

# PRESS RELEASE

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## **FRUTAROM REVENUES FOR Q1 2012 GREW BY 27.5% TO A QUARTERLY RECORD US\$151.2 MILLION**

### **EIGHT ACQUISITIONS COMPLETED SINCE THE BEGINNING OF 2011 THREE ACQUISITIONS COMPLETED OVER THE QUARTER**

**Gross profit reached a quarterly record high of US\$54.9 M**

**Operating profit reached a first quarter record high of US\$17.8 M**

**EBITDA reached a quarterly record high of US\$25 M**

**Net profit reached a quarterly record high of US\$13.5 M**

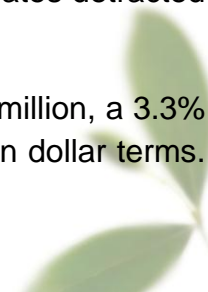
**Cash flow from current activities reached US\$17.7 M**

Frutarom Industries Ltd. ("Frutarom"), one of the ten largest flavor and fine ingredients companies in the world, reports record quarterly revenues for Q1 2012 after having broken the half billion mark in revenues for 2011. The company successfully continued implementing its rapid growth strategy and completed eight strategic acquisitions since the beginning of 2011, three of which were completed over the first quarter of 2012.

**Frutarom's revenues for 2012** came to US\$151.2 million, a 27.5% increase in local currency terms, compared to US\$121 million in Q1 2011. Currency exchange rates detracted 2.6% from sales in dollar terms. The three acquisitions made over Q1 2012 contributed US\$31.4 million from their dates of completion.

Frutarom this quarter presented a significant leap forward in the Flavors Activity, the more profitable among Frutarom's activities, showing the highest growth both internally and reinforced by the acquisitions. **Flavor sales in Q1 2012 increased** by 39.4% in local currency terms, reaching record high of US\$109 million. Currency exchange rates detracted 3.6% from sales in dollar terms.

**Frutarom's Specialty Fine Ingredients** sales in Q1 2012 reached US\$37.5 million, a 3.3% decrease in local currency terms. Exchange rates detracted 1% from sales in dollar terms.



The decrease in sales was affected to a certain extent by the continued trend of inventory reduction among some of Frutarom's fine ingredients customers.

Since the beginning of 2011 Frutarom made **eight strategic acquisitions** which have strengthened its position and increased its market share in developed markets, including in the US, the UK, Italy and Scandinavian countries as well as in the emerging markets in Latin America (Brazil), Central and Eastern Europe, Asia and Africa. Frutarom is continuously acting to successfully integrate the acquired companies in Frutarom's global operations, and to optimally utilize its many synergies and cross-selling opportunities resulting from the acquisitions made in during 2011 and over 2012.

The integration of research and development, procurement and production activities of the eight activities acquired in 2011 and during the first quarter of 2012 are progressing as planned and successfully, and their contribution to the increase in profits is expected to increase in the coming quarters as the integration process progresses.

**Frutarom's gross revenues over Q1 2012** increased by 20.3%, reaching a **quarterly record high** of US\$54.9 million (gross margin of 36.3%), compared to US\$45.7 million (gross margin of 37.7%) in Q1 2011.

**Gross margin** for Q1 2012 was affected by the substantial rise in raw material prices which began during the second half of 2010 and increased over 2011. Frutarom has continuously acted with diligence in order to prevent future adverse effects on its results and margins, including by increasing prices of products, optimizing the potential to reduce raw material costs by strengthening global purchasing, utilizing the increased purchasing power generated due to recent acquisitions, strengthening procurement in its primary countries of production such as India, China and Brazil, employing harmonization of raw materials and maximally utilizing the diverse capacities of its many production sites throughout the world and its many operational synergies from its acquisitions over 2011 and 2012.

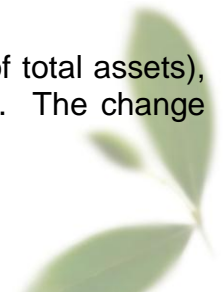
**Operating profit for Q1 2012** increased by 7.3%, reaching a **first quarter record** of US\$17.8 million (11.8% of sales) compared to US\$16.6million in Q1 2011 (13.7% of sales).

**EBITDA in Q1 2012** reached a **quarterly record high** of US\$25 million (16.5% of sales) compared to US\$21.5 million during the same period last year (17.7% of sales).

**Net profit for Q1 2012** reached a **quarterly record high** of US\$13.5 million (8.9% of sales), compared to US\$13.1 million in Q1 2011 (10.8% of sales).

**Cash flow from current activities** reached US\$17.7 million, compared to a cash flow of US\$2.8 million in Q1 2011.

**Frutarom's equity** as of March 31, 2012 totaled US\$413.6 million (52.5% of total assets), compared to US\$380.1 million as of March 31, 2011 (68% of total assets). The change primarily derives from increase in the period's net profit.



**Ori Yehudai, President and CEO of Frutarom, summarized the quarter, stating that** “This quarter we continued our successful implementation of our rapid growth strategy, combining internal growth with acquisitions, again recording quarterly highs for the company. Record highs were achieved in gross revenues, EBITDA and net profits.

After seven acquisitions in 2007, and three in 2009, all of which have been successfully integrated with Frutarom’s global activities and contribute to both a growth in sales and improved margins, we continued to implement strategic acquisitions and completed five acquisitions in 2011 and an additional three at the beginning of 2012. The scope in revenues from the last eight acquisitions made, based on 2010 figures, stood at US\$145 million. The acquisitions, whose value is yet to be fully reflected in the outcomes of our operations, are in advanced stages of integration and support our expanding global reach. These acquisitions have deepened our presence in developed markets as well as in emerging markets where growth rates are higher than the global average and expanded our customer base throughout the world, and the unique and diverse product portfolio we can offer our customers.

In the upcoming months we will continue to integrate sites and activities, to utilize the many streamlining opportunities and to realize the substantial cross-selling possibilities created by the acquisitions. At the same time we will continue to identify opportunities for additional strategic acquisitions in attractive target markets and in emerging countries.

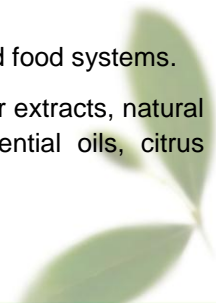
A combination of the subsiding global trend of sharp price increases for most raw materials, and the beginning of a fall in some raw material prices from the record highs of 2011, together with the effect of adjusted prices for our products which we have implemented over the last few months, the reduction of raw material costs through stronger global purchasing and maximum utilization of the diverse capacities of our many production sites throughout the world and their many operational synergies following our recent acquisitions, which are in advanced stages of integration, alongside the continued realization of our strategy combining internal growth and acquisitions, will bring about a further significant leap in Frutarom’s sales as well as profits and margins”.

#### **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).

