

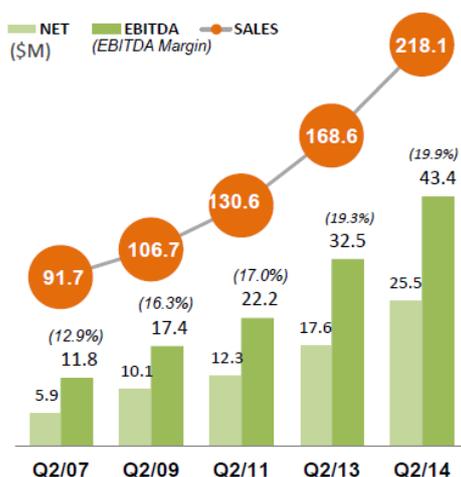
PRESS RELEASE

August 20, 2014

FRUTAROM CONTINUES TO ACHIEVE RECORD RESULTS FOR THE SECOND QUARTER AND FIRST HALF OF 2014:

**SHARP 29.3% CLIMB IN QUARTERLY SALES TO US\$218.1 MILLION;
33.5% RISE IN Q2 EBITDA TO RECORD BREAKING US\$43.4 MILLION;
44.5% JUMP IN NET INCOME TO US\$25.5 MILLION;
ALL THE HIGHEST IN COMPANY HISTORY;**

- **28.5% growth** in **Gross Profit** for quarter to US\$85.9 million, with gross margin climbing to **41.6%**;
- **EBITDA** up 33.5% to **US\$43.4 million, 19.9%** of sales;
- **41.7%** jump in quarterly **operating profit** to reach **US\$35.3 million**, 16.2% of sales;
- **44.5% leap** in **net income** to **US\$25.5 million**, for a 11.7% margin on total quarterly sales;
- Cash flow from operating activities up 24.8% to reach US\$20.5 million;
- Earnings per share rise 44.2% to US\$0.43 per share.



Revenues	Reached \$218 M
Growth	Revenues grew 29.3% 6.2% YoY Pro-forma growth ¹
Gross Profit	Over \$ 85 M 41.6% gross margin in core activities
EBITDA	Reached \$43.4 M , 19.9% EBITDA margin 21.6% EBITDA margin in core activities
Net Profit	Over \$25M 11.7% net margin



Ori Yehudai, President and CEO of Frutarom:

"Our record breaking results in the second quarter and first half of 2014 reflect continued success in implementing our rapid and profitable growth strategy – a combination of profitable internal growth at a higher rate than the growth rates for markets in which we operate and of acquisitions. The contribution from these acquisitions, the improvement in the product mix, and steps we are taking to optimize our resources have propelled Frutarom towards achieving another quantum leap in its competitive standing as a leading global player.

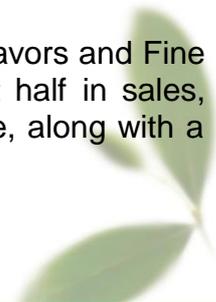
"The merging of the eight operations we acquired in 2011 and 2012 was a success and, just as planned, they contributed and will continue to contribute to both growing sales and improved profits and margins. Our integration of the five acquisitions carried out at the end of 2013 and the beginning of 2014 is proceeding on target and these are already contributing and will keep contributing to continued growth in Frutarom's sales and profits this year as well as in the coming years. We are continuing our efforts towards capitalizing on the many cross-selling opportunities stemming from our acquisitions, to exploit to the fullest the many technological capabilities we have gained through them, and to realize the benefits and savings arising from the consolidation of our R&D, sales, marketing, supply chain, operations, and purchasing systems.

"We are continuing to focus on expanding our activities in emerging markets where growth rates are high and exploiting the plentiful business opportunities available there. In keeping with our objectives we are also steadily broadening our presence in the American market where we continue to grow both internally and with the support of our two latest acquisitions which will also help reinforce our business position in the world's biggest market for taste solutions.

