

## PRESS RELEASE

March 17, 2016  
Herzliya, Israel

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

#### **Full-year 2015:**

- **Sales** rose 6.5% to a record US\$ 873 million;
- **EBITDA** climbed 26.4% to a record US\$ 170 million (adjusted for nonrecurring expenses<sup>1</sup> and on a constant currency basis);
- **Core activity EBITDA margin** reached 21.1% million (adjusted for nonrecurring expenses<sup>1</sup>);
- **Net income** jumped 33.5% to a record US\$ 110.8 million (adjusted for nonrecurring expenses<sup>1</sup> and on a constant currency basis);
- **Cash flow from operating activity** grew 13.4% to a record US\$ 91.7 million.

#### **Fourth quarter 2015:**

- **Sales** rose 11.6% to US\$ 225.6 million;
- **EBITDA** climbed 27% to US\$ 42.6 million (adjusted for nonrecurring expenses<sup>1</sup> and on a constant currency basis);
- **Net income** jumped 36.5% to a record US\$ 30.8 million (adjusted for nonrecurring expenses<sup>1</sup> and on a constant currency basis);

**FRUTAROM FORESEES ANOTHER RECORD YEAR IN 2016; ANNUAL RUN-RATE FOR SALES ALREADY REACHING US\$ 1.1B<sup>2</sup> WITH THE ADDITION OF THE ACQUISITIONS MADE SINCE THE START OF 2015**

**SET SALES TARGET OF US\$ 2 BILLION BY 2020  
WITH EBITDA MARGIN FROM CORE ACTIVITY OR OVER 22%**

<sup>1</sup> Non-recurring expenses were recorded in 2015 and in Q4 2015 concerning steps being taken by Frutarom towards optimizing its resources and attaining maximal operational efficiency and in connection with acquisitions. These non-recurring expenses reduced the reported gross profit for 2015 by US\$ 2.8 million and for Q4 by \$1.4 million; the reported operating profit for 2015 by US\$ 6.8 million and for Q4 by \$2.2 million; and the reported net income for 2015 by US\$ 4.7 million and for Q4 by \$ 1.6 million. In addition, non-recurring financial expenses were recorded in 2015 for revaluation of the financial liability concerning the option to purchase the minority shares of PTI in light of PTI's strong results. Overall, the non-recurring expenses (pertaining optimization, acquisitions and the PTI option) reduced the reported net income in 2015 by \$ 14.7 million and in Q4 by \$7.2 million.

<sup>2</sup> Assuming all acquisitions performed in 2015 and 2016 had been completed by January 1, 2015 and in accordance with the exchange rates known as of the date this report was published.

**CONSOLIDATION OF R&D, SALES, OPERATIONS AND PRODUCTION PLATFORMS AND THE COMPLETION OF PROJECTS TO CONSOLIDATE PRODUCTION FACILITIES AND OPTIMIZE RESOURCES ARE EXPECTED TO BRING US\$ 20-22M IN OPERATIONAL SAVINGS. THE CONTINUED BUILDING UP AND STRENGTHENING THE GLOBAL PROCUREMENT PLATFORM WILL CONTRIBUTE TO FURTHER IMPROVEMENT IN PROFITS AND MARGINS**

- 4.9 % constant currency growth in 2015 in pro-forma terms<sup>3</sup> (4.3% in Q4 2015).
- 5.3% constant currency growth in Flavors activity in 2015 in pro-forma terms (4.0% in Q4 2015).
- 32.6% constant currency growth in earnings per share, adjusted for nonrecurring expenses (30.3% in Q4 2015).

