

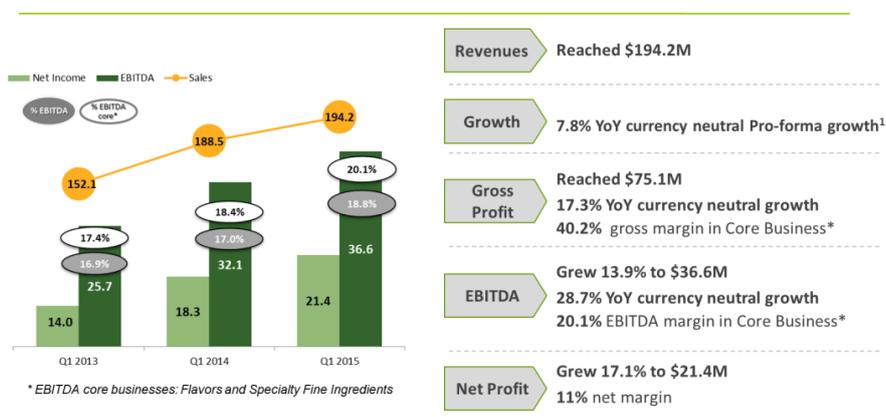
# PRESS RELEASE

May 20, 2015  
Herzliya, Israel

## ANOTHER RECORD QUARTER FOR FRUTAROM – CONTINUES SUCCESSFULLY IMPLEMENTING ITS STRATEGY FOR RAPID AND PROFITABLE GROWTH

**SALES GROW TO US\$ 194.2 MILLION;  
13.9% RISE IN EBITDA TO RECORD US\$ 36.6 MILLION;  
17.1% JUMP IN NET INCOME TO US\$ 21.4 MILLION,  
HIGHEST EVER FOR THE COMPANY IN A 1<sup>ST</sup> QUARTER**

- Cash flow from operating activity more than doubled to reach US\$ 20.0 million;
- 7.8% year-over-year currency-neutral growth (on a pro-forma basis);
- 18.5% jump in **operating profit** of core businesses, comprising the Flavors and Specialty Fine Ingredients activities, to US\$ 28.0 million (15.9% of sales compared with 13.7% in the same quarter last year);
- EBITDA from core businesses rose 11.3% to US\$ **35.3** million, **20.1%** of sales;
- **Net income** reached **11.0%** of total sales;
- Continued implementation of strategy to accelerate activity in emerging markets and North America, announcing past several days on the acquisitions of Sonarome in India and of BSA in Canada.



**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 another record setting quarter. The results reflect the continued successful implementation of our rapid and profitable growth strategy, a strategy combining profitable internal growth - at rates above the growth rates in markets where we operate - with strategic acquisitions. The acceleration in the rate of internal growth and the contribution from the acquisitions, along with the measures we are taking to optimize the utilization of our resources, have propelled Frutarom in another major leap forward in its competitive positioning as a leading global player in the fields of Flavors and Specialty Fine Ingredients.

"As part of the implementation of this strategy, we are continuing to work at expanding our scope of sales and market share considerably. Frutarom's sales growth in the first quarter of 2015 reached 7.8% on a currency-neutral pro-forma<sup>1</sup> basis. Successful integration of the six acquisitions we carried out in 2013-2014, expansion of our activity and market share in emerging markets exhibiting higher growth rates, as well as deepening our activity in the United States combined with our product mix, with emphasis on a natural and healthy product portfolio, contribute to the acceleration of growth.

"The successful implementation of Frutarom's strategy over recent years, including the substantial expansion in the scope of sales and market share in the higher growth emerging markets and in the United States, has brought a tripling of sales in emerging markets, the doubling of our overall sales in the US, and six-fold growth of Flavors activity in the US compared with 2010.

"Frutarom is now better prepared than ever before to continue achieving profitable growth: Since the beginning of 2015 we have executed another six acquisitions, including that of Sonarome in India and of BSA in Canada which we announced in past few days. In addition, we are in the run-in stages of a new state-of-the-art plant in China, another key target market for growth and for leveraging our competitive advantages.

