

## PRESS RELEASE

November 19, 2015

Herzliya, Israel

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

**QUARTERLY GROWTH OF 11.3% IN REVENUES TO USD 234.5M AND 15.9% IN EBITDA TO USD 45.2M; HIGHEST EVER IN COMPANY HISTORY**

**NET INCOME (ADJUSTED FOR NON-RECURRING EXPENSES<sup>1</sup> AND ON A CONSTANT-CURRENCY BASIS) JUMPED 47.8% IN Q3 TO A RECORD USD 30.9M AND YTD BY 34.2% TO A RECORD USD 80M**

**EBITDA MARGIN FOR CORE ACTIVITIES (ADJUSTED FOR NON-RECURRING EXPENSES<sup>1</sup>) REACHED A RECORD 22.1% IN Q3**

**CASH FLOW FROM OPERATING ACTIVITIES GREW YTD BY 32.1% TO A RECORD USD 66.8M AND BY 39.6% IN Q3 TO USD 29.4M**

### **11 STRATEGIC ACQUISITIONS SINCE THE BEGINNING OF THE YEAR**

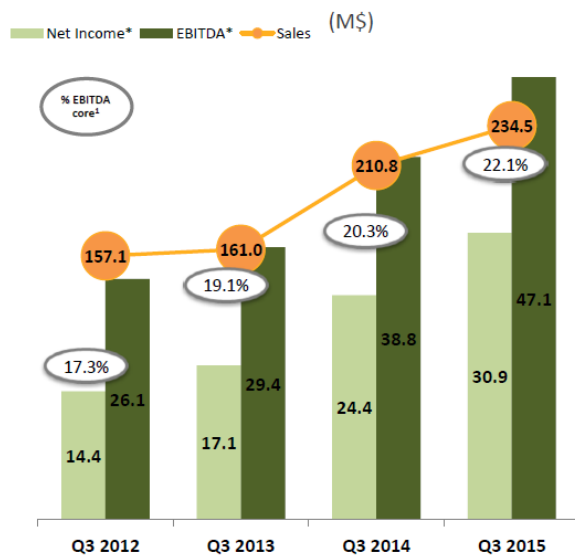
- **Constant currency growth** (pro-forma<sup>2</sup>) of **4.5%** in the third quarter of 2015 and **5.1%** in the first nine months of the year
- **Constant currency growth in Flavors activity** (pro-forma<sup>2</sup>) of **5.4%** in the third quarter of 2015 and **5.8%** in the first nine months of the year
- **Earnings per share** adjusted for currency effects and non-recurring expenses grew 48.5% in the third quarter and by 35.0% in the first nine months of the year
- The Company continues taking steps to integrate the R&D, sales, operations and production platforms, along with realizing projects to combine plants and optimize its resources, which are expected to lead to **operational savings of over US\$ 12M**, some of which will already come into fruition in the upcoming months. Also continuing is the building up and reinforcement of the **global purchasing system** which will contribute towards further improvement in gross profits and margins.

<sup>1</sup> In Q3 2015 and in the first nine months of the year, included were non-recurring expenses that reduced operating profit by a total of US\$ 2.4 million and US\$ 4.6 respectively concerning steps being taken towards optimization and the streamlining of purchased activities, as well as expenses connected with purchase transactions. Also recorded in Q3 2015 was a non-recurring financial expense of US\$ 4.3 million attributed to the revaluation of financial liabilities on an option for the purchase of the minority shares of PTI following the better than anticipated results of its operations.

<sup>2</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.



## Main KPIs for 3Q 2015



<sup>1</sup> EBITDA core businesses: Flavors and Specialty Fine Ingredients

**Revenues** \$234.5M - Record High  
Flavor Business ~70% of Revenues

**Growth** Sales Growth - 11.3%  
Sales YoY Growth - 4.5% (on LFL basis)\*  
Flavor Business YOY Growth - 5.4% (on LFL basis)\*