**Main KPIs for 2015**



\* Sales on a constant currency and pro-forma basis, assuming acquisitions performed in 2014 and 2015 had been consolidated as of January 1, 2014; Gross Profit, EBITDA, Net Income, their growth rates and profitability margins are net of non-recurring expenses which reduced reported Gross Profit by 2.8M\$, the operating profit by 6.8M\$ and the Net Profit by 14.7M\$, and on a constant currency basis

<sup>2</sup> Core Business includes Flavor and Fine Ingredients activities

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

“2015 was another milestone year for us in our journey of rapid and profitable growth. The successful implementation of the growth strategy combining profitable internal growth at a higher rate than the growth rates of the markets in which we operate, and strategic acquisitions that contribute to the continuing improvement in our results,

<sup>3</sup> Assuming acquisitions completed in 2014 and 2015 had been consolidated from January 1, 2014 (“pro-forma terms”).

brings us to another record year in sales, profits and margins, cash flow and earnings per share.

“These record results were achieved despite the continued effect of the strengthening of the dollar against the various currencies in which we operate, which negatively impacted sales and profits in 2015 by 13.3%, and the effect of nonrecurring expenses for steps we are taking to optimize our resources, consolidate manufacturing facilities and towards achieving significant operational savings that will contribute to continued improvement in our results and strengthen our competitiveness in the market.

“We are continuing to work on significantly expanding the scope of our sales and market share. The successful integration of the acquisitions we made, expanding our activity and market share in North America and in emerging markets with higher growth rates, combined with the continued improving of our product mix with emphasis on natural and healthy portfolio of products, support the continued acceleration of growth.

“Since the beginning of 2015 we have carried out 15 strategic acquisitions, 11 of which were completed in 2015 and four more in 2016. The combination of accelerated internal growth in 2015 and the 15 acquisitions has already brought us to an annual run rate in sales of US\$1.1 billion.

“The acquisitions support the fulfillment of our plans to penetrate new territories and strengthen our position in important strategic territories while raising our market share in North America and in growing emerging markets.

“We further expanded our North American activity through the acquisitions of BSA in Canada and of F&J, Scandia and Grow in the United States.

“We continued to strengthen, deepen and significantly increase our activities in the key markets of Southeast Asia. We expanded our activity in China through the acquisition of Inventive, and this is along with completing the building of our new state-of-the-art plant in China which for the first time gives Frutarom the ability to develop and produce savory taste solutions there locally. We are certain that the new plant will contribute to the stepping up our activity in China and Southeast Asia, which are important growth target markets where we can leverage our competitive advantages. We strengthened our activity in the Asia-Pacific region through the acquisition of Taura, giving us our first entry into Australia and New Zealand. Our activity in India has received a significant boost through the acquisition of Sonarome and the Indian activity of BSA. In the growing markets of Africa our activity was also reinforced by the acquisition of Sonarome with its activity in about 20 countries on that continent. Furthermore, in the upcoming months our new modern plant in South Africa will begin operating and will serve the entire growing Sub-Saharan region.

“We are working on continuing to increase the Flavors activity, the more profitable among our activities, which has grown at an average annual pace of 25.8% over the past 15 years and makes up 70% of our activity. As part of our strategic plans to establish our position as a leading global player in the field of savory taste solutions, we acquired BSA in Canada, which also has growing activity in India, Amco in Poland, and the largest acquisition ever in our history – of Wiberg, a leading international group and a strong brand name in this field with growing activity in over 70 countries throughout the world.



\*Annual rate of sales following the acquisitions made and based on current exchange rates.

“We are also continuing to develop and expand our portfolio of specialty natural products based on innovative technologies. As part of this strategy, over the year we acquired Nutrafur, Ingrenat and Vitiva, with emphasis on natural products that combine taste and health, and the continued building up our activity in natural colors and in natural antioxidants that promote food protection. These acquisitions have also enabled us to pursue major streamlining measures, including plant closure and the transfer of production between various sites according to their various specializations in extract technology, improving our cost structure and competitiveness in the field of natural extracts which lies at the heart of Frutarom’s growth strategy.