"This quarter we achieved significant record results for revenues, profits and margins, this in a quarter that due to seasonality is expected to be the least strong period of the year, and also despite the considerable effect of changes in the exchange rates of the various currencies. Our two main growth engines, organic growth and acquisitions, together with continuing improvement in our product mix, geographic expansion in emerging markets and the United States, and measures being taken to optimize the utilization of resources at our disposal have led us to these achievements. These actions combined with the ongoing merger of the acquisitions we executed this year and realizing the many inherent cross-selling opportunities and operational savings they present, along with the building of a global purchasing platform, and carrying out further strategic synergetic acquisitions, will support the continuation of our campaign for profitable growth in the years to come as well, and attaining the goals we recently set of reaching at least US\$ 1.5 billion in sales and an EBITDA margin in our core activities of over 22% by 2020 given our current product mix."

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<sup>1</sup> Assuming acquisitions performed in 2015 had been consolidated in the appropriate parallel period of 2014 and that Montana Food, acquired during the fourth quarter of 2014, had been consolidated as of January 1, 2014 ("**Pro-forma Terms**")



Frutarom Industries Ltd., ("**Frutarom**"), one of the top ten companies in the world for flavors and specialty fine ingredients, reports another record quarter in terms of sales, gross profit, operating profit and margin, EBITDA and EBITDA margin, net income and margin and earnings per share.

The trend of improvement in profits and margins for the core businesses, comprised of the Flavors and Specialty Fine Ingredients activities, continues. The EBITDA margin for core activities reached 20.1% of total Company sales. Net income rose 17.1% to reach a record US\$ 21.4 million (11% of total sales).

Company sales in Q1 2015 reached a first quarter record high of US\$ 194.2 million and reflect currency-neutral pro-forma growth of 7.8% over previous year sales.

Operating profit climbed 21.9%, EBITDA rose 13.9% to US\$ 36.6 million, and net income grew 17.1% to US\$ 21.4 million. Earnings per share rose 17.6% to US\$ 0.37 per share.

The record-breaking results were achieved thanks to continued profitable internal growth for each of Frutarom's business activities, along with significant expansion of Company activity in high-growth emerging markets and the United States.

Continued successful integration of acquisitions performed in recent years with Frutarom's global activity is also a contributing factor towards both the growth in sales and improvement in profits and margins. From the beginning of 2015 until the date of this report, Frutarom has executed six more acquisitions - Vitiva in Slovenia, FoodBlenders in the UK, IngreNat in Spain, Taiga in Belgium, Sonarome in India and BSA in Canada - and is working on successfully integrating them and making the most of the great potential they bring.

### Acquisitions in 2014-2015

<p><b>CitraSource</b> USA</p>  <ul style="list-style-type: none"> <li>• Strengthening Citrus capabilities and leadership</li> <li>• Presence in Florida – world center for citrus</li> </ul>	<p><b>Montana</b> Peru &amp; Chile</p>  <ul style="list-style-type: none"> <li>• Strengthening market position in South America</li> <li>• Complementary Colors activity</li> </ul>	<p><b>Vitiva*</b> Slovenia</p>  <ul style="list-style-type: none"> <li>• Strengthening the health, natural colors &amp; food protection activities</li> <li>• Strong R&amp;D</li> </ul>	<p><b>Food Blenders</b> UK</p>  <ul style="list-style-type: none"> <li>• Complementary to Frutarom Savory activity in the UK</li> </ul>	<p><b>IngreNat</b> Spain</p>  <ul style="list-style-type: none"> <li>• Strengthening food protection activities</li> <li>• Natural Colors</li> </ul>	<p><b>Taiga</b> Belgium</p>  <ul style="list-style-type: none"> <li>• Synergetic to our European and North American Flavor activity</li> </ul>	<p><b>Sonarome</b> India</p>  <ul style="list-style-type: none"> <li>• Strengthening market position in India and Africa</li> <li>• local production in India</li> </ul>	<p><b>BSA</b> Canada, India</p>  <ul style="list-style-type: none"> <li>• Reinforcing savory position in North America and India</li> </ul>
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\*Signed end of 2014 and closed 2015

Frutarom continues pushing ahead with the building and strengthening of its global purchasing platform and tapping possibilities from the harmonization of raw materials and suppliers used by the Company in developing and manufacturing its products. It is also continuing to implement streamlining programs for combining and consolidating production sites and activities while achieving further operational efficiency.