**Gross Profit** \$92.1M - Record High  
39.3% YoY Growth\*  
41.0% Core Business Gross Margin\*

**EBITDA** \$47.1M\* - Record High  
39.0% YoY Growth\*  
22.1% Core Business EBITDA Margin\*

**Net Income** \$30.9M\* - Record High  
47.8% YoY Growth\*  
13.2% Net Margin\*

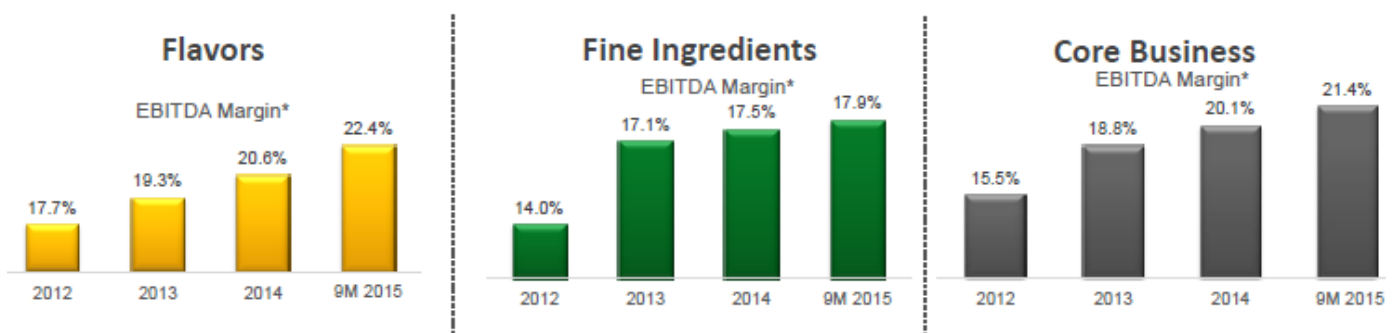
**Operating Cash Flow** \$29.4M  
39.6% YoY Growth

\* Sales on a constant currency and pro-forma basis, 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; EBITDA, net income and profitability margins are net of non-recurring expenses which reduced reported Q3/2015 operating profit by 2.4M\$ and net of non-recurring financial expense which reduced the reported Q3/2015 net income by 4.3M\$

### Development of Frutarom's sales and profits:

	<b>Trend of real growth in key parameters continues</b>	
	% growth vs. the equivalent period in 2014	
	<b>Q3 2015</b>	<b>First 9 Months of 2015</b>
<b>Sales<sup>2</sup></b>	4.5%	5.1%
<b>Gross profit<sup>3</sup></b>	31.5%	20.8%
<b>EBITDA<sup>3</sup></b>	40.3%	26.8%
<b>Net income<sup>3</sup></b>	47.8%	34.2%

### Consistent improvement in core activity margins:



\* Net of non-recurring expenses

<sup>3</sup> On a constant currency basis and adjusted for non-recurring expenses.



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

"We are continuing on our campaign of rapid and profitable growth and present another record-breaking quarter across all key parameters while continuing the successful implementation of our rapid and profitable growth strategy which combines internal growth, at rates above the growth rates of markets in which we operate, with strategic acquisitions that contribute to sustained improvement in Frutarom's performance and the achieving of another record quarter in sales, operating margins and net income, as well as cash flow, despite the considerable continuing effect of the US dollar strengthening against the various currencies in which we transact business, which reduced revenues this quarter by 14.6%. We are continuing to both raise our market share in the United States and growing emerging markets as well as to enter new expanding fields such as the natural colors and natural solutions for food protection and preservation, along with deepening our activity in specialty citrus and reinforcing our savory activity (the non-sweet spectrum of flavors) in North America, China and in Poland. Continued profitable internal growth alongside the contribution by our acquisitions, together with steps we are taking to optimize our resources, position Frutarom and reinforce its standing 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 considerably expanding the scope of our sales and market share. Growth in the first nine months of 2015 (on a constant currency and pro-forma basis) reached 5.1%. Successful integration of the acquisitions made in 2013-2014 and the beginning of 2015, expansion of our activity and market share in the more rapidly growing markets, as well as deepening our activity in the United States combined with expanding our product mix with emphasis on a natural and healthy product portfolio, support continued accelerated growth. These steps have contributed and will continue to contribute towards the continuing steady improvement in the profitability of Frutarom's core business as well, and thanks to them we registered a record high 22.1% EBITDA margin for core activity in the third quarter (adjusted for non-recurring expenses) which already reaches the strategic goal we set for ourselves for the year 2020.

