

# PRESS RELEASE

March 16, 2015  
Herzliya, Israel

## FRUTAROM REPORTS ANOTHER RECORD-SETTING YEAR:

**SHARP 22% RISE IN SALES TO US\$ 820 MILLION**

**RAPID GROWTH OF ACTIVITY IN EMERGING MARKETS WHERE APPROX. 48% OF OVERALL SALES ARE ALREADY GENERATED**

**EBITDA JUMPS TO A RECORD US\$ 151 MILLION;**

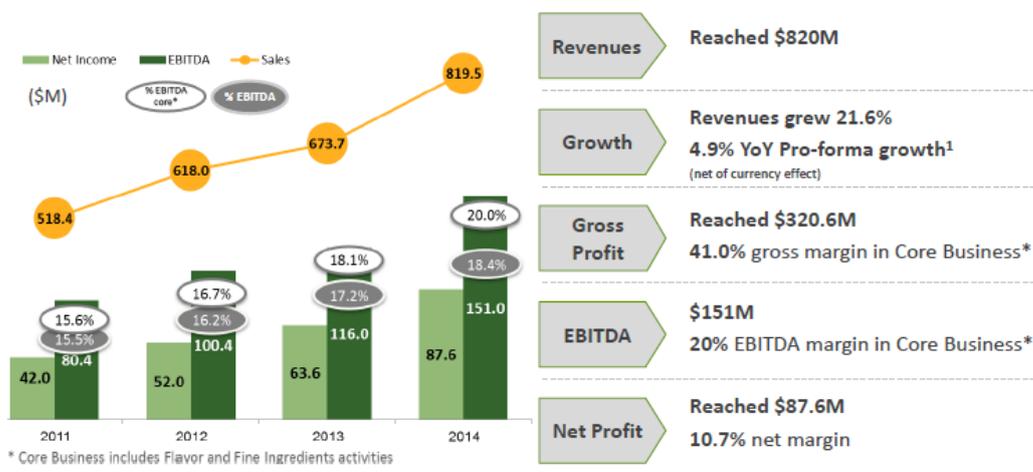
**HIGHEST NET INCOME IN COMPANY HISTORY - US\$ 88 MILLION**

**RECORD PROFITABILITY FOR COMPANY'S CORE BUSINESSES (FLAVORS AND SPECIALTY FINE INGREDIENTS):**

- **GROSS MARGIN – 41%;**
- **OPERATING MARGIN – 15.7%;**
- **EBITDA MARGIN – 20%;**

**RECORD SALES AND PROFITS IN Q4 2014 ALSO WITH SALES OF US\$202M**

**SETS TARGET OF OVER US\$ 1.5B SALES AND EBITDA MARGIN IN CORE BUSINESS EXCEEDING 22% BY 2020**



### 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 year. The 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 in the fields of flavors and specialty fine ingredients.

"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- with flavors activity, our main focus in North America, growing six-fold - and the tripling of sales in emerging markets compared to 2010. Emerging markets already make up 48% of Frutarom's overall sales compared with 27% in 2010.

"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 enable Frutarom to continue its campaign of profitable growth in the coming years and reach its sales target of at least US\$ 1.5 billion in sales with an EBITDA margin of over 22% in our core businesses by 2020 while continuing to create top value for our shareholders."

-----

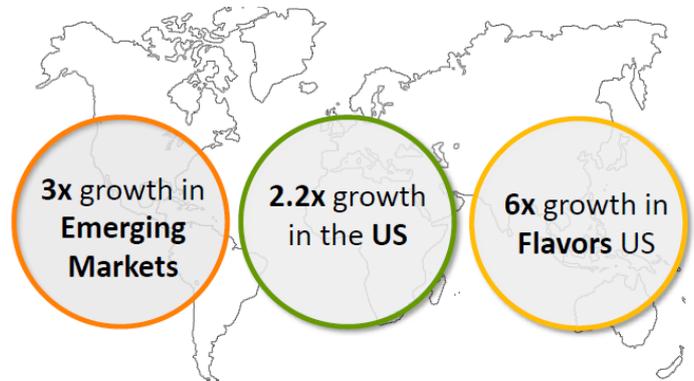
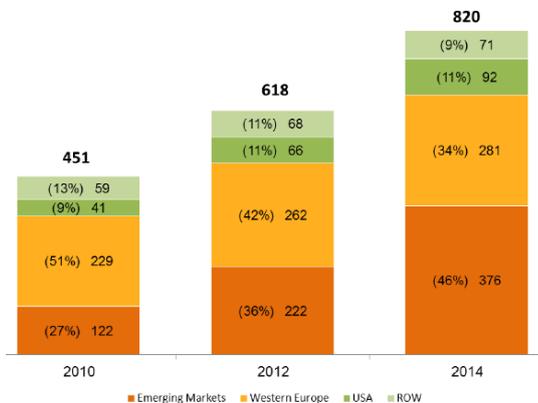
Frutarom Industries Ltd., ("**Frutarom**"), one of the seven top companies in the world for flavors and specialty fine ingredients, reports record results in the fourth quarter of 2014 and for the full year in terms of sales, gross and operating profits and margins, EBITDA and EBITDA margin, net income and earnings per share. Frutarom executed another major quantum leap in 2014, as planned, in its campaign of profitable growth and in positioning itself as a leading global player in the fields of flavors and specialty fine ingredients. The Company's sales climbed 21.6% in 2014 to reach a record level US\$ 820 million.