**Frutarom believes its strategic plan for the next 5 years will lead to achieving the goal of at least \$1.5 billion in sales, with an EBITDA margin exceeding 22% for its core businesses (given the current product mix) by 2020.**

### Sales

**Frutarom sales** in Q1 2015 reached a first quarter record of US\$ 194.2 and reflect currency-neutral pro-forma growth from the previous year of 7.8%.

The significant strengthening of the US dollar against most other world currencies gained momentum in the first quarter of 2015. About 70% of Frutarom's sales are conducted in currencies other than the US dollar and therefore changes in exchange rates affect the dollar-based results reported by Frutarom. However, exposure to currency fluctuations is reduced by the fact that



Frutarom's raw materials purchases and operational expenditures in various countries in which it operates are also paid for in most cases in the various currencies so that most of the effect applies to the translation of sales revenues and profits into dollar terms (and not to the profitability of its various activities and/or the group's profitability). Currency effects impacted sales 13.5% compared to Q1 2014 (about US\$ 27.7 million) due to the strengthening of the US dollar against most of the currencies in which the Company operates, such that Frutarom sales as reported in US dollar terms grew 3.0% in the first quarter of 2015.

**Frutarom sales in the field of Flavors** in Q1 2015 amounted to US\$ 133.4 million – 8.1% growth on a currency-neutral pro-forma basis. The currency effects lowered growth 14.0%.

**Frutarom sales in the field of Specialty Fine Ingredients** reached US\$ 43.2 million in Q1 2015 – 3.8% growth on a currency-neutral pro-forma basis. The currency effects lowered growth 7%.

**Frutarom sales from Trade & Marketing** (not a core activity of Frutarom) reached US\$ 18.6 million in Q1 2015 - 6.4% growth on a currency-neutral pro-forma basis.

### **Gross Profit**

**Gross profit from core businesses** (comprising the Flavors Specialty Fine Ingredients activities) climbed 13.5% on a currency-neutral basis<sup>2</sup> to reach US\$ 70.6 million. The gross margin for core businesses reached 40.2% compared with a gross margin of 40.9% in Q1 2014.

Gross profit from Frutarom's overall activity in Q1 2015 rose 17.3% on a currency-neutral basis. Without adjusting for currency effects, gross profit from Frutarom's overall activity rose 2.2% to US\$ 75.1 million (38.7% of sales) compared with US\$ 73.5 million (39.0% of sales) in Q1 2014.

The Company continues working to achieve optimization of its resources, following its latest acquisitions too, while generating substantial operational savings and strengthening its competitive capabilities.

In addition, Frutarom is working on building up and strengthening its global purchasing platform while capitalizing on the purchasing power gained as a result of the acquisitions executed and continuing to widen its circle of suppliers with emphasis given to buying raw materials used in the manufacture of its products from their source countries (particularly natural raw materials). The global purchasing platform will also contribute to the continuing trend of improvement in profits and profitability.

### **Operating Profit and EBITDA**

**Operating profit from core businesses** (comprising the Flavors Specialty Fine Ingredients activities) rose in Q1 2015 on a currency-neutral basis by 33.6% against the same quarter last year. Without adjusting for currency effects, operating profit from core businesses rose 18.5% to reach US\$ 28.0 million (15.9% of sales) compared with US\$ 23.6 million (13.7% of sales) in Q1 2014.

**Operating profit from Frutarom's overall activity** in Q1 2015 rose 37.5% against the previous year on a currency-neutral basis. Without adjusting for currency effects, operating profit from Frutarom's overall activity rose 21.9% to an all-time first quarter record high of US\$ 29.2 million (15.0% of sales) compared with US\$ 23.9 million (12.7% of sales) in Q1 2014.

