

# PRESS RELEASE

November 19, 2014

## FRUTAROM'S RAPID AND PROFITABLE GROWTH DRIVE CONTINUES WITH ANOTHER RECORD-BREAKING QUARTER FOR SALES, MARGINS, AND PROFITS:

**SHARP 30.9% CLIMB IN QUARTERLY SALES TO US\$210.8 MILLION;  
32.4% RISE IN Q3 EBITDA TO US\$39.0 MILLION;  
42.0% JUMP IN NET INCOME TO US\$24.2 MILLION;  
EBITDA PROFITABILITY FROM CORE BUSINESSES IN FIRST NINE MONTHS OF THE YEAR – 20.1%**

- **25.5% growth in Gross Profit from core businesses** in the quarter to **US\$77.7 million**, and improvement in margin reaching **40.8%**;
- 37.1% jump in **operating profit** for overall activity in the quarter to **US\$30.9 million**; operating margin for core businesses rising to 16%;
- **EBITDA** from core businesses up 31.2% to **US\$38.4 million**, with margin rising to **20.2%** of sales (from 19.1% in parallel quarter);
- 42.0% **leap in net income** to reach **11.5%** of total sales for the quarter - **US\$24.2 million**;
- **41.4%** rise in earnings per share to **US\$0.41 per share**.



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

“We are very pleased with the ongoing trend of profitable growth and sustained improvement in Frutarom's performance which have contributed to achieving record results once again in the third quarter and the first three quarters of the year. These results reflect the continued successful implementation of our rapid and profitable growth strategy, a strategy combining profitable internal growth - at rates topping the growth of markets where we operate with strategic acquisitions. The accelerated pace of internal growth and the contribution provided by the acquisitions, along with improvement in our product mix and steps being taken to optimize the use of our resources, has propelled Frutarom forward to another quantum leap in positioning itself competitively as a leading global player.

"The successful implementation of Frutarom's strategy in recent years, which includes substantial expansion of the scope of sales and market share in emerging markets with higher growth rates and in the US, has led to the doubling of sales in the US and the tripling of sales in emerging markets compared to the same period in 2010. Emerging markets already make up **44%** of Frutarom's overall sales compared with 26% in 2010. Continued growth of our activity in these markets, combined with the acquisition of the flavors and natural colors activity of Montana in Peru and Chile (which took place in the fourth quarter) that will significantly strengthen our position in the burgeoning markets of South and Central America and signifies our penetration into the fascinating and blooming field of natural colors for food, is expected to lead to the share of sales in emerging markets rising and reaching close to **50%** of Frutarom's total sales in the coming year.

"Frutarom is positioned today better than ever from a competitive and business standpoint for carrying on implementing its rapid and profitable growth strategy by, among other things, executing additional strategic acquisitions in its core business areas and main target markets. Frutarom's proven experience in successfully carrying out acquisitions and tapping the opportunities inherent in the synergies they generate, together with a strong acquisitions pipeline, with the continued improvement in the product mix, the focus on solutions combining taste and health, the continued expansion of activity in emerging markets and the US, and the actions being taken to optimize our resources including the building of a global purchasing platform, will lead to 2014 becoming another record-breaking year for the Company and will allow it to continue its profitable surge of growth in the coming years, even beyond the target of one billion dollars in sales, while continuing to create top value for our shareholders.”

-----



**Frutarom Industries Ltd.**, one of the world's top-ten companies in the Flavors and Fine Ingredients market, reports record highs in the third quarter and for first nine months of 2014 in sales, gross profit, operating profit, EBITDA, net income and earnings per share, along with continued improvement in profitability margins.

**Company sales in Q3 2014** grew by 30.9% to US\$210.8 million and gross profit rose 30.4%. The operating profit climbed at the even steeper rate of 37.1%, EBITDA rose 32.4% to US\$39.0 million, and net income grew by 42.0% to US\$24.2 million. Earnings per share climbed 41.4% to reach US\$0.41 per share.