The trend of improvement in profits and margins for core businesses, which include the flavors and specialty fine ingredients activities, continues. EBITDA in core activities reached the target of 20% of overall Company sales, net income rose 36.7% to reach a record US\$ 87.6 million (10.7% of total sales), double its level in 2011.

The record-breaking results 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. Over the past four years sales in the United States (the world's largest market for flavors) have quadrupled, with the flavors activity in North America growing six-fold and sales in emerging markets tripling since 2010. In 2014 the emerging markets already account for 48% of Frutarom's total sales compared with 27% in 2010. The six acquisitions carried out in 2013 and 2014 (JannDeRee in 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, and Montana Food in Peru and Chile) have also contributed and will continue contributing towards accelerating growth and raising Frutarom's market and



sales shares in emerging markets and the United States. Frutarom is also selectively strengthening its research and development, production, and sales and marketing platforms in important target countries, and over the past four years has built up a growing business in flavors in South and Central America and in Africa, established a leading market position Eastern and Central Europe, expanded its sales platform in India where new flavors activity was set up, and added sales and marketing resources in Southeast Asia - Indonesia, the Philippines, Thailand, Vietnam, Sri Lanka and in China where a new factory being built by the Company is nearing completion.



The continued successful integration of the acquisitions performed in the past few years with Frutarom's global activity have also contributed to both the climb in sales and improved profits and margins. Since the beginning of 2015 Frutarom has performed three more acquisitions: Vitiva in Slovenia, FoodBlenders in the UK and Ingrenat in Spain; and is working on successfully integrating them and making the most of the great potential they bring.

### Acquisitions 2014-2015:

<b>PTI</b> Russia & CIS  <ul style="list-style-type: none"> <li>Strengthening Leadership in East Europe</li> <li>Savory Solutions leadership</li> </ul>	<b>Aroma</b> Guatemala  <ul style="list-style-type: none"> <li>Strengthening market position in Central America</li> </ul>	<b>Hagelin</b> USA  <ul style="list-style-type: none"> <li>Strengthening market position in the US &amp; EM</li> <li>Expertise in beverages</li> </ul>	<b>CitraSource</b> USA  <ul style="list-style-type: none"> <li>Strengthening Citrus capabilities and leadership</li> <li>Presence in Florida – world center for citrus</li> </ul>	<b>Montana</b> Peru & Chile  <ul style="list-style-type: none"> <li>Strengthening market position in South America</li> <li>Complementary Colors activity</li> </ul>	<b>Vitiva*</b> Slovenia  <ul style="list-style-type: none"> <li>Strengthening the health, natural colors &amp; food protection activities</li> <li>Strong R&amp;D</li> </ul>	<b>Ingrenat</b> Spain  <ul style="list-style-type: none"> <li>Natural colors &amp; Food Protection activities</li> <li>Strong R&amp;D</li> </ul>	<b>FoodBlenders</b> UK  <ul style="list-style-type: none"> <li>Enhancing savory leadership in the UK</li> <li>Synergetic to EAFI and Savoury Flavours</li> </ul>
--	---	---	--	---	---	---	---

Rapid internal growth also contributed to the rise in profitability, as well as an improved product mix as a result of the development and successful penetration new natural products having high margins. The Flavors activity, the most profitable of the activities, has grown considerably and already accounts for 72% of the Company's total sales (compared with 33% in 2000), while achieving higher growth than the growth rate of markets in which the Company operates and continuing its trend of improving profits and margins. In its Specialty Fine Ingredients activity the Company focuses on a portfolio of natural and innovative products targeted at combining taste and health, and these provide it with a competitive edge as it identifies future global consumer preferences. Frutarom continues to expand its portfolio of natural products and in 2014 entered in the growing market of natural colors (through the acquisition of Montana Food, Vitiva and Ingrenat) and has considerably expanded its activity in the growing field of natural antioxidants used in natural preservation and food protection systems.