“As part of the strategy of focusing on natural products, we also further deepened our activity in specialty citrus products through the acquisition of Scandia, in innovative products that provide for combining fruit components and flavors in food products through the acquisitions of Taura and Inventive, and in innovative biotech-based natural products through the acquisition of Grow and the investment in Algalo. Continued profitable internal growth along with the contribution made by the acquisitions serve to strengthen and reinforce Frutarom’s position as a leading global player in the fields of flavors and natural specialty fine ingredients.

“We are continuing to work towards achieving optimization of our resources, also with respect to the new acquisitions we have made, along with generating significant operational savings, boosting our competitiveness and getting the maximum out of our sites around the world. We are pleased with the pace at which the merger of our

acquired activities is progressing, and believe the projects we are carrying out to optimize our global resources following the acquisitions made in recent years can be expected to generate operational savings at an annual range of US\$ 20-22 million. The global procurement platform is also expected to contribute to the continued improvement in profitability.

“Frutarom continues to maintain a high level of liquidity and conservative leveraging, based on a strong cash flow from operating activities that recorded a record US\$ 91.7 million this year. The strong cash flow we are achieving enables us to continue initiating and capitalizing on acquisition opportunities based on our strong, high-quality acquisitions pipeline.

“We are convinced that the rapid and profitable organic growth and the strategic acquisitions we have made, combined with continued improvement in our product mix, our progress with natural and healthy products in step with demand from billions of consumers throughout the world, the geographic expansion in North America and in the emerging markets with high growth rates and the moves we are making to optimize our resources while capitalizing on the abundant cross-selling opportunities and the operational savings that our acquisitions can provide, the building of a global procurement platform and the strong pipeline of further synergetic strategic acquisitions will support our continuing journey of profitable growth in the years to come as well, and the achieving of the strategic goals we recently set: At least US\$ 2 billion in sales with an EBITDA of over 22% in our core activities by 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 another record-breaking year for sales, profits, profit margins and cash flow. Sales reached US\$ **872.8** million, gross profit reached US\$ **338.1** million, operating profit reached US\$ **130.3** million, EBITDA reached US\$ **163.2** million and net income reached US\$ **96.1** million on a net margin of **11%**. In fourth quarter 2015 sales reached US\$ **225.6** million, operating profit reached US\$ **30.9** million, EBITDA reached US\$ **40.4** million and net income rose 19.5% to reach US\$ **23.5** million.

The record results in 2015 for both sales and profits, were achieved despite the significant effect of fluctuating exchange rates between the US dollar and currencies in which Frutarom transacts its business. Furthermore, nonrecurring expenses were incurred for measures being taken by Frutarom to optimize its resources, consolidate plants, and towards attaining maximum operational efficiency, and in connection with acquisitions carried out. All these will contribute to continuing improvement in profits and margins.

The continued successful integration of the acquisitions made in recent years into Frutarom's global activity is also a contributing factor to sales growth and improved profits and margins. Since the beginning of 2015 Frutarom has sped up its pace of acquisitions, taking advantage of strategic opportunities to perform 15 acquisitions. Frutarom anticipates the activities it has acquired containing much potential synergy and is working to successfully integrate them and reap the great potential they bring. Completing the merger of companies acquired and measures being taken by Frutarom to consolidate plants, optimize its production resources and combine its R&D, sales, operations, production and purchasing platforms, which are progressing according to plan, will bring annual operational savings in the range of US\$ 20-22 million which will be partly fulfilled in 2016 and partly in 2017.

## Sales

**Frutarom's sales in 2015** as reported in US dollars grew 6.5% to reach a record US\$ 872.8 million, reflecting constant-currency growth over the previous year of 4.9% on a pro-forma basis.