"We expect the continued successful integration of acquisitions we've made in recent years, which only part of the synergetic potential they hold has yet been tapped, together with continuing to achieve our strategic objectives including improving the mix of products, with a focus on natural products combining taste and health, geographic expansion in emerging markets and in the United States, and the actions we are taking to optimize the resources at our disposal, which include building a global purchasing platform, will lead to 2014 becoming another record setting year for Frutarom.

"Reaching these strategic goals together with our excellent pipeline for more strategic synergetic acquisitions will allow Frutarom to continue its profitable growth drive in the coming years, even beyond our target of one billion dollars in sales, while continuing to create top value for our shareholders".

Frutarom Industries Ltd., one of the world's top-ten companies in the Flavors and Fine Ingredients market, reports record highs in the second quarter and first half in sales, gross profit, operating profit, EBITDA, net income and earnings per share, along with a jump in profitability margins.



Company sales in Q2 2014 grew by 29.3% to US\$218.1 million and gross profit rose 28.5%. The operating profit climbed at the even steeper rate of 41.7%, EBITDA rose 33.5% to US\$43.4 million, and net income grew by 44.5% to US\$25.5 million. Earnings per share climbed 44.2% to reach US\$0.43 per share.

The record-breaking results in the second quarter were achieved thanks to continued profitable organic growth in each of Frutarom's business activities along with heavy expansion of the Company's operations in emerging markets with their higher growth rates and in the United States. The successful implementation of Frutarom's strategy to vastly expand the scope of its sales and market share in emerging markets and the US has resulted in Frutarom sales in the first half of 2014 tripling in emerging markets and doubling in the US compared to the same period in 2010. Over the same timespan the Flavors activity in the US grew by a factor of 5.5. Rapid growth in activity outside of Western Europe has resulted in Western European sales (which rose by 23% compared to their level in 2010) constituting 35% of total Frutarom sales during the first half as opposed to 51% for the equivalent period in 2010. During the same interval the share of sales in emerging markets rose from 25% to 43%. With the expansion of Frutarom's activities in global markets, the Company's sales in Israel now account for less than 5% of its overall sales (compared with 30% in 2000).

Continued successful integration of the acquisitions made in recent years with Frutarom's global activities is contributing to both the growth in sales and the improvement in profits and profitability margins. The rise in margins is also a result of an improved product mix brought about by the development and successful penetration of new natural products with high profitability margins, as well as from the steps taken by Frutarom to exploit the many operational synergies arising, among other things, from the recent acquisitions conducted and which have begun being expressed in its results, but with the greater part of their contribution anticipated to being reflected over the coming year.

Summary table of Q2 results

	Core Businesses Flavors and Specialty Fine Ingredients			Trade and Marketing			Total Frutarom Group		
	Q2 2013	Q2 2014	% growth	Q2 2013	Q2 2014	% growth	Q2 2013	Q2 2014	% growth
Sales	161.5	197.3	22.2%	7.2	20.8	190.2%	168.6	218.1	29.3%
Gross profit <i>Profitability</i>	66.3 41.0%	82.1 41.6%	24.0%	0.6 8.8%	3.8 18.2%	496.4%	66.9 39.6%	85.9 39.4%	28.5%
Operating profit <i>Profitability</i>	24.7 15.3%	34.6 17.5%	39.8%	0.2 2.7%	0.7 3.5%	278.4%	24.9 14.8%	35.3 16.2%	41.7%
EBITDA <i>Profitability</i>	32.3 20.0%	42.6 21.6%	31.8%	0.2 2.7%	0.8 3.9%	315.5%	32.5 19.3%	43.4 19.9%	33.5%
Financing expenses							2.3	2.3	-0.8%
Income before taxes							22.6	33.1	46.0%
Net income							17.6	25.5	44.5%