"This year we have already carried out 11 strategic acquisitions, three of them since the beginning of the third quarter including AMCO in Poland (the purchase agreement was signed after quarter end). Frutarom continues to maintain a high level of liquidity and conservative leverage, based on the strong cash flows from operating activities that allows us to continue initiating and seizing acquisition opportunities in reliance on our strong and high-quality acquisitions pipeline. The acquisitions we are performing, combined with organic growth, contribute to the continued expansion of our operations while creating a diverse geographic mix for our activity, with emphasis on emerging markets with higher than average growth rates as well as on the United States which is the world's largest market for flavors.

"In the framework of working towards expanding our global presence, in the last few months we have strengthened our activity in the Asia-Pacific region through the acquisition of Taura and accelerated our penetration into the growing markets of India and Africa through the acquisition of Sonarome and the Indian activity of BSA. In addition, construction has been completed of our new advanced plant in China, which includes sophisticated laboratories for development and applications, now in the run-in phase. Now, for the very first time, Frutarom also has the local capability in China to develop and produce savory flavor solutions. We are convinced the new plant will contribute towards a major leap forward in our activities in China and East Asia which constitute additional important target markets for growth and for leveraging our competitive advantages. The deepening of our savory field activity in Central Europe is another important move, made possible with the acquisition of AMCO which operates in the growing Polish market. Also, our acquisitions of Ingrenat, Nutrafur and Vitiva have enabled us to create an efficient and modern production platform for our growing global activity in natural extracts from plants.



"We are convinced the rapid and profitable organic growth and the acquisitions, combined with continuing improvement in the product mix, our focus on natural and healthy products in accordance with demand by consumers, geographic expansion in emerging markets with higher than average growth rates and in the US, and the steps we are taking to optimize the resources at our disposal while capitalizing on the abundant cross-selling opportunities and the operational savings inherent in them, the building of a global purchasing infrastructure and a strong pipeline of additional synergetic strategic acquisitions will support our continuing journey of profitable growth in the coming years as well and of reaching the goals we recently set for ourselves: sales exceeding US\$ 1.5 billion with an EBITDA margin of over 22% in our core activities by the year 2020."

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Frutarom Industries Ltd. ("**Frutarom**"), one of the world's 10 largest companies in the field of flavors and specialty fine ingredients, reports attaining in the first nine months of 2015 record levels in sales reaching US\$ **647.2** million, in gross profit reaching US\$ **251.1** million, in operating profit reaching US\$ **99.4** million, in EBITDA reaching US\$ **122.8** million, in net income reaching US\$ **72.6** million and in earnings per share. The third quarter of 2015 was also a record-setting quarter for sales which reached US\$ **234.5** million, for operating profit which reached US\$ **37.0** million, and for EBITDA which reached US\$ **45.2** million. Net income for the quarter reached US\$ **25.0** million.

The record results for the third quarter of 2015 and for the first nine months of the year, both in sales and in profits, were achieved despite the significant effects of changes in the exchange rates of currencies in which Frutarom transacts business against the US dollar. In addition, during the quarter non-recurring expenses were recorded for actions being taken by Frutarom to optimize its resources, merge production plants, and achieve maximal operational efficiency, as well as for the acquisitions carried out. These non-recurring expenses reduced the reported operating profit by US\$ 2.4 million for the quarter and by US\$ 4.6 million for the first nine months of the year. Furthermore, non-recurring financial expenses of US\$ 4.3 million were recorded in the third quarter on the revaluation of a financial liability for an option for the purchase of the minority shares of PTI following the better than anticipated results of its activity.

Net of non-recurring expenses, Frutarom registered record results for the third quarter of 2015 and for the first nine months of the year in the profitability margins of its core business, the Flavors and Specialty Fine Ingredients activities, which stood for the quarter at gross margin of **41.0%**, EBITDA margin of **22.1%**, and operating margin of **18.3%**. In the first nine months of the year the gross margin for core activity stood at **40.9%**, the EBITDA margin at **21.4%**, and the operating margin at **17.5%**.

