

PRESS RELEASE

August 27, 2015
Herzliya, Israel

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

QUARTERLY SALES GROW TO US\$ 218.5M AND NET INCOME TO US\$ 26.1M; HIGHEST EVER IN COMPANY HISTORY

RECORD SALES OF US\$ 413M IN 1ST HALF YEAR AND NET INCOME RECORD OF US\$ 47.5M

EBITDA ADJUSTED FOR NON-RECURRING EXPENSES¹ ON CONSTANT CURRENCY BASIS GROW 12.6% TO US\$42.9M FOR QTR AND BY 20.0% TO US\$79.8M FOR HALF YEAR

EBITDA MARGIN IN QTR FOR CORE ACTIVITIES ADJUSTED FOR NON-RECURRING EXPENSES – 21.7%

SINCE BEGINNING OF 2015 FRUTAROM ACQUIRED 9 STRATEGIC ACQUISITIONS

SINCE BEGINNING OF Q2 FRUTAROM ACQUIRED 5 COMPANIES WITH CUMULATIVE ANNUAL SALES OF US\$97M WHOSE FULL CONTRIBUTION TO SALES AND PROFITS WILL START SHOWING IN Q3

- **Constant currency growth** (pro-forma²) of 5.4% for half-year and 3.4% for quarter
- **Constant currency growth in flavors activity** (pro-forma²) of 6.1% for half-year and 4.8% for 2nd quarter

¹ Non-recurring expenses recorded in the 2nd quarter and 1st half year were US\$1.9M and US\$2.2M respectively, mainly for optimization and savings measures of acquired activities.

² 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



- **Net income** adjusted for currency effects and non-recurring expenses grew 26.8% in the 1st half and 23.7% in the 2nd quarter
- **Earnings per share** adjusted for currency effects and non-recurring expenses grew 27.5% in the 1st half and 24.3% in the 2nd quarter
- The Company continues carrying out projects to combine plants and optimize production resources along with measures to integrate the R&D, sales, operations, production and purchasing platforms, which are expected to lead to operational savings of over US\$ 12M, some of which will already be reflected in this year's fourth quarter

Development of Frutarom's sales and profits:

	<u>Trend of real growth in key parameters continues</u>	
	vs. the equivalent period in 2014	
	<u>H1 2015</u>	<u>Q2 2015</u>
<u>Sales</u> ²	5.4%	3.4%
<u>Gross profit</u> ³	15.4%	13.7%
<u>EBITDA</u> ³	20.0%	12.6%
<u>Net income</u> ³	26.8%	23.7%

Ori Yehudai, President and CEO of Frutarom:

"We continue our rapid profitable growth journey and achieve record results despite the considerable effect of changes in the exchange rates of the various currencies that affected unfavorably our Q2 2015 results by 14.4%. 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 in revenues and net profit. The quarter 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. We continue growing our market share in desired regions and countries, along entering new fields such as of natural colors and natural food preservation and protection solutions and further strengthened our activity in the field of specialty citrus. Continued organic 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 half of 2015 reached 5.4% on a currency-neutral pro-forma² basis. Successful integration of the six acquisitions we carried out in 2013-2014, expansion of our activity

³ On a constant currency basis and adjusted for non-recurring expenses.



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.

"Since the beginning of the second quarter we acquired 5 companies with cumulative annual sales of US\$ 97 M. They are already fully included in the balance sheet, but their full contribution to sales and profits will start showing only in the third quarter. Those acquisitions, combined with the organic growth, contribute to the expansion of our activities, while balancing our geographic spread between growing emerging markets and developed markets, with emphasis on Western Europe and the US (the world's largest market for flavors).

"As part of the action we are taking to expand our global presence, we strengthen our activity in Asia-Pacific by the acquisition of Taura and accelerated our penetration to the growing markets of India and Africa by the acquisitions of Sonarome and the Indian activity of BSA. Construction of Frutarom's new state-of-the-art plant in China, which features sophisticated laboratories for research, development and applications, has been completed. For the first time Frutarom will have the ability to develop and produce savory flavors solutions locally. The plant is currently in its run-in stages and we are convinced it will contribute to the growth of our activities in China and South East Asia, important key target markets for growth and for leveraging our competitive advantages.

"The 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, combined with the many inherent cross-selling opportunities and operational savings they present, along with the building of a global purchasing platform, and future strategic synergetic acquisitions pipe line, 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."

Frutarom Industries Ltd., ("**Frutarom**"), one of the top ten companies in the world for flavors and specialty fine ingredients, reports another record quarter in sales reaching US\$ 412.7 million, in operating profit reaching US\$62.4 million, in EBITDA reaching US\$ 77.6 million, in net income reaching US\$ 47.5 million, and in earnings per share. The second quarter of 2015 was also a record-setting quarter for sales reaching US\$ 218.5 million, for net income reaching US\$ 26.1 million, and for earnings per share, which were the highest ever in Frutarom history.

