

## PRESS RELEASE

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Herzliya, Israel

### **ANOTHER RECORD QUARTER FOR FRUTAROM - SUCCESSFULLY CONTINUING TO IMPLEMENT ITS RAPID & PROFITABLE GROWTH STRATEGY**

### **RECORDS IN SALES, PROFITS, CASH FLOWS AND EPS**

#### **In Q3 2016:**

- **Sales** grew by **28%** to a **record US\$ 300.1** million; constant currency growth in pro-forma terms of **4.3%**
- **Sales from core activities** grew by **31.7%** to a **record US\$ 280** million; constant currency growth in pro-forma terms of **5.1%**
- **Sales from Flavor activity** grew **36%** to a **record US\$ 225** million; constant currency growth in pro-forma terms of **6.2%**
- **Sales from Specialty Fine Ingredients activity** grew **16.2%** to **US\$ 56.1** million; constant currency growth in pro-forma terms of **1%**
- **Records in quarterly profits** (adjusted for nonrecurring expenses<sup>1</sup>):
  - **Gross profit** grew by **27.2%** to **US\$ 117.1** million;
  - **EBITDA** grew by **25.2%** to a **record US\$ 59.6** million;
  - **Net income** grew by **13.8%** to **US\$ 35.1** million;
- **Record cash flow from operating activity** that grew **41.3%** to **US\$ 41.6** million.

#### **In the First Three Quarters of 2016:**

- **Sales** grew by **32.6%** to a **record US\$ 858** million; constant currency growth in pro-forma terms of **5.8%**
- **Sales from core activities** grew by **37.2%** to a **record US\$ 800.6** million; constant currency growth in pro-forma terms of **6.4%**
- **Sales from Flavor activity** grew **40.2%** to a **record US\$ 631.7** million; constant currency growth in pro-forma terms of **6.5%**
- **Sales from Specialty Fine Ingredients activity** grew **27.3%** to a **record US\$ 174** million; constant currency growth in pro-forma terms of **7.2%**
- **Record-level Year-to-Date profits** (adjusted for nonrecurring expenses<sup>1</sup>):
  - **Gross profit** grew by **32.5%** to **US\$ 334.6** million;
  - **EBITDA** grew by **28.6%** to **US\$ 163.8** million;
  - **Net income** grew by **19.1%** to **US\$ 95.3** million;
- **Record cash flow from operating activity** that grew **44.4%** to **US\$ 96.4** million.

<sup>1</sup> Net non-recurring expenses were recorded in the third quarter and the first three quarters of the year concerning optimization and combining of plants, costs tied to transacting the acquisitions, and non-recurring income from the sale of a plant in the United States, which in the third quarter reduced gross profit by US\$ 3.1 million, operating profit by US\$ 4 million and net income by US\$ 2.9 million. In the first three quarters of the year these net non-recurring expenses reduced gross profit by US\$ 7.2 million, operating profit by US\$ 15.4 million and net income by US\$ 11.2 million.

**SINCE THE BEGINNING OF 2016 FRUTAROM COMPLETED 8 STRATEGIC ACQUISITIONS FOR THE SUM TOTAL OF US\$ 245 MILLION**

**INTEGRATION OF R&D, SALES & MARKETING, OPERATIONS, PURCHASING AND PRODUCTION PLATFORMS AND COMPLETING PROJECTS TO COMBINE PRODUCTION FACILITIES AND OPTIMIZE RESOURCES, EXPECTED TO BRING OPERATIONAL SAVINGS AT AN ANNUAL RATE OF US\$ 20-22M, ARE ADVANCING SUCCESSFULLY. ALSO CONTINUING IS THE BUILDING UP AND STRENGTHENING OF THE GLOBAL PURCHASING PLATFORM WHICH WILL CONTRIBUTE TO FURTHER IMPROVEMENT IN PROFITS AND MARGINS**

**FRUTAROM ADVANCING TOWARDS ACHIEVING SALES TARGET OF AT LEAST US\$ 2B BY 2020 WITH EBITDA MARGIN FROM CORE ACTIVITY OF OVER 22%**

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

“We are pleased with the record results of the third quarter of 2016 in terms of sales, profits and cash flow. This is our second consecutive quarter with quarterly sales of over US\$ 300 million. Over the last three years our operating and net profit have doubled. The results express the successful implementation of our rapid and profitable growth strategy combining profitable internal growth at higher than average market growth rates together with strategic acquisitions that contribute to the ongoing and consistent improvement in our results.