Frutarom continues pushing ahead with the building and strengthening of a global purchasing platform and tapping possibilities from harmonization of the raw materials and suppliers which the Company uses in developing and manufacturing its products. In addition, the Company continues



implementing efficiency programs for combining and consolidating production sites and activities and achieving further operational efficiency.

Frutarom believes its strategic plan for the next 5 years will lead to achieving the goal of over \$1.5 billion in sales, with an EBITDA margin of over 22% in its core businesses by 2020.

#### Summary table of results for 2014

	Core Businesses Flavors and Specialty Fine Ingredients			Trade & Marketing			Total Frutarom Group		
	2013	2014	% growth	2013	2014	% growth	2013	2014	% growth
<b>Sales</b>	634.0	741.0	16.9%	39.7	78.5	97.7%	673.7	819.5	21.6%
<b>Gross profit</b> <i>Margin</i>	250.7 39.5%	303.7 41.0%	21.1%	6.1 15.3%	16.8 21.4%	177.6%	256.8 38.1%	320.6 39.1%	24.8%
<b>Operating profit</b> <i>Margin</i>	85.8 13.5%	116.2 15.7%	35.4%	0.9 2.3%	2.7 3.4%	192.5%	86.8 12.9%	118.9 14.5%	37.1%
<b>EBITDA</b> <i>Margin</i>	115.0 18.1%	148.0 20.0%	28.7%	1.0 2.5%	3.0 3.8%	201.0%	116.0 17.2%	151.0 18.4%	30.2%
<b>Financial expenses</b>							7.5	10.1	34.1%
<b>Income before taxes</b>							79.2	108.8	37.4%
<b>Net income</b>							63.6	87.6	37.7%

#### Summary table of results for Q4 2014

	Core Businesses Flavors and Specialty Fine Ingredients			Trade & Marketing			Total Frutarom Group		
	Q4 2013	Q4 2014	% growth	Q4 2013	Q4 2014	% growth	Q4 2013	Q4 2014	% growth
<b>Sales</b>	171.9	180.2	4.8%	19.9	22.0	10.5%	191.8	202.2	5.4%
<b>Gross profit</b> <i>Margin</i>	66.1 38.5%	73.2 40.6%	10.7%	4.1 20.4%	6.3 28.8%	56.3%	70.2 36.6%	79.6 39.3%	13.3%
<b>Operating profit</b> <i>Margin</i>	19.9 11.6%	27.5 15.3%	38.0%	0.4 2.0%	1.2 5.4%	198.5%	20.3 10.6%	28.7 14.2%	41.1%
<b>EBITDA</b> <i>Margin</i>	27.8 16.2%	35.2 19.5%	26.6%	0.5 2.3%	1.3 5.8%	175.9%	28.3 14.7%	36.5 18.0%	29.0%
<b>Financial expenses</b>							2.5	5.6	120.8%
<b>Income before taxes</b>							17.8	23.1	29.8%
<b>Net income</b>							15.0	19.7	31.6%



## **Sales**

**Frutarom sales in 2014** rose 21.6% to reach an annual sales record of US\$ 819.5 million, compared with US\$ 673.7 million in 2013. Currency effects reduced sales growth by 2.3% (US\$ 18.8 million) as a result of the strengthening of the US dollar against currencies used by the Company.

Frutarom sales in Q4 2014 grew by 5.4% to reach a fourth quarter record high of US\$ 202.2 million, compared with US\$ 191.8 million in Q4 2013. Currency effects reduced sales in dollar terms by 8.7% compared with the fourth quarter of 2013.

Frutarom sales in the field of Flavors climbed 19.3% to reach US\$ 589.8 million, compared with US\$ 494.4 million in 2013. Flavors sales in Q4 2014 rose 6.1% to reach US\$ 147.7 million, compared with US\$ 139.3 in Q4 2013.

Frutarom sales in the field of Specialty Fine Ingredients increased by 8.8% in 2014, reaching US\$ 158.4 million compared with US\$ 145.6 million in 2013. The Company's sales in the field of Specialty Fine Ingredients amounted to US\$ 34 million in Q4 2014 compared with US\$ 33.8 million in the same quarter last year. Currency effects reduced growth for the quarter in the field of Specialty Fine Ingredients by 4.5%.