The record-breaking results in the third quarter and the nine month period were achieved thanks to continued profitable organic growth in each of Frutarom's business activities along with significant expansion of the Company's operations in high-growth emerging markets and the United States. The five acquisitions carried out in 2013 and 2014 (JannDeRee of South Africa, PTI in Russia, Aroma in Guatemala, US-based Hagelin which also has sales in Africa and Latin America, and CitraSource in the United States) are also contributing and will continue contributing towards accelerating growth and raising Frutarom's market and sales shares in emerging markets and the US through years to come. The rapid growth of activity in emerging markets has resulted in the share of sales from emerging markets rising from 25% in the equivalent period of 2010 to 44% in the first nine months of 2014.

Continued successful integration of the acquisitions made in recent years with Frutarom's global activities contributes to both the growth in sales and the improvement in profits and profit margins. Contributing to the rise in margins is the rapid internal growth as well as the improvement in the product mix brought about by the development and successful penetration of new natural products with high profit margins, as well as from the steps taken by Frutarom to exploit the many operational synergies arising from, among other things, acquisitions performed recently that have begun coming to fruition.

### **Summary table of results for Q3 2014**

	Core Businesses Flavors and Specialty Fine Ingredients			Trade and Marketing			Total Frutarom Group		
	Q3 2013	Q3 2014	% growth	Q3 2013	Q3 2014	% growth	Q3 2013	Q3 2014	% growth
<b>Sales</b>	153.7	190.7	24.0%	7.3	20.1	173.5%	161.0	210.8	30.9%
<b>Gross profit</b> <i>Profitability</i>	61.9 40.3%	77.7 40.8%	25.5%	0.6 8.6%	3.8 19.1%	506.2%	62.6 38.8%	81.6 38.7%	30.4%
<b>Operating profit</b> <i>Profitability</i>	22.4 14.6%	30.5 16.0%	36.0%	0.1 1.9%	0.4 2.2%	214.5%	22.6 14.0%	30.9 14.7%	37.1%
<b>EBITDA</b> <i>Profitability</i>	29.3 19.1%	38.4 20.2%	31.2%	0.1 1.9%	0.5 2.7%	288.4%	29.4 18.3%	39.0 18.5%	32.4%
<b>Financing expenses</b>							1.3	0.8	-39.6%
<b>Income before taxes</b>							21.3	30.2	41.8%
<b>Net income</b>							17.0	24.2	42.0%



## Summary table of results for first nine months of 2014

	Core Businesses Flavors and Specialty Fine Ingredients			Trade and Marketing			Total Frutarom Group		
	1-9 2013	1-9 2014	% growth	1-9 2013	1-9 2014	% growth	1-9 2013	1-9 2014	% growth
<b>Sales</b>	462.1	560.8	21.4%	19.8	56.5	185.5%	481.9	617.3	28.1%
<b>Gross profit</b> <i>Profitability</i>	184.6 39.9%	230.5 41.1%	24.9%	2.0 10.1%	10.5 18.5%	424.3%	186.6 38.7%	241.0 39.0%	29.2%
<b>Operating Profit</b> <i>Profitability</i>	65.9 14.3%	88.7 15.8%	34.6%	0.5 2.6%	1.5 2.6%	187.8%	66.4 13.8%	90.2 14.6%	35.8%
<b>EBITDA</b> <i>Profitability</i>	87.2 18.9%	112.8 20.1%	29.4%	0.5 2.7%	1.7 3.1%	222.6%	87.7 18.2%	114.5 18.5%	30.6%
<b>Financing expenses</b>							5.0	4.5	-9.8%
<b>Income before taxes</b>							61.4	85.7	39.6%
<b>Net income</b>							48.7	67.9	39.6%

### Sales

**In Q3 2014 Frutarom sales grew by 30.9% to US\$210.8 million.** Growth for the quarter in pro-forma terms<sup>1</sup> and net of currency effects reached **5.7%**, with exchange-rate changes having a 1.2% adverse impact on growth.

