

## PRESS RELEASE

May 21, 2014

### **ANOTHER RECORD QUARTER FOR FRUTAROM AS IT CONTINUES TO SUCCESSFULLY IMPLEMENT ITS RAPID AND PROFITABLE GROWTH STRATEGY**

**SALES CLIMB 23.9% TO US\$188.5 MILLION**

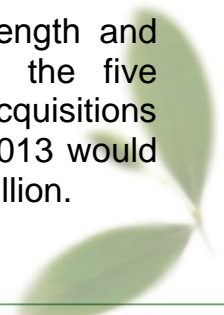
**EBITDA RISES 24.7% TO RECORD US\$32.1 MILLION**

**NET PROFIT - HIGHEST QUARTER IN FRUTAROM'S HISTORY -  
JUMPED 30.5% TO US\$18.3 MILLION;**

- Sharp rise in **Gross Profit** from core business, including the Flavors and Specialty Fine Ingredients activities, to **40.9%** of sales compared with 38.4% in Q1 2013;
- **EBITDA** from core business grew by 24.2%, reaching US\$31.7 million, **18.4%** of sales;
- **Net Profit** of **9.7%** of sales;
- Cash flow from operating activities doubled, reaching US\$9.0 million;
- Integration of the acquisitions closed at the end of 2013 and at beginning of 2014 is progressing successfully, and is expected to **contribute to the continued trend of improvement in Frutarom's results** this year.

#### **Ori Yehudai, President and CEO of Frutarom:**

“The results of our first quarter in 2014 reflect Frutarom’s strength and unique position, and the quantum leap achieved following the five acquisitions carried out over the past twelve months. Had these acquisitions been consolidated starting January 1, 2013 Frutarom sales in 2013 would have reached US\$790 million, with net profit exceeding US\$70 million.



Frutarom is now commercially and competitively positioned better than ever before to continue implementing its rapid and profitable growth strategy, both through exploiting the many synergies presented by the acquisitions made over the last few months (much of which has not yet been reflected in this quarter's results due to the short time passed since their closings), and by executing additional strategic acquisitions in our core business and in our major target markets which include emerging markets with high growth rates.

This quarter we set significant new records for sales, profits and profit margins, all in a quarter expected from a seasonality perspective to be the weakest of the year. Our two main growth engines – organic growth and acquisitions – along with continued improvement in the product mix, geographic expansion into emerging markets and the US, and actions taken for optimizing our resources at hand, have led us to achieving these accomplishments. All this, combined with the continued integration of the acquisitions, including the leveraging of the many cross-selling opportunities and operational savings these acquisitions entail and the execution of additional strategic, synergetic acquisitions, will support Frutarom's continued profitable growth even beyond our one billion dollar sales target".

**Frutarom Industries Ltd. ("Frutarom")**, a top-ten company in the Flavors and Fine Ingredients market, reports another record quarter and sharp increase in sales and profit margins in the first quarter of 2014, with a 30.5% increase in net profit which reached US\$18.3 million, the highest for any single quarter in the Company's history.

**Frutarom sales in Q1 2014** grew by 23.9% to reach US\$188.5 million while profit margins rose at even steeper rates. Gross profit climbed 28.6%, operating profit increased by 26.6%, EBITDA grew by 24.7% to reach US\$32.1 million and net profit rose 30.5% to reach US\$18.3 million for the quarter. Earnings per share were up 27.7%, reaching US\$0.31 per share.

These record-breaking results in the first quarter were the outcome of profitable organic growth in Frutarom's core business (Flavors and Specialty Fine Ingredients) along with substantial expansion of activity in high-growth emerging markets and the United States. The successful integration of companies around the globe acquired in recent years also contributed to the growth in sales as well as to the improvement in profits and profitability. Also contributing to the rise in profit margins were an improved product mix resulting from the development and penetration of innovative high margin products and the effect of actions taken by Frutarom to realize the many operational synergies resulting, among other things, from the recent acquisitions and which have only partially been reflected in the Company's results.

Integration of the five acquisitions made by Frutarom in 2013 and 2014 (JannDeRee in South Africa, PTI in Russia, Aroma in Guatemala, Hagelin in the United States - with significant sales in Africa and in Latin America - and CitraSource in the US) is moving ahead successfully and will contribute further to Frutarom's accelerated growth in sales and profits in 2014 and through the coming years.



## Sales

**Frutarom sales in Q1 2014 grew by 23.9% reaching US\$188.5 million**, compared with sales of US\$152.2 million in Q1 2013.

