the amount of US\$3.1 million (NIS11.6 million).

**Ori Yehudai, President and CEO of Frutarom, summarized the year, stating** that "Over the last ten years, Frutarom has grown with a combination of organic growth and acquisitions at an average yearly rate of approximately 18%, from revenues of US\$100 million and net profit of US\$ 4 million in 2001 to revenues of US\$ 518.4 million and net profit of US\$42 million in 2011. Even in 2011, despite the challenges in the macro-economic environment, we achieved a double-digit growth and reached another all-time revenue record high, breaking the half billion mark for the first time

In 2012 we will continue to focus on creating value for our customers by developing innovative solutions combining flavor and health while strengthening Frutarom's position as one of the leading companies in the world in flavors and specialty fine ingredients. We will also continue identifying opportunities for additional strategic acquisitions in attractive target markets and developing countries.

Since the beginning of 2011 we have made eight successful strategic acquisitions, whose scope of revenues, based on 2010 figures, stood at US\$145 million. The acquisitions, whose value is not reflected in our results, are in advanced stages of integration, and support our expanding global reach, while deepening our presence in emerging markets where growth rates are higher than the global average, expanding our customer base throughout the world and the unique product portfolio we can offer our customers. Over the



next few months we will be working to realize all the substantial cross selling opportunities and to utilize the many efficiencies arising from the integration of these acquisitions.

2011 was a year of significant price rises in most raw materials, including those used by Frutarom for the production of its products, a trend which began in the second half of 2010 and affected our margins this year. We believe that the combination of the continued realization of our strategy, combining organic growth and acquisitions, and the combination of a stabilization of raw material prices and the beginning of drop from the high they had reached towards the end of the year , together with the adjustment of the sale prices of our products which we have implemented over the last few months, maximizing our potential to lower raw material costs by strengthening our global raw materials procurement, and maximally utilizing our many operational synergies from acquisitions, which are in advanced stages of integration (including for procurement), will launch Frutarom's sales and its profits and profitability even higher".

### **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 130 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 1,900 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, Hungary, Romania, Russia, Ukraine, 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)