**In the first nine months of 2014 sales by Frutarom grew by 28.1%**, attaining a nine month record for sales of **US\$617.3 million**. Growth in the first nine months in pro-forma terms reached **4.7%**, with negligible effect from changes in currency exchange rates.

**In Q3 sales in the Flavors field** (the most profitable of its activities) increased by 26.6% to reach a record US\$151.1 million representing 71.7% of total sales. Growth in the Flavors field in pro-forma terms was 5.4% net of currency effects, with exchange rate fluctuations lowering growth by 1.5%. **In the first nine months of 2014 Frutarom sales in the Flavors field** increased by 24.5% compared with the same period in 2013 to reach a nine-month record of US\$442.0 million which constituted 71.6% of total sales. Growth in the Flavors activity in pro-forma terms reached 4.0%, with negligible effect from changes in currency exchange rates.

**Sales of Specialty Fine Ingredients in the third quarter grew** by 11.3% and totaled US\$40.8 million. Growth in the field of Specialty Fine Ingredients in pro-forma terms and net of exchange-rate effects reached 5.5% and exchange-rate changes contributed 0.8% to growth. **In the first nine months of 2014 sales in Specialty Fine Ingredients grew** by 11.2% to reach US\$124.4 million compared with US\$111.8 million in the first nine months of last year. Growth for Specialty Fine Ingredients in pro-forma terms net of currency effects in the first nine months was 5.6%, with exchange-rate fluctuations adding 1.8% to growth.

<sup>1</sup> assuming acquisitions performed in 2013 had been consolidated as of January 1, 2013 and that CitraSource, which was acquired during the first quarter of 2014, had been consolidated as of March 1, 2013 ("**Pro-forma Terms**").



Contributing to the growth and improvement in profits and margins of the Specialty Fine Ingredients activity were natural innovative products with high added value developed at Frutarom's R&D labs and successfully launched over the past few years.

Frutarom's **Trade and Marketing activity** grew in the quarter and the first nine months of the year as a result of the acquisition of PTI and is concentrated mainly in Central and Eastern Europe and in Israel. The Trade and Marketing activity is not a core activity for Frutarom but it leverages the Company's sales, supply chain, and global purchasing and supply platforms, and allows it to offer a wider variety of products, solutions, and added value to its customers (particularly mid-sized and local customers) and deepens the degree of cooperation with them.

**Frutarom sales in the third quarter from Trade and Marketing** grew by 173.5% to reach US\$20.1 million. Trade and Marketing sales grew in pro-forma terms and net of currency effects by 2.0%, with exchange-rate fluctuations having an adverse 2.9% impact on growth. **In the first nine months of 2014 Frutarom's Trade and Marketing sales** grew 185.5% to reach US\$56.5 million. In pro-forma terms and net of currency effects, Trade and Marketing sales rose in pro-forma terms and net of currency effects by 9.4%, with exchange-rate fluctuations having an adverse 4.0% effect on growth.

### **Gross Profit**

**In Q3 the gross profit from Frutarom's core businesses** (Flavors and Specialty Fine Ingredients) increased by **25.5%**, reaching US\$77.7 million. The gross margin from core businesses rose to reach **40.8%** in the quarter compared with 40.3% in the same quarter last year.

**In the first nine months of 2014 gross profit from core businesses** rose 24.9% and reached US\$230.5 million. Gross margin from core businesses reached **41.1%** compared with 39.9% in the first nine months of last year.

Contributing to the improvement in profits and margins in the core businesses were internal sales growth, an improved product mix, and steps taken by Frutarom to streamline its operations. The Company continues to work towards optimizing its resources, also in the wake of the latest acquisitions performed, generating significant operational savings and reinforcing its competitive capabilities. Frutarom is also working on building up and strengthening its global purchasing platform by capitalizing on its enhanced buying power arising as a result of its acquisitions while continuing to expand its circle of suppliers and placing emphasis on buying raw materials used for production from source countries (particularly natural raw materials). The global purchasing platform will also contribute to a continuing trend of improvement in profits and margins.