Summary table of H1 results

	Core Businesses Flavors and Specialty Fine Ingredients			Trade and Marketing			Total Frutarom Group		
	H1 2013	H1 2014	% growth	H1 2013	H1 2014	% growth	H1 2013	H1 2014	% growth
Sales	308.4	370.1	20.0%	12.4	36.4	192.6%	320.8	406.5	26.7%
Gross profit	122.7	152.8	24.6%	1.4	6.6	386.2%	124.0	159.4	28.5%
<i>Profitability</i>	39.8%	41.3%		11.0%	18.2%		38.7%	39.2%	
Operating Profit	43.5	58.2	33.9%	0.4	1.0	178.0%	43.8	59.3	35.2%
<i>Profitability</i>	14.1%	15.7%		3.0%	2.9%		13.7%	14.6%	
EBITDA	57.9	74.3	28.5%	0.4	1.2	199.7%	58.3	75.5	29.6%
<i>Profitability</i>	18.8%	20.1%		3.2%	3.3%		18.2%	18.6%	
Financing expenses							3.7	3.7	0.6%
Income before taxes							40.1	55.5	38.4%
Net income							31.6	43.8	38.3%

Sales

In Q2 2014 Frutarom sales grew by 29.3% to US\$218.1 million. In pro-forma terms¹ the growth for the quarter reached **6.2%** with negligible currency exchange-rate effects. **In the first half of 2014 Sales by Frutarom grew by 26.7%** and attained a half-year sales record of **US\$406.5 million**. In pro-forma terms growth in the first half reached **4.6%**, with negligible currency exchange-rate effects.

In Q2 2014 Frutarom's sales in the Flavors field (the most profitable of its activities) increased by 25.3%, to reach an all-time high of US\$156.7 million and represented 71.9% of total sales. Exchange rate fluctuations had a negligible effect on growth. **In the first half of 2014 Frutarom sales in the Flavors field** increased by 23.4% compared with the first half of 2013 to reach US\$290.9 million and constituted 71.5% of total sales. Currency exchange-rate effects were negligible.

In Q2 2014 Frutarom's sales in Specialty Fine Ingredients grew by 13.1% and totaled US\$42.6 million. Currency exchange-rate effects contributed 2.5% to growth. **In the first half of 2014 Frutarom sales in Specialty Fine Ingredients** grew by 11.2% to reach US\$83.5 million compared with US\$75.1 million in the first half of last year. Currency exchange-rate fluctuations contributed 2.3% to sales growth.

¹ assuming acquisitions performed in 2013 had been consolidated as of January 1, 2013 and that CitraSource, which was acquired during the first quarter of 2014, had been consolidated as of March 1, 2013 ("**Pro-forma Terms**").



Contributing to the growth and improvement in profits and margins of the Specialty Fine Ingredients activity were natural innovative products with high added value developed at Frutarom's R&D labs and successfully launched over the past few years.

Frutarom's **Trade and Marketing activity** grew in the quarter and the first half year as a result of the acquisitions by PTI and is concentrated mainly in Central and Eastern Europe and in Israel. The Trade and Marketing activity is not a core activity for Frutarom but it leverages the Company's sales, supply chain, and global purchasing and supply platforms and allows it to offer a wider variety of products, solutions, and added value to its customers (particularly mid-sized and local customers) and deepens the degree of cooperation with them.

In the second quarter, Frutarom sales from Trade and Marketing grew by 190.2% and reached US\$20.8 million. In the first half of 2014 Frutarom's Trade and Marketing sales grew 192.6% to reach US\$36.4 million.

Gross Profit

In Q2 the gross profit from Frutarom's core business (Flavors and Specialty Fine Ingredients activities) increased by **24.0%**, reaching US\$82.1 million. The gross margin from Frutarom's core business increased in the second quarter to **41.6%** compared with 41.0% in the same quarter last year.

In the first half of 2014 gross profit from Frutarom's core business rose by 24.6% and reached US\$152.8 million. The gross margin from Frutarom's core business reached **41.3%** compared with 39.8% in the first half of last year.

Contributing to the improvement in profits and margins in the core business were internal sales growth, an improved product mix, and steps taken by Frutarom to streamline its operations. The Company continues to work towards optimizing its resources, also in the wake of the latest acquisitions performed, generating significant operational savings and reinforcing its competitive capabilities. Frutarom is also working on building up and strengthening its global purchasing platform by capitalizing on its enhanced buying power arising as a result of its acquisitions while continuing to expand its circle of suppliers and placing emphasis on buying raw materials used for production from source countries (particularly natural raw materials). The global purchasing platform will also contribute to a continued trend of improvement in profits and margins.