The continued successful integration of the acquisitions made in recent years into Frutarom's global activity has also contributed to both the growth in sales and to the improvement in profits and margins. Since the beginning of 2015 Frutarom has carried out 11 acquisitions, three of them since the beginning of the third quarter: the acquisitions of US-based Scandia, which engages in specialty citrus solutions, and of Nutrafur in Spain, which engages in the field of natural extracts, as well as of the Polish company AMCO (for which the purchase agreement was signed in November) which engages in the field of savory solutions (the non-sweet spectrum of flavors) in Poland. Frutarom believes the acquisitions it has performed offer many potential synergies and operational savings that are expected to be reflected in its results over the upcoming quarters and it is taking action to successfully integrate them and fully tap the great potential they bring it.



## Sales

Frutarom's sales in the third quarter of 2015 rose by 11.3% to reach a quarterly record of US\$ 34.5 million compared with US\$ 210.8 million in the parallel quarter, reflecting constant-currency growth on a pro-forma basis<sup>4</sup> of 4.5% from the parallel period.

Frutarom's sales and profits were impacted in the third quarter of 2015 by the continuing trend of the considerable strengthening of the US dollar against most other world currencies. Since about 70% of Frutarom's sales are transacted 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), the changes in exchange rates have an effect on Frutarom's reported US dollar results. Nonetheless, the fact that purchases of the raw materials used in manufacturing Frutarom products and the operating costs in the various countries in which it operates are in most cases also paid for in local currencies serves to reduce the Company's currency exposure, such that most of the effect is on the dollar translation of sales and profit figures.

The resulting impact from currency exchange rates on Frutarom sales and profits was 14.6% for the third quarter and 14.2% for the first nine months of 2015.

It should be pointed out that the strengthening trend of the US dollar began taking shape mainly during the fourth quarter of 2014 such that, if exchange rates remain at their current levels, its effect on Frutarom's reported results in 2016 can be expected to diminish considerably.

Sales for the **Flavors activity** as reported in US dollars rose 9.4% to reach US\$ 165.4 million in the third quarter of 2015 compared with US\$ 151.1 million in the parallel quarter last year, and reflect constant-currency growth on a pro-forma basis of 5.4% from the parallel period. The currency effects reduced sales on a pro-forma basis by 15.2%.

Sales for the **Specialty Fine Ingredients activity** as reported in US dollars grew by 18.4% to reach US\$ 48.3 million in the third quarter of 2015 compared with US\$ 40.8 million in the parallel quarter last year, and reflect constant-currency growth on a pro-forma basis of 1.2% from the parallel period. The currency effects reduced sales on a pro-forma basis by 7.3%. The effect of stockpiling of inventory by several customers, as reported in the second quarter of this year, has diminished as expected, and Frutarom believes its Specialty Fine Ingredients activity will go back to growing at a higher pace.

Sales for **Trade and Marketing activity** in the quarter as reported in US dollars rose by 8.5% to reach US\$ 21.8 million compared with US\$ 20.1 million in the parallel period last year, reflecting constant-currency growth on a pro-forma basis of 4.2% from the parallel quarter in 2014.

Frutarom sales for the first **nine months** of 2015 as reported in US dollars rose 4.8% to reach a record US\$ 647.2 million, and reflect constant-currency growth on a pro-forma basis of 5.1% from the parallel period. Significant changes, as stated, in the exchange rates of currencies with which the Company operates against the US dollar reduced sales growth in pro-forma terms by 14.2%.

Sales for the **Flavors activity** in the first nine months of 2015 as reported in US dollars rose 1.9% to reach US\$ 450.6 million compared with US\$ 442.0 million in the parallel period last year, and reflect constant-currency growth in pro-forma terms of 5.8% from the parallel period. The currency effects reduced sales on a pro-forma basis by 14.9%.

Sales for the **Specialty Fine Ingredients activity** in the first nine months of 2015 as reported in US dollars grew by 9.9% to reach US\$ 136.7 million compared with US\$ 124.4 million in the parallel

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<sup>4</sup> If the Company's Profit & Loss Statements for the equivalent period in 2014 had been translated into US dollars according to the average exchange rates in effect during the relevant period of 2015, and 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.



period last year, and reflect constant-currency growth in pro-forma terms of 0.6% from the parallel period. The currency effects reduced sales on a pro-forma basis by 7.4%.