### **Operating Profit and EBITDA**

**In the third quarter the operating profit from Frutarom's core businesses** rose 36.0% to reach US\$ 30.5 million (16.0% of sales) compared with US\$22.4 million (14.6% of sales) in Q3 of last year.

**In the first nine months of 2014 operating profit from core businesses** rose 34.6% to reach US\$ 88.7 million (15.8% of sales) compared with US\$65.9 million (14.3% of sales) in the equivalent period last year.



**In Q3 2014 EBITDA from core businesses** climbed 31.2%, reaching US\$38.4 million (20.2% of sales) compared with US\$29.3 million for the same period last year (19.1% of sales).

The **EBITDA** margin for the Flavors division climbed to 20.2% in the third quarter of 2014 from 19.2% in the same quarter last year, while the **EBITDA** margin for the Specialty Fine Ingredients division rose to 19.2% from 17.8% in the parallel period in 2013.

**In the first nine months of 2014 EBITDA from core businesses** increased by 29.4%, reaching US\$112.8 million (20.1% of sales) compared with US\$87.2 million for the same period last year (18.9% of sales).

The **EBITDA** margin for the Flavors division in the first nine months of 2014 rose to 20.4% from 19.0% in the same period last year while the **EBITDA** margin for the Specialty Fine Ingredients division rose to 18.1% from 17.8% in the parallel period in 2013.

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

**In Q3 2014 net profit climbed 42.0%** to a third quarter record of US\$24.2 million (11.5% of sales) compared with net profit of US\$17.0 million (10.6% of sales) in Q3 2013.

**In the first nine months of 2014 net profit rose by 39.6%** to reach a record level US\$67.9 million compared with US\$48.7 million in the parallel period, with net margin amounting to 11.0% compared with 10.1% in the parallel period of last year.

**Earnings per share for Q3 2014 increased by 41.4%**, reaching a third quarter record high of US\$0.41 compared with US\$0.29 in the same quarter last year.

**For the first nine months of 2014 earnings per share** rose 38.4% to reach a record US\$1.15 compared with US\$0.83 in the same period of last year.

### **Equity**

Frutarom's sturdy capital structure (assets of US\$955.7 million and capital equity of US\$546.7 million as of September 30, 2014 – comprising 57.2% of the balance sheet), its net debt level (total loans less cash) of US\$165.7 million as of September 30, 2014, supported by the strong cash flow attained together with backing from banks, will allow it to continue carrying out the growth strategy it has been following in recent years which includes carrying out additional strategic acquisitions while continuing to strengthen its competitiveness and position as one of the world's leading companies in the field of Flavors and Specialty Fine Ingredients.

### **Contact Details:**

Yael Fainaro, VP Strategy and IR  
[ir@frutarom.com](mailto:ir@frutarom.com)  
+972-9-9603800



## **Investor Conference Call**

**On Wednesday, November 19, 2014 at 2:00pm GMT or 09:00am EST Frutarom will host a conference call** in which management will review and discuss the results and will be available to answer investor 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. EST

2:00 p.m. GMT

3:00 p.m. CET

4:00 p.m. Israel Time

A replay of the call will be available Frutarom's Investor Relations website and by telephone starting two hours after the call and until Friday, November 21, 2014. To access the replay please dial: 1-888-326-9310 (USA), 0-800-917-4256 (UK), 0-800-837-191 (Switzerland), or 03-9255900 (Israel).

---

## **About Frutarom**

Frutarom is a global company operating in the global flavor and fine ingredients markets. Frutarom has significant production and development centers on four continents and markets and sells over 31,000 products to over 15,500 customers in more than 150 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 marketing organization encompasses 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).