**EBITDA from core businesses** (comprising the Flavors Specialty Fine Ingredients activities) rose in Q1 2015 on a currency-neutral basis by 25.6% against the same quarter last year. Without adjusting for currency effects, EBITDA from core businesses rose 11.3% to reach US\$ 35.3 million (20.1% of sales) compared with US\$ 31.7 million (18.4% of sales) in Q1 2014.

<sup>2</sup> If the Company's Q1 2014 Profit & Loss Statements were translated into US dollars according to the average exchange rates for the dollar in Q1 2015.



**EBITDA from Frutarom's overall activity** rose on a currency-neutral basis in Q1 2015 by 28.7% against the same quarter last year. Without adjusting for currency effects, EBITDA from Frutarom's overall activity rose 13.9% to reach a first quarter record of US\$ 36.6 million (18.8% of sales) compared with US\$ 32.1 million (17.0% of sales) in Q1 2014.

### **Net Income, Earnings per Share**

**Net income** climbed 17.1% in Q1 2015 to a record first quarter high of US\$ 21.4 million with a net margin of 11%, compared with net income of US\$ 18.3 million and a net margin of 9.7% in the first quarter of 2014, and this was achieved despite the above-mentioned strengthening of the US dollar.

**Earnings per share** climbed 17.6% in the first quarter of 2015 to reach a record high of US\$ 0.37 compared with US\$ 0.31 per share the previous year.

### **Cash Flow and Equity**

During Q1 2015 the cash flow attained by the Company from operating activities more than doubled in reaching US\$ 20.0 million compared with a cash flow of US\$ 9.0 million during the same quarter last year.

Frutarom's sturdy capital structure includes assets totaling US\$ 947.7 million and capital equity of US\$ 497.5 million comprising 52.5% of the overall balance sheet. The Company's net debt (total loans less cash) stands at US\$ 174.9 million.

Frutarom continues to generate a strong cash flow from operating activity that helps it reduce its debt level and carrying out, with backing from banks, strategic acquisitions.

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### **Investor Conference Call**

**On Wednesday, May 20, 2015 at 4:30pm Israel time (2:30pm BST or 9:30am EDT) Frutarom will host a conference call** in which management will review and discuss the results and will be available to answer investor questions.

USA Dial-in Number: 1-866-229-7198

UK Dial-in Number: 0-800-917-5108

SWITZERLAND Dial-in Number: 0-800-834-878

ISRAEL Dial-in Number: 03-918-0687

INTERNATIONAL Dial-in Number: +972-3-918-0687

Beginning May 21, 2015 a recording of the conference call can be found on the Company's website at [www.frutarom.com](http://www.frutarom.com).

**Contact Details:** [ir@frutarom.com](mailto:ir@frutarom.com), +972-9-9603800



### About Frutarom

Frutarom (LSE: **FRUT**, TASE: **FRUT**) is a multinational company operating in the global flavors and fine ingredients markets. Frutarom has significant production and development centers on four continents and markets and sells over 31,000 products to over 18,000 customers in more than 150 countries. Frutarom's products are intended mainly for the food and beverages, flavor and fragrance extracts, pharmaceutical, nutraceutical, health food, functional food, food additives and cosmetics industries.

Frutarom employs approximately 3,100 people worldwide and engages in two core activities:

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

Frutarom's products are produced at its plants in the US, UK, Switzerland, Germany, Spain, Italy, Slovenia, Russia, Turkey, Israel, South Africa, China, Guatemala, , Peru, Chile and Brazil. The Company's global marketing organization encompasses branches in Israel, the US, UK, Switzerland, Germany, Slovenia, Belgium, the Netherlands, Denmark, France, Italy, Spain, Hungary, Romania, Russia, Ukraine, Poland, Kazakhstan, Belarus, Turkey, Brazil, Mexico, Guatemala, Costa Rica, Peru, Chile, South Africa, China, Japan, Hong Kong, India and Indonesia. The Company also works through local agents and distributors throughout the world. For further information, visit our website: [www.frutarom.com](http://www.frutarom.com).