Operating Profit and EBITDA

In the second quarter the operating profit from Frutarom's core business rose 39.8% to reach US\$ 34.6 million (17.5% of sales) compared with US\$24.7 million (15.3% of sales) in Q2 of last year).

In the first half of 2014 operating profit from core business rose 33.9% to reach US\$ 58.2 million (15.7% of sales) compared with US\$43.5 million (14.1% of sales) in the equivalent period last year).



In Q2 2014 EBITDA from core business climbed 31.8%, reaching US\$42.6 million (21.6% of sales) compared with US\$32.3 million for the same period last year (20.0% of sales).

In the first half EBITDA from core business increased by 28.5%, reaching US\$74.3 million (20.1% of sales) compared with US\$57.9 million for the same period last year (18.8% of sales).

Net Profit, Earnings per Share

In Q2 2014 net profit climbed 44.5%, reaching US\$25.5 million (11.7% of sales) compared with US\$17.6 million (10.5% of sales) in Q2 2013.

In the first half of the year net profit rose by 38.3% to reach a record level for a half-year period of US\$43.8 million compared with US\$31.6 million in the parallel period, with net margin this year adding up to 10.8% compared with 9.9% in the first half of last year.

Earnings per share for Q2 2014 increased by 44.2%, reaching a record quarterly high of US\$0.43 compared with US\$0.30 in the same quarter last year.

For the first half year earnings per share rose 36.8% to reach a record level US\$0.74 compared with US\$0.54 in the first half of last year.

Cash Flow and Equity

The cash flow from operating activity in Q2 2014 grew 24.8% and reached US\$20.5 million compared with US\$16.4 million in the equivalent period. **In the first half year the cash flow** from operating activity climbed **41.7%** to US\$29.5 million.

Frutarom's sturdy capital structure (assets of US\$1 billion and capital equity of US\$556.9 million as of June 30, 2014 – comprising 55.8% of the balance sheet), its net debt level (total loans less cash) of US\$188 million as of June 30, 2014, supported by the strong cash flow attained and by backing from banks, will allow it to continue carrying out the growth strategy being followed over the recent years which includes carrying out additional strategic acquisitions while continuing to strengthen its competitiveness and position as one of the world's leading companies in the field of Flavors and Specialty Fine Ingredients.

Investor Conference Call

On **Wednesday, August 20, 2014 at 2:00pm BST or 09:00am EDT** Frutarom will be hosting a conference call in which management will review and discuss the results and will be available to answer 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: 09-9180610
INTERNATIONAL Dial-in Number: 972 - 3-9180610



At:
09:00 a.m. EDT
2:00 p.m. GMT
3:00 p.m. CET
4:00 p.m. Israel Time

A replay of the call will be available Frutarom's Investor Relations website and by telephone starting two hours after the call and until Friday, August 22, 2014. To access the replay please dial: 1-888-326-9310 (USA), 0-800-917-4256 (UK), 0-800-837-191 (Switzerland), or 03-9255904 (Israel).

About Frutarom

Frutarom is a global company operating in the global flavor and fine ingredients markets. Frutarom has significant production and development centers on four continents and markets and sells over 31,000 products its products to over 15,500 customers in more than 145 countries. Frutarom's products are intended mainly for the food, beverage, flavor, fragrance, pharmaceutical, nutraceutical, health food, functional food, food additives and cosmetic industries .

Frutarom, which employs approximately 2,700 people worldwide, has 2 main core activities :

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

Frutarom's products are produced in its plants in the US, UK, Russia, Switzerland, Germany, Slovenia, Turkey, Italy, Israel, China, Guatemala, South Africa and Brazil. The Company's global marketing organization encompasses branches in Israel, the US, UK, Switzerland, Germany, Slovenia, Belgium, the Netherlands, Denmark, France, Italy, Hungary, Romania, Russia, Ukraine, Poland, Kazakhstan, Belarus, Turkey, Brazil, Mexico, Costa Rica, South Africa, China, Japan, Hong Kong, India and Indonesia. The Company also works through local agents and distributors worldwide.

For further information, visit our website: www.frutarom.com.