“The accelerated 28% sales growth this quarter derives from the continued rapid internal growth in our profitable Flavors activity at a rate of 6.2% in the quarter (in pro-forma terms on a constant currency basis) and the contribution of the strategic acquisitions we made.

“Further to the 11 acquisitions we carried out in 2015, since the beginning of 2016 we performed 8 more strategic acquisitions and moved ahead according to plan with their complete merging and integration. These acquisitions support the realization of our plans for rapid growth in our core activities while expanding the share of the Flavors activity while establishing market leadership in the field of savory taste solutions. They also support the expansion of Frutarom's natural solutions portfolio in the areas of flavors, health, colors and natural antioxidants, and the acceleration of our growth and market share expansion in North America and in emerging markets with high growth rates.

“In the third quarter we made three important acquisitions. We expanded our savory activity in the UK and Ireland by acquiring Redbrook and we entered the large and growing Mexican market for the first time by acquiring Piasa, the leading local player in Mexico's savory market and constitutes the continued implementation of our strategy to deepen our market share in growing emerging markets. We also acquired Nardi Aromas of Brazil which operates in the field of natural extracts and flavors for beverages.

“The projects for combining and consolidating activities and production sites and toward achieving utmost efficiency are proceeding successfully. These steps include the combining of activities and substantial streamlining of savory operations in Europe following the Wiberg acquisition (expected to bring savings estimated at over US\$ 12 million annually) and the streamlining of the natural extracts operations in the Specialty Fine Ingredients division (expected to bring savings estimated at over US\$ 6 million

annually). These merging and efficiency measures will contribute in the coming years to strengthening our competitiveness and improving profits and margins, and should lead to operational savings on an annual basis in the range of US\$ 20-22 million in relation to Frutarom's cost structure in Q2/2016.

"We are continuing to work on building up and strengthening the global purchasing platform, exploiting our purchasing power which has grown significantly in recent years and switching to buying raw materials in source countries, particularly natural raw materials. The global purchasing platform too will contribute to further improvement in Frutarom's profitability.

"Frutarom continues maintaining a high level of liquidity and conservative leveraging with a net debt to EBITDA ratio of 2.1 and based on strong cash flow from operating activity. Our solid capital structure and the strong cash flow we achieve allow us to continue initiating and exploiting acquisition opportunities relying 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 focus on natural and healthy products in step with demand from billions of consumers throughout the world, the geographic expansion in North America and high growth emerging markets and the measures we are taking to optimize our resources while capitalizing on the abundant cross-selling opportunities and the operational savings that our acquisitions provide, the building of a global purchasing 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 achieving our strategic goals: 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 record results for the third quarter and first nine months of the year in sales, gross profits, operating profit, EBITDA, net income, earnings per share and cash flow.

The accelerated growth in sales results from a combination of rapid internal growth in core activities in general, and the Flavors division in particular, and from the strategic acquisitions carried out.

### **Sales**

Frutarom sales in the third quarter of 2016 rose 28% to a third quarter record of US\$ 300.1 million, reflecting year-over-year constant currency growth of 4.3% in pro-forma terms. Changes in the exchange rates of currencies in which the Company operates as against the US dollar had a 1.7% negative impact on sales growth in pro-forma terms vs. Q3 2015.

Sales from Frutarom's **core activities** (the Flavors and Specialty Fine Ingredients activities) in the third quarter of 2016 rose 31.7% to reach a record US\$ 280 million compared with US\$ 212.7 million in Q3 2015, reflecting year-over-year constant currency growth in pro-forma terms of 5.1%.

Sales from the **Flavors activity** in the third quarter of 2016 rose 36% to reach US\$ 225 million against US\$ 165.4 million in Q3 2015, reflecting constant currency growth in pro-forma terms of 6.2% against the parallel period. Currency effects negatively impacted results in pro-forma terms by 1.9%.

Sales from **Specialty Fine Ingredients activity** in the third quarter of 2016 rose 16.2% to US\$ 56.1 million compared with US\$ 48.3 million in Q3 2015 and reflect constant currency growth in pro-forma terms of 1% against the parallel period. Currency effects negatively impacted results in pro-forma terms by 0.7%.

Sales from **Trade and Marketing** (which does not constitute part of Frutarom's core activity) declined 5.5% on a constant currency basis. Without adjusting for currency effects, sales in Q3 2016 declined by 8.0% to US\$ 20.0 million compared with US\$ 21.8 million in Q3 2015. Currency effects negatively impacted sales by 2.5%.

**Frutarom sales in the first nine months of 2016** rose 32.6% to reach a record high of US\$ 858 million, reflecting year-over-year constant currency growth of 5.8% in pro-forma terms. Changes 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 2.8% compared to the same period in 2015.