Sales for **Trade and Marketing activity** in the first nine months of 2015 as reported in US dollars rose by 12.4% to reach US\$ 63.5 million compared with US\$ 56.5 million in the parallel period last year, reflecting constant-currency growth in pro-forma terms of 5.8% from the parallel period in 2014.

### Profits and margins

*For the first three quarters of 2015:*

<i>In millions of US dollars</i>	Core Business Activity 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
	YTD 2014	YTD 2015		YTD 2014	YTD 2015	
<b>Gross profit</b>	230.5	239.0	18.1%	241.0	252.6	20.8%
<i>Margin</i>	41.1%	40.9%		39.0%	39.0%	
<b>Operating profit</b>	89.3	102.0	30.0%	90.7	104.0	31.9%
<i>Margin</i>	15.9%	17.5%		14.7%	16.1%	
<b>EBITDA</b>	113.3	125.1	25.3%	115.0	127.4	26.8%
<i>Margin</i>	20.2%	21.4%		18.6%	19.7%	
<b>Net income</b>				68.3	80.0	34.2%
<i>Margin</i>				11.1%	12.4%	

*For the third quarter of 2015:*

<i>In millions of US dollars</i>	Core Business Activity 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
	Q3 2014	Q3 2015		Q3 2014	Q3 2015	
<b>Gross profit</b>	77.7	87.3	29.0%	81.6	92.1	31.5%
<i>Margin</i>	40.8%	41.0%		38.7%	39.3%	
<b>Operating profit</b>	30.8	39.0	45.3%	30.9	39.4	47.1%
<i>Margin</i>	16.2%	18.3%		14.7%	16.8%	
<b>EBITDA</b>	38.8	47.1	39.0%	39.3	47.6	40.3%
<i>Margin</i>	20.3%	22.1%		18.6%	20.3%	
<b>Net income</b>				24.4	30.9	47.8%
<i>Margin</i>				11.5%	13.2%	



### **Earnings per share**

**Earnings per share in the third quarter of 2015** on a constant-currency basis and net of non-recurring expenses jumped 48.5% from US\$ 0.35 per share in the third quarter of 2014 to US\$ 0.52. Without adjusting for currency effects or non-recurring expenses, earnings per share in the third quarter of 2015 rose 2.9%, from US\$ 0.41 in the parallel quarter to US\$ 0.42.

**Earnings per share for the first nine months of 2015** on a constant-currency basis and net of non-recurring expenses climbed 35% from US\$ 1.00 per share for the first nine months of 2014 to US\$ 1.36. Without adjusting for currency effects or non-recurring expenses, earnings per share for the first nine months of 2015 rose 6.6% to reach a record US\$ 1.23 per share.

### **Cash flow from operating activities**

Cash flow from operating activities grew by 32.1% for the first nine months of 2015 from US\$ 50.6 million to a record US\$ 66.8 million.

In the third quarter of 2015 the cash flow from operating activities registered 39.6% growth, from US\$ 21.1 million to US\$ 29.4 million.

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### **Investor Conference Call**

**On Thursday, November 19, 2015 at 4:00pm Israel time (2:00pm BST or 9:00am EDT) 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: 0-800-834-878  
ISRAEL Dial-in Number: 03-918-0644  
INTERNATIONAL Dial-in Number: +972-3-918-0644

A replay of the call will be available by telephone starting two hours after the call ends and will be available until November 21st, 2015. To access the replay please dial: 0-800-837-191 (Switzerland), 0-800-917-4256 (UK), 1-888-782-4291 (USA) or 03-9255925 (Israel).

Beginning November 20, 2015 a recording of the conference call can be found on the Company's website at [www.frutarom.com](http://www.frutarom.com).

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### **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 43,000 products its products 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 employs approximately 3,500 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 the US, Canada, the UK, Switzerland, Germany, Belgium, Italy, Spain, 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, visit our website: [www.frutarom.com](http://www.frutarom.com).