Organic growth (net of the contribution of the acquisitions) this quarter was 4.6%. Currency fluctuations contributed 1.5% to sales this quarter (US\$2.3 million). The acquisitions carried out in 2013 and at the beginning of 2014 contributed US\$29.3 million to sales during the period.

Frutarom's business in recent years has been affected by seasonality which, until the acquisition of PTI, was expressed in sales and profit margins for the first and fourth quarters being weaker than in the other quarters, with fourth quarter results usually the weakest. Following the acquisition of PTI whose fourth quarter has in recent years been its strongest and the first quarter its weakest in terms of both sales and profits, Frutarom's overall quarterly sales profile has changed in a way that, due to seasonality effects, its first quarter results are now expected to be its weakest of the year.

**Flavor Activity sales for Q1 2014** increased by 21.3% reaching a first quarter record US\$134.2 million, 71.2% of Frutarom's total sales, compared with US\$110.6 million in the same quarter last year. Currency fluctuations contributed 1.2% to growth. The acquisitions made during 2013 and at the beginning of 2014 contributed US\$19 million to sales. Organic growth (net of the contribution from the acquisitions) in the Flavor Activity reached 4.2%.

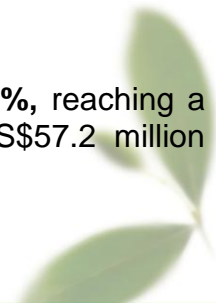
**Frutarom's sales from Specialty Fine Ingredients** increased by 9.2% in Q1 2014, totaling US\$41.0 million compared with US\$37.5 million for the same quarter last year. Currency fluctuations contributed 2.2% to growth. Organic growth (net of the contribution of the acquisitions) in the Specialty Fine Ingredients activity reached 7.1%.

The successful introduction of innovative high value added products developed in Frutarom's labs over the last few years contributed to the profitable growth in the Specialty Fine Ingredients activity.

**Frutarom's sales from Trade & Marketing** reached US\$15.7 million in Q1 2014, compared with US\$5.3 million in Q1 2013. This activity that has grown following the acquisition of Etol and PTI (which contributed most of the growth in this activity this quarter), focuses mainly on Central and Eastern Europe and Israel. Trade & Marketing is not one of Frutarom's core activities, but does leverage its global sales organization, supply chain, purchasing and management infrastructure, allowing Frutarom to offer a wider variety of products and solutions, more value to its customers (mainly its mid-size and local customers) and expand the cooperation with them.

## Gross Profit

**Gross profit from total Group activity in Q1 2014 increased by 28.6%**, reaching a quarterly record of US\$73.5 million (39% of sales) compared with US\$57.2 million (37.6% of sales) in Q1 2013.



**Gross profit for Frutarom's core business** (Flavors and Specialty Fine Ingredients activities) **increased by 25.2%** in Q1 2014 reaching US\$70.7 million.

**Gross margin from Frutarom's core business in Q1 2014 increased to 40.9%** compared with 38.4% in Q1 2013.

The organic growth in sales, improvement in the product mix of Frutarom's core business, and the effect of actions taken by Frutarom in order to realize the many operational synergies resulting, among other things, from its recent acquisitions, were the main drivers behind the improvement in profits and profit margins.

### **Operating Profit and EBITDA**

**Operating profit from total Group activity in Q1 2014 increased by 26.6%**, reaching US\$ 23.9 million (12.7% of sales) compared with US\$18.9 million (12.4% of sales) in Q1 of last year.

**Operating profit from Frutarom's core business in Q1 2014 increased by 26.2%**, reaching US\$ 23.6 million (13.7% of sales) compared with US\$18.7 million (12.7% of sales in Q1 of last year).

**Frutarom's EBITDA for Q1 2014 for total Group activity increased by 24.7%**, reaching a record level for any quarter of US\$32.1 million (17% of sales) compared with US\$25.8 million during the same period last year (16.9% of sales).

**Frutarom's EBITDA from its core business in Q1 2014 increased by 24.2%**, reaching US\$31.7 million (18.4% of sales) compared with US\$25.6 million for the same period last year (17.4% of sales).

Frutarom has and will continue to focus its efforts towards the continued successful integration of the acquisitions and towards the achievement of optimal efficiency in its cost structure.

### **Net Profit, Earnings per Share**

**In Q1 2014 net profit rose by 30.5%**, reaching US\$18.3 million (9.7% of sales) the highest in Frutarom's history, compared with US\$14.0 million (9.2% of sales) in Q1 2013.