Sales from **Frutarom's core activities** (the Flavors and Specialty Fine Ingredients activities) in the first nine months of 2016 rose 37.2% to reach a record US\$ 800.6 million compared with US\$ 583.7 million in the same period last year, reflecting year-over-year constant currency growth in pro-forma terms of 6.4% compared to the parallel period.

Sales from **Flavors activity** in the first nine months of 2016 rose 40.2% and reached US\$ 631.7 million as opposed to US\$ 450.6 million the previous year, reflecting growth in pro-forma terms on a constant currency basis of 6.5% vs. prior year. Currency effects negatively impacted sales in pro-forma terms by 2.9%.

Sales from **Specialty Fine Ingredients activity** in the first nine months of 2016 rose 27.3% and reached US\$ 174.0 million compared with US\$ 136.7 million in the first nine months of 2015, reflecting growth in pro-forma terms on a constant currency basis of 7.2% vs. prior year. Currency effects had a negative 0.7% impact on results.

Sales from **Trade and Marketing activity** (not a core activity for Frutarom) amounted to US\$ 57.4 million compared with US\$ 63.5 million the year before (a 2.1% decline from the previous year in pro-forma terms on a constant currency basis). Currency effects had a negative 7.4% impact on sales.

### **Profits and margins**

Adjusted for non-recurring expenses, gross profit for the **core businesses** rose in Q3 2016 by 28.4% to reach US\$ 112.1 million (gross margin of 40.0%), operating profit for the core businesses rose by 24.7% to reach US\$ 48.6 million (operating margin of 17.4%), and EBITDA for the core businesses grew by 25.4% to reach US\$ 59.1 million (EBITDA margin of 21.1%).

Adjusted for non-recurring expenses, gross profit for the **core businesses rose in the first nine months** of 2016 by 34.9% to reach US\$ 322.3 million (gross margin of 40.3%), operating profit for the core businesses rose by 28.2% to reach US\$ 130.9 million (operating margin of 16.3%), and EBITDA for the core businesses grew by 29.7% to reach US\$ 162.3 million (EBITDA margin of 20.3%).

In the third quarter of 2016 non-recurring expenses were recorded concerning the actions being taken by Frutarom towards optimizing its resources, amalgamating plants, and towards attaining maximal operational efficiency, and these include non-recurring expenses incurred for the Company's reorganization of its savory activity in Germany following the acquisition of Wiberg and centered around the closure of Frutarom's main production site for savory products at Stuttgart before the end of the year and transfer of the production activity to Wiberg's modern plant in Germany, and steps taken to integrate the R&D and sales and marketing platforms for the savory activity in Europe. There were also expenses recorded during the quarter towards operational optimization of the natural extracts activity in the Specialty Fine Ingredients division following the acquisitions of Vitiva, Ingrenat, Nutrafur and Extrakt Chemie that allowed for,

among other things, the closure and sale last quarter of Frutarom's plant in North Bergen, New Jersey, USA and the transfer of its activity to the other plants, and expenses relating to acquisitions. These non-recurring effects reduced gross profit by US\$ 3.1 million, operating profit by US\$ 4.4 million and net income by US\$ 2.9 million. In the first nine months of 2016 these non-recurring effects also included non-recurring income from the sale of Frutarom's site at North Bergen, New Jersey, USA. These non-recurring effects reduced reported gross profit in the first nine months of 2016 by US\$ 17.2 million, reported operating profit by US\$ 15.4 million, and net income by US\$ 11.2 million.

The acquisitions carried out have contributed to growth in sales and in profits, but the quarterly results do not yet reflect the profitability expected following the merger operations and streamlining measures being taken by the Company. Most of the savings expected from completing the merging of the activities and capitalizing on the substantial savings arising from combining production sites, the R&D, sales and marketing, supply chain, operations and purchasing platforms of the acquired companies will manifest themselves in Frutarom's 2017 results. The overall efficiency measures and optimization we are spearheading will bring significant operational savings in the annual range of US\$ 20-22 million in relation to Frutarom's cost structure in the second quarter of 2016.

Also proceeding according to plan is the building up and strengthening of the global platform for purchasing raw materials serving Frutarom in the manufacture of its products such that it can exploit its purchasing power which has grown significantly in recent years while switching to direct purchasing from producers in source countries, particularly natural raw materials (which constitute over 70% of the raw materials used by Frutarom). The global purchasing platform will contribute as well the further improvement in purchasing costs and gross margin.