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 nine acquisitions, five of which during the second quarter – Vitiva, (Slovenia), FoodBlenders (UK), Ingrenat (Spain), Taiga (Belgium), Sonarome (India, with activity also in Africa), BSA (Canada with activity also in India) Taura (Australia, with product sites in New Zealand and Belgium and activity in Europe), F&J (USA) and is working on successfully integrating them and making the most of the great potential they bring. Following the date of the report on the financial status Frutarom reported on the ninth acquisition for the year, of the business operations and assets of Scandia Flavors in the US state of Florida which engages in specialty citrus solutions. Frutarom believes that in the



nine acquisitions it has carried out lies a great deal of synergetic potential and operational savings that can be expected to start coming into play in its results in upcoming quarters.

Sales

Frutarom sales in Q2 2015 reached a quarterly record high of US\$ 218.5 million in the second quarter, reflecting year-over-year constant currency growth of 3.4% in pro-forma terms². These results were achieved against a particularly strong parallel quarter in 2014.

Frutarom sales and profits were affected during the second quarter by the significant strengthening of the US dollar against most other world currencies. Since about 70% of Frutarom's sales are conducted in currencies other than the US dollar (mainly the Euro, Pound Sterling, Swiss Franc, Russian Ruble, New Israeli Shekel, Chinese Yuan, Brazilian Real, Peruvian Nuevo Sol and South African Rand), changes in exchange rates affect Frutarom's results as reported in US dollars.

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.

The effect of currencies on Frutarom sales was 14.4% in the second quarter and 14.0% in the first half of 2015.

It should be noted that the trend of the strengthening dollar mainly began manifesting itself in the fourth quarter of 2014, and therefore it is expected that the currency effect on Frutarom's reported dollar-based results will diminish beginning in the fourth quarter of this year if exchange rates remain at their current levels.

Growth in sales from **Flavors activity** in Q2 2015 (in pro-forma terms and on a constant currency basis) reached 4.8% vs. prior year. Currency effects unfavorably impacted sales by 15.1%. Sales from the Flavors activity as reported in US dollars reached US\$ 155.5 million in Q2 2015 as against US\$ 156.7 million in Q2 2014.

Sales from **Specialty Fine Ingredients activity** in Q2 2015 (in pro-forma terms and on a constant currency basis) declined 4.9% vs. prior year, with currency effects having a 7.8% unfavorable impact on results. Frutarom sales from Specialty Fine Ingredients activity as reported in US dollar terms amounted to US\$ 41.4 million compared with US\$ 42.6 million in Q2 2014. After undergoing internal growth averaging 4.4% in 2014 and 5.3% in Q1 2015, sales of Specialty Fine Ingredients were affected this quarter by some stockpiling of inventory among a number of customers who temporarily reduced their purchases. These customers have recently resumed placing orders and the Company estimates that their rate of purchases will grow in the upcoming months.

Frutarom sales from its **Trade and Marketing activities** in Q2 2015 (in pro-forma terms and on a constant currency basis) grew 7.0% vs. prior year. Currency effects negatively impacted sales by 20.2%. Sales from Trade and Marketing as reported in US dollar terms reached US\$ 23.1 million compared with US\$ 20.7 million in Q2 2014.

Frutarom sales reached a half-year record high of US\$ 412.7 million in the **first half** of 2015, reflecting year-over-year constant currency growth of 5.4% in pro-forma terms². Substantial changes, as mentioned, to the exchange rates of currencies in which the Company operates as against the US dollar negatively impacted sales growth in pro-forma terms by 14.0% such that Frutarom sales as reported in US dollars grew in H1 2015 by 1.5%.



H1 2015 sales growth for **Flavors activity** in pro-forma terms on a constant currency basis reached 6.1% vs. prior year. Currency effects negatively impacted sales by 14.7%. The sales from Flavors activity in H1 2015 as reported in US dollars totaled US\$ 285.2 million as opposed to US\$ 290.9 million the previous year.

Sales for **Specialty Fine Ingredients** in the first half of 2015 in pro-forma terms on a constant currency basis rose 0.2% from the previous year, with currency effects having a 7.4% negative impact on results. The sales from Specialty Fine Ingredients activity as reported in US dollars reached US\$ 88.3 million compared with US\$ 83.5 million in H1 2014.

Frutarom's Trade and Marketing sales grew in H2 2015 by 6.8% vs. prior year on a constant currency basis in pro-forma terms. Currency effects had a negative impact of 21.0% on sales. Frutarom sales from Trade and Marketing as reported in US dollars reached US\$ 41.7 million compared with US\$ 36.4 million the year before.