**Earnings per share in Q1 2014 increased by 27.7%**, reaching US\$0.31 compared with US\$0.24 in the same quarter last year.

### **Cash Flow, Dividends and Equity**

Frutarom continues to generate strong cash flow from operating activities which help reduce its debt level and carry out additional strategic acquisitions. **Total cash flow from operating activities in Q1 2014 more than doubled, reaching US\$9.0 million** compared with US\$4.4 million in the same quarter last year.

Frutarom's capital structure which as of March 31, 2014 included total assets of US\$989.1 million and **US\$528.0 million in equity** (constituting 53.4% of total assets), its **net debt** position (total loans net of cash) of **US\$199.0 million**, supported by strong cash



flow generated from operating activities together with backing from banks, will allow Frutarom to continue implementing its rapid and profitable growth strategy as it has done over the past few years, including the execution of additional strategic acquisitions, while strengthening its competitiveness and standing as one of the leading global companies in the field of flavors and fine ingredients.

### Summarizing Table of Quarter Results

000 US\$	Core Business Flavors and Specialty Fine Ingredients Activity			Trade and Marketing Activity			Total Group		
	Q1 2013	Q1 2014	% growth	Q1 2013	Q1 2014	% growth	Q1 2013	Q1 2014	% growth
<b>Sales</b>	146,872	172,810	17.7%	5,293	15,657	195.8%	152,165	188,467	23.9%
<b>Gross profit</b> Profitability	56,445 38.4%	70,682 40.9%	25.2%	731 13.8%	2,858 18.3%	291.0%	57,176 37.6%	73,540 39.0%	28.6%
<b>EBITDA</b> Profitability	25,557 17.4%	31,737 18.4%	24.2%	203 3.8%	384 2.5%	89.2%	25,760 16.9%	31,121 17.0%	24.7%
<b>Operating Profit</b> Profitability	18,722 12.7%	23,619 13.7%	26.2%	183 3.5%	314 2.0%	71.6%	18,905 12.4%	23,933 12.7%	26.6%

### Investor Conference Call

On **Wednesday, May 21, 2014 at 2:00pm BST or 09:00am EDT** Frutarom will be hosting a conference call in which management will review and discuss the results and will be available to answer questions.

To participate, please call one of the following teleconferencing numbers. Please begin placing your calls at least 5 minutes before the conference call commences. If you are unable to connect using one of the toll-free numbers, please try the international dial-in number.

USA Dial-in Number: 1-888-668-9141  
 UK Dial-in Number: 0-800-917-5108  
 SWITZERLAND Dial-in Number: 0-800-563-248  
 ISRAEL Dial-in Number: 09-9180609  
 INTERNATIONAL Dial-in Number: 972 - 3-9180609

At:  
 09:00 a.m. EDT  
 2:00 p.m. BST  
 3:00 p.m. CET  
 4:00 p.m. Israel Time

A replay of the call will be available by telephone starting two hours after the call and until Friday, May 23, 2014. To access the replay please dial: 1-888-295-2634 (USA), 0-800-917-4256 (UK), 0-800-837-191 (Switzerland), or 03-9255901 (Israel).



## About Frutarom

Frutarom is a global company operating in the global flavor and fine ingredients markets. Frutarom has significant production and development centers in four continents and it markets its products in five continents to over 15,500 customers in more than 145 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 2,700 people worldwide, has 2 main core activities :

- The Flavors Activity which develops, produces and markets flavor compounds and food systems .
- The Fine Ingredients Activity, which develops, produces and markets natural flavor extracts, natural functional food ingredients, natural pharma/nutraceutical extracts, natural algae based biotechnical products, aroma chemicals, essential oils, unique citrus products, natural gums and stabilizers. The Specialty Fine Ingredients products are sold primarily to the food, beverage, flavor, fragrance, pharmaceutical/nutraceutical, cosmetics and personal care industries .

Frutarom's products are produced in its plants in the US, UK, Russia, Switzerland, Germany, Slovenia, Turkey, Italy, Israel, China, Guatemala, South Africa and Brazil. The Company's global sales and marketing organization includes branches in Israel, the US, UK, Switzerland, Germany, Slovenia, Belgium, the Netherlands, Denmark, France, Italy, Hungary, Romania, Russia, Ukraine, Poland, Kazakhstan, Belarus, Turkey, Brazil, Mexico, Costa Rica, South Africa, China, Japan, Hong Kong, India and Indonesia. The Company also works through local agents and distributors worldwide .

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