Frutarom's sales and profits in 2015 and the fourth quarter of the year were impacted by the continued trend of the US dollar considerably strengthening against most other world currencies. Since about 70% of Frutarom's sales are transacted in non-US dollar currencies, changing exchange rates have had a translation effect on Frutarom's reported US dollar results. Nonetheless, currency exposure is reduced by the fact that purchases of the raw materials used by Frutarom in manufacturing its products and operating costs in the various countries where it operates are in most cases also paid for in local currencies, such that the main effect is on the dollar translation of sales and profit figures. Currency exchange rates had a 13.3% impact on Frutarom's 2015 annual sales and profits and a 10.8% impact on its Q4 2015 sales and profits.

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, the effect on Frutarom's reported results in 2016 can be expected to weaken considerably compared to their effect in 2015.

**Sales for the Flavors activity in 2015 as reported in US dollars** rose 3.0% to reach a record US\$ 607.5 million compared with US\$ 589.8 million the previous year, reflecting constant-currency growth on a pro-forma basis of 5.3% from the parallel period. Currency effects reduced sales on a pro-forma basis by 14.3%.

**Sales for the Specialty Fine Ingredients activity in 2015 as reported in US dollars** rose 16.8% to reach US\$ 184.9 million compared with US\$ 158.4 million the previous year, reflecting constant-currency growth on a pro-forma basis of 1.5% from the parallel period. Currency effects reduced sales on a pro-forma basis by 6.0%.

**Sales for Trade and Marketing activity in 2015 as reported in US dollars** rose by 7.4% to reach US\$ 84.3 million compared with US\$ 78.5 million the previous year, reflecting constant-currency growth on a pro-forma basis of 4.9% from the parallel period. Currency effects reduced sales on a pro-forma basis by 20.3%.

**Frutarom sales for the fourth quarter of 2015 as reported in US dollars** rose 11.6% to reach US\$ 225.6 million, compared with US\$ 202.2 million in the parallel quarter, reflecting constant-currency growth on a pro-forma basis of 4.3% 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 10.8%.

**Sales for the Flavors activity for the fourth quarter of 2015 as reported in US dollars** rose 6.2% to reach US\$ 156.9 million compared with US\$ 147.7 million in the parallel quarter last year, reflecting constant-currency growth in pro-forma terms of 4.0% from the parallel quarter. Currency effects reduced sales on a pro-forma basis by 12.6%.

**Sales for the Specialty Fine Ingredients activity for the fourth quarter of 2015 as reported in US dollars** rose 42.0% to reach US\$ 48.3 million compared with US\$ 34.0 million in the parallel quarter, reflecting constant-currency growth in pro-forma terms of 4.3% from the parallel period. Currency effects reduced sales on a pro-forma basis by 1.8%.

**Sales for Trade and Marketing activity (not a core activity of Frutarom) for the fourth quarter of 2015 as reported in US dollars** rose 5.3% to reach US\$ 20.9 million compared with US\$ 22.0 million in the parallel quarter, reflecting constant-currency growth in pro-forma terms of 2.1% from the parallel period in 2014. Currency effects reduced sales on a pro-forma basis by 14.9%.

### Profits and margins

The improvement in profits and margins has continued and this year record results were reached in gross profit, operating profit and margin, EBITDA and EBITDA margin, net income and earnings per share. Profits and profit margins for core activities also reached record levels.

Nonrecurring expenses were recorded with respect to measures Frutarom is taking to optimize its resources, consolidate plants and achieve maximum operational efficiency, and with respect to the acquisitions that were performed. In 2015 these nonrecurring expenses reduced reported gross profit by US\$ 2.8 million, operating profit by US\$ 6.8 million and net income by US\$ 4.7 million.

Nonrecurring financial expenses totaling US\$ 9.9 million were also recorded in 2015 (compared with US\$ 4.5 million in 2014) with respect to revaluation of the financial liability pertaining to an option to purchase the minority shares of PTI in light of that company's stronger than expected results. Overall, nonrecurring expenses (pertaining to acquisitions, efficiency measures, and the revaluation of the PTI option) reduced net income by US\$ 14.7 million in 2015 and by US\$ 7.2 million in the fourth quarter of 2015.