Profits and Margins

1st half year:

<i>In millions of US dollars</i>	Core Businesses Flavors and Specialty Fine Ingredients			Total Frutarom Group		
	Adjusted for non-recurring expenses		% increase on a constant currency basis and adjusted for non-recurring expenses	Adjusted for non-recurring expenses		% increase on a constant currency basis and adjusted for non-recurring expenses
	H1 2014	H1 2015		H1 2014	H1 2015	
Gross profit	152.8	151.7	12.6%	159.4	160.5	15.4%
<i>Margin</i>	41.3%	40.9%		39.2%	38.9%	
Operating profit	58.4	63.1	22.0%	59.3	64.6	24.1%
<i>Margin</i>	15.8%	17.0%		14.6%	15.7%	
EBITDA	74.5	78.0	18.3%	75.5	79.8	20.0%
<i>Margin</i>	20.1%	21.0%		18.6%	19.3%	
Net income				43.8	49.1	26.8%
<i>Margin</i>				10.8%	11.9%	



2nd quarter:

<i>In millions of US dollars</i>	Core Businesses			Total Frutarom Group		
	Flavors and Specialty Fine Ingredients		% increase on a constant currency basis and adjusted for non- recurring expenses	Adjusted for non- recurring expenses		% increase on a constant currency basis and adjusted for non- recurring expenses
	Q2 2014	Q2 2015		Q2 2014	Q2 2015	
Gross profit	82.1	81.1	15.4%	85.9	85.3	13.7%
<i>Margin</i>	41.6%	41.5%		39.4%	39.1%	
Operating profit	34.8	34.7	13.1%	35.5	35.1	13.8%
<i>Margin</i>	17.6%	17.8%		16.3%	16.1%	
EBITDA	42.8	42.4	12.1%	43.6	42.9	12.6%
<i>Margin</i>	21.7%	21.7%		20.0%	19.6%	
Net income				25.6	27.5	23.7%
<i>Margin</i>				11.7%	12.6%	

Non-recurring expenses were recorded this quarter concerning steps being taken by Frutarom towards optimizing its resources, amalgamating plants, attaining maximal operational efficiency and in connection with acquisitions. These non-recurring expenses had a US\$ 1.3 million effect on gross profit during the second quarter. Sales and marketing, R&D, G&A and other expenses included non-recurring expenses of US\$ 0.6 million mainly in connection with acquisitions such that operating profit for the second quarter of 2015 was impacted by an overall total of US\$ 1.9 million in non-recurring expenses. The non-recurring expenses during the first half were US\$ 2.2 millions

Alongside growth acceleration, Frutarom continues working towards optimizing its resources, subsequent to its latest acquisitions as well, in the course of creating significant operational savings and strengthening its competitive position along with maximum utilization of its facilities around the world. These actions should bring about operational savings exceeding US\$ 12 million which will already manifest themselves in part during the months just ahead.

Frutarom is also working on building and strengthening its global purchasing system while utilizing the increased purchasing power gained through its acquisitions and continuing to expand of its pool of suppliers, with emphasis on turning to source countries for the purchase of raw materials (especially natural raw materials) used in the manufacture of its products. The global purchasing system will already shortly begin contributing to improvement in purchasing costs and gross margins.

Earnings per Share



Earnings per share in Q2 2015 (on a constant currency basis and adjusted for the non-recurring expenses) rose 24.3%. Without adjusting for currency effects or for non-recurring expenses, earnings per share in Q2 2015 rose 2.2% to reach a record US\$ 0.44 compared with US\$ 0.43 the year before.

Earnings per share in H1 2015 (on a constant currency basis and adjusted for the non-recurring expenses) rose 27.5%. Without adjusting for currency effects or for non-recurring expenses, earnings per share in H1 2015 rose 8.7% to reach a record US\$ 0.81 compared with US\$ 0.74 the year before.

Investor Conference Call

On Thursday, August 27, 2015 at 4:00pm Israel time (1:00pm GMT/ 2:00pm BST/9:00am DST) 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: 1-888-668-9141
UK Dial-in Number: 0-800-917-5108
SWITZERLAND Dial-in Number: 0-800-563-248
ISRAEL Dial-in Number: 03-9180610
INTERNATIONAL Dial-in Number: +972-3-9180610

At:
09:00 am DST
2:00 pm BST/CET
1:00pm GMT
4:00 pm Israel Time

A replay of the call will be available by telephone starting two hours after the call and until Monday, August 31, 2015 and on Frutarom's investor relations website starting August 28, 2015 at www.frutarom.com.

Contact Details: 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 the over 43,000 products it produces to over 19,000 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, which employs approximately 3,500 people worldwide, has 2 main 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 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, Canada, the UK, Switzerland, Germany, Spain, Italy, Slovenia, Russia, Turkey, Israel, South Africa, China, India, Guatemala, Peru, Chile, Brazil and New Zealand. The Company's global marketing organization encompasses branches in Israel, the US, Canada, the UK, Switzerland, Germany, Slovenia, Belgium, the Netherlands, Denmark, France, Italy, Spain, Hungary, Romania, Russia, the Ukraine, Poland, Kazakhstan, Belarus, Turkey, Brazil, Mexico,





Guatemala, Costa Rica, Peru, Chile, South Africa, China, Japan, Hong Kong, India, Indonesia and New Zealand. The Company also works through local agents and distributors throughout the world. For further information, please visit our website at: www.frutarom.com.