Frutarom sales from Trade & Marketing (not a core activity of Frutarom) grew substantially following the acquisition of PTI and Montana Food to reach US\$ 78.5 million as opposed to US\$ 39.7 million the previous year, and center mainly on Central and Eastern Europe, Latin America and Israel. Sales in Q4 2014 in this field climbed 10.5% to US\$ 22 million from US\$ 19.9 million in the previous year. Trade & Marketing activity is not a core activity for Frutarom but it leverages its global sales, supply chain and purchasing functions and enables it to offer a wider variety of products, solutions and added-value to its customers (particularly medium-sized and locally-based customers in emerging markets) while deepening its collaboration with them.

## **Gross Profit**

**Gross profit** in 2014 grew 24.8% to a record level US\$ 320.6 million (39.1% of all revenues) compared with US\$ 256.8 million (38.1% of all revenues) in 2013. The gross margin for core businesses reached 41% compared with 39.5% in 2013. In Q4 2014 the Company's gross profit of overall Frutarom activity amounted to US\$ 79.6 million (39.3% of overall revenues), a 13.3% increase from the US\$ 70.2 million (36.6% of overall revenues) in the same quarter of 2013. The gross margin from core businesses in Q4 2014 reached 40.6% compared with a 38.5% in Q4 2013.

Organic growth in sales, an improved product mix, and measures taken by Frutarom to increase operational efficiency all contributed to the improvement in gross profit and margin for its core businesses in 2014. The Company continues taking action to optimize its resources also following its latest acquisitions with the creation of significant operational savings and the strengthening of its competitive position. Frutarom also continues pushing ahead with the building and strengthening of a global purchasing platform and while taking advantage of the added purchasing power attained through the acquisitions it has performed and expanding its circle of suppliers, emphasizing the purchase of raw materials used in the manufacture of its goods (especially natural raw materials) in their countries of origin. The global purchasing platform will also contribute to the continuing trend of improved profits and profitability.

## **Operating Profit and EBITDA**

**Operating profit** rose 37.1% in 2014 to an all-time one year high of US\$ 118.9 million (14.5% of sales) compared with US\$ 86.8 million (12.9% of sales) in 2013. Operating profit from Frutarom's core businesses reached 15.7% of sales compared with 13.5% of sales in 2013. Operating profit in Q4 2013 climbed 41.1% to a fourth quarter record high of US\$ 28.7 million (14.2% of sales)



compared with US\$ 20.3 million (10.6% of sales) in the same quarter of the previous year. Operating profit from core businesses reached 15.3% of sales compared with 11.6% of sales in the same quarter of the previous year.

**EBITDA** increased by 30.2% in 2014, reaching a yearly record high of US\$ 151 million (18.4% of sales) compared with US\$ 116 million (17.2% of sales) in 2013. The EBITDA margin in 2014 for Frutarom's core businesses reached 20% of sales compared with 18.1% in 2013. In Q4 2013 EBITDA amounted to US\$ 36.5 million, a 29% increase over the US\$ 28.3 million in Q4 2013. The EBITDA margin in Q4 2014 for Frutarom's core businesses reached 19.5% compared with 16.2% in Q4 2013.

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

**Net income** for 2014 climbed 37.7% to reach a yearly record high of US\$ 87.6 million compared with US\$ 63.6 million in 2013. The net margin in 2014 reached 10.7% compared with 9.4% in 2013. Net income for Q4 2014 rose 31.6%, reaching a fourth quarter record US\$ 19.7 million compared with US\$ 15 million in the fourth quarter of 2013.

**Earnings per share** climbed 36.7% in 2014 to reach a record high of US\$ 1.49 compared with US\$ 1.09 the previous year. Earnings per share for Q4 2014 rose 31.1%, achieving a record fourth quarter high of US\$ 0.34 per share compared with US\$ 0.26 per share in Q4 2013.

### **Equity**

Frutarom's sturdy **capital structure** includes assets of US\$ 940.4 million and capital equity of US\$ 522 million comprising 55.5% of the overall balance sheet. The Company's net debt (total loans less cash) stands at US\$ 167.5 million. Frutarom continues to generate a **strong cash flow from operating activities** which helps it reduce its debt level and, together with banking support, to continue carrying out strategic acquisitions. Cash flows from operating activities amounted to US\$ 80.8 million in 2014.

### **Dividend**

The Company announced a dividend distribution totaling NIS 22.7 million (US\$ 5.5 million).

### **Contact Details:**

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

---

### **Investor Conference Call**

**On Monday, March 16, 2015 at 2:00pm GMT 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: 1-888-668-9141  
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:  
10:00 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 on Frutarom's Investor Relations website and by telephone starting an hour after the call for 48 hours. To access the replay please dial: 1-877-456-0009 (USA), 0-800-917-1246 (UK), 0-800-837-191 (Switzerland), or 03-9255925 (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 31,000 products to over 16,000 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).