### **Net income**

**Net income in Q3 2016** (adjusted for the non-recurring expenses) grew by 13.8% to reach a record US\$ 35.1 million. **Reported net income** rose 28.7% to US\$ 32.2 million, compared with US\$ 25.0 million in Q3 2015.

**Earnings per share in Q3 2016** (adjusted for the non-recurring expenses) rose 13.2% to reach a record US\$ 0.59 compared with US\$ 0.52 for the same quarter last year. **Reported earnings per share** rose 28.3% to US\$ 0.54 compared with US\$ 0.42 in the parallel period.

**Net income in the first nine months of 2016** (adjusted for the non-recurring expenses) grew by 19.1% to reach a record US\$ 95.3 million. **Reported net income** rose 15.8% to reach US\$ 84 million, compared with US\$ 72.6 million in the first nine months of 2015.

**Earnings per share in the first nine months of 2016** (adjusted for the non-recurring expenses) rose 17.7% to reach a record US\$ 1.60 compared with US\$ 1.36 for the same period last year. **Reported earnings per share** climbed 14.3% to US\$ 1.41 compared with US\$ 1.23 in the parallel period.

### **Cash flow from operating activity**

In the third quarter of 2016 cash flows from operating activities rose by 41.3%, reaching a record US\$ 41.6 million as against US\$ 29.4 million the year before.

Cash flow from operating activities in the first nine months of 2016 grew 44.4% to a record US\$ 96.4 million compared with US\$ 66.8 million in the parallel period.

**Tables summarizing profits and margins in Q3 2016 and the 1<sup>st</sup> nine months of 2016:**

**Third quarter:**

<i>In millions of US dollars</i>	Core Businesses			Total Frutarom Group		
	Flavors and Specialty Fine Ingredients		% increase	Adjusted for non-recurring expenses		% increase
	Adjusted for non-recurring expenses			Adjusted for non-recurring expenses		
	Q3 2015	Q3 2016		Q3 2015	Q3 2016	
<b>Gross profit</b>	87.3	112.1	28.4%	92.1	117.1	27.2%
<i>Margin</i>	41.0%	40%		39.3%	39.0%	
<b>Operating profit</b>	39.0	48.6	24.7%	39.4	49.0	24.4%
<i>Margin</i>	18.3%	17.4%		16.8%	16.3%	
<b>EBITDA</b>	47.1	59.1	25.4%	47.6	59.6	25.2%
<i>Margin</i>	22.1%	21.1%		20.3%	19.9%	
<b>Net income</b>				30.9	35.1	13.8%
<i>Margin</i>				13.2%	11.7%	

**First nine months of 2016:**

<i>In millions of US dollars</i>	Core Businesses			Total Frutarom Group		
	Flavors and Specialty Fine Ingredients		% increase	Adjusted for non-recurring expenses		% increase
	Adjusted for non-recurring expenses			Adjusted for non-recurring expenses		
	2015	2016		2015	2016	
<b>Gross profit</b>	239.0	322.3	34.9%	252.6	334.6	32.5%
<i>Margin</i>	40.9%	40.3%		39.0%	39.0%	
<b>Operating profit</b>	102.0	130.9	28.2%	104.0	132.0	26.9%
<i>Margin</i>	17.5%	16.3%		16.1%	15.4%	
<b>EBITDA</b>	125.1	162.3	29.7%	127.4	163.8	28.6%
<i>Margin</i>	21.4%	20.3%		19.7%	19.1%	
<b>Net income</b>				80.0	95.3	19.1%
<i>Margin</i>				12.4%	11.1%	

**Contact Details:**

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### **Investor Conference Call**

**On Tuesday, November 22, 2016 at 4:00pm in Israel (2:00pm BST; 3:00pm CET; 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 Local Dial-in Number: 03-918-0609

INTERNATIONAL Dial-in Number: +972-3-918-0609

A replay of the conference call can be found on the Company's investor relations webpage at [www.frutarom.com](http://www.frutarom.com) and will also be available by telephone for 48 hours beginning November 22, 2016. To access the replay please dial: 1-888-326-9310 (USA/Canada), 0-800-917-4256 (UK), 0-800-837-191 (Switzerland), or +972-3-9255921 (Israel).

For further information please contact Chen Livne at Gelbart-Kahana Investor Relations [chen@gk-biz.com](mailto:chen@gk-biz.com) at tel: +972-3-6070593 or fax: +972-3-6074711.

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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 all six continents and markets and sells over 52,000 products its products to more than 29,000 customers in over 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 over 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, Ireland, 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, Ireland, Switzerland, Germany, Austria, 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, 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).