#### Tables summarizing profits and margins in 2015:

<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 <sup>4</sup> and adjusted for non-recurring expenses
	2014	2015		2014	2015	
<b>Gross profit</b>	303.7	322.6	20.2%	320.6	340.9	21.8%
<i>Margin</i>	41.0%	40.9%		39.1%	39.1%	
<b>Operating profit</b>	117.4	134.2	28.9%	120.1	137.0	29.7%
<i>Margin</i>	15.8%	17.0%		14.6%	15.7%	
<b>EBITDA</b>	149.1	166.6	25.6%	152.1	170.0	26.4%
<i>Margin</i>	20.1%	21.1%		18.6%	19.5%	
<b>Net income</b>				93.0	110.8	33.5%
<i>Margin</i>				11.3%	12.7%	

<sup>4</sup> Assuming the Profit & Loss Statements for 2014 were translated into US dollars according to average exchange rates in 2015

In the fourth quarter of 2015:

In millions of US dollars	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 <sup>5</sup> and adjusted for non-recurring expenses
	Q4 2014	Q4 2015		Q4 2014	Q4 2015	
<b>Gross profit</b>	73.2	83.6	26.7%	79.6	88.3	25.0%
<i>Margin</i>	40.6%	40.8%		39.3%	39.2%	
<b>Operating profit</b>	28.1	32.1	25.4%	29.3	33.0	25.5%
<i>Margin</i>	15.6%	15.7%		14.5%	14.6%	
<b>EBITDA</b>	35.8	41.4	26.5%	37.1	42.6	27.0%
<i>Margin</i>	19.9%	20.2%		18.3%	18.9%	
<b>Net income</b>				24.7	30.8	33.6%
<i>Margin</i>				12.2%	13.6%	

### Net income

Reported **net income for 2015** rose 9.7% and reached a record US\$ 96.1 million. Reported **net income for the fourth quarter** of 2015 rose 19.5% and reached a record US\$ 23.5 million.

### Earnings per share

**Earnings per share in 2015** (on a constant-currency basis and adjusted for nonrecurring expenses) jumped 32.6% from US\$ 1.41 per share the previous year to US\$ 1.87. Reported earnings per share rose 8.8% and reached a record US\$ 1.62 compared with US\$ 1.49 per share in 2014.

**Earnings per share for the fourth quarter of 2015** (on a constant-currency basis and adjusted for nonrecurring expenses) climbed 30.3% to reach US\$ 0.51 compared with US\$ 0.39 the previous year. Reported earnings per share rose 16.4% and reached US\$ 0.39 compared with US\$ 0.34 per share in the parallel quarter.

<sup>5</sup> Assuming the Profit & Loss Statements for Q4/2014 were translated into US dollars according to average exchange rates in Q4/2015.





## **Cash flow from operating activities**

**Cash flow from operating activities** grew by 13.4% in 2015 from US\$ 80.8 million to a record US\$ 91.7 million.

### **Contact Details:**

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### **Investor Conference Call**

**On Thursday, March 17, 2016 at 4:00pm Israel time (2:00pm BST or 10:00am 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: 1-888-407-2553 UK Dial-in Number: 0-800-917-9141  
SWITZERLAND Dial-in Number: 0-800-834-8781 ISRAEL Dial-in Number: 03-9180644  
INTERNATIONAL Dial-in Number: +972-3-9180644

A replay of the call will be available by telephone starting from Friday, March 18 2016 until Saturday, March 19 2016 and on Frutarom's investor relations website ([www.frutarom.com](http://www.frutarom.com)) starting on March 20, 2016. To access the replay Please dial: 1-888-782-4291 (USA), 0-800-917-4256 (UK), 0-800-837-191 (Switzerland), or +972-3-9255921 (Israel).

### **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 49,000 products its products to over 28,000 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 4,500 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, Poland, 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, Austria, 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).