

May 29, 2018

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

**DOUBLE DIGIT GROWTH IN SALES AND PROFITS AND CONTINUED IMPROVED MARGINS:**

- **Sales** grew by **27.2%** to a record US\$ **384.8** million; constant currency growth on a pro forma basis of **7.6%**
- **Sales from Core Activities** grew by **29.0%** to a record US\$ **365.7** million; constant currency growth on a pro forma basis of **8.3%**
- **Sales from Flavors activity** grew by **28.3%** to a record US\$ **281.5** million, constant currency growth on a pro forma basis of **8.1%**
- **Sales from Specialty Fine Ingredients** grew by **29.9%** to a record US\$ **86.7** million, constant currency growth on a pro forma basis of **8.5%**
- **Record profits from operating activities:**
  - **Gross profit** rose **34.6%** to US\$ **155.7** million;
  - **EBITDA** rose **44.3%** to US\$ **80.4** million;
  - **EBITDA Margin** of core activities<sup>1</sup> reached a **record** level of **22.2%**
  - **Net income** rose **35.4%** to US\$ **45.7** million;

**ON MAY 7, 2018 FRUTAROM ANNOUNCED THAT IT SIGNED A MERGER AGREEMENT WITH IFF, A LEADING COMPANY IN THE FLAVORS AND FRAGRANCES INDUSTRY, TO CREATE A GLOBAL LEADING COMPANY IN THE FIELD OF FLAVORS, FRAGRANCES AND SPECIALTY FINE INGREDIENTS FOR HEALTH AND NUTRITION**

**Ori Yehudai, President and CEO of Frutarom Group, said today:**

"We are pleased with our significant step forward and the results achieved in Q1 2018, in which we once again set new records in sales, profits, and core activities' profitability. These quarterly results reflect the successful implementation of our rapid and profitable growth strategy,

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<sup>1</sup> net of a nonrecurring expense of US\$ 0.9 M



combining profitable internal growth at higher growth rates than those of the markets in which we operate, together with our strategic acquisitions, which contribute to the ongoing consistent improvement in our results.

"Frutarom started 2018 at peak performance: growing at a rate higher than the growth rate of the market it operates in, with a strong and experienced management team, and a global organization operating in over 150 countries, based on a production infrastructure of 74 plants, 93 research and development labs, and 111 marketing and sales offices, with approximately 5,400 employees - over 1,200 of them in marketing and sales, and over 800 in R&D - who cater to, and maintain close daily contact with, over 30,000 customers (12,000 of which have joined us through the 39 acquisitions we've made in the past 5 years), with a broad and innovative product portfolio that places an emphasis on natural products at the interesting cross section of flavor and health, with a customer focus that gives Frutarom a substantial competitive edge.

"We have significantly expanded our capabilities into the field of specialty fine ingredients for infant nutrition and clinical elderly nutrition through the Enzymotec acquisition, and its merger into Frutarom is successfully completed and is already contributing to our margins this quarter. We proceed to accelerate the measures aimed at establishing global market leadership in natural herbal extracts, while embracing a vision which includes global collaborations with research institutions and farmers for the development of species and crops of strategic fine ingredients used for flavor, color, health and in the cosmetics industry, while supporting our customers' accelerated switch from synthetic to natural fine ingredients. During the first quarter, we have also expanded our activity in the growing category of natural specialty fine ingredients for the cosmetics and personal care industries, through the acquisition of IBR with its activities integrated with Frutarom's existing activity in this field.

"We are very excited to combine Frutarom with IFF and together create global leadership in natural solutions for flavors, specialty fine ingredients for health and nutrition and fragrances. We are certain that the rapid and profitable organic growth and the strategic acquisitions we have made, combined with continuous improvement in our product mix, our focus on natural and healthy products in step with the demands of billions of consumers throughout the world, the geographic expansion in emerging markets with high growth rates, the measures we are taking to optimize our resources will support the merged company's ongoing journey of profitable growth. We will work in full collaboration with IFF's management, to ensure the successful merger of these two great companies, which complement each other in a broad range of areas, while capitalizing on the abundant cross-selling opportunities. I am certain that the growth potential for the combined company is substantial so that our shareholders will benefit from a significant upside."

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Frutarom, one of the world's 10 largest companies in the field of flavors and specialty fine ingredients, reports another record-breaking quarter, in sales, profits, and earnings per share.

The accelerated increase in revenues this quarter stems from a combination of the rapid internal growth in Frutarom's core activities – the Flavors Division and Specialty Fine Ingredients Division - and the acquisitions it has made.

## Sales

**Frutarom sales** in Q1 2018 rose 27.2% to a record of US\$ 384.8 million, compared with US\$ 302.5 million in Q1 2017, reflecting a growth on a pro-forma and constant currency basis of 7.6% compared with Q1 2017.

Sales for Frutarom's **core activities** (Flavors Activity and Specialty Fine Ingredients Activity) rose 29.0% in Q1 2018, to a record level of approx. US\$ 365.7 million, compared with US\$ 283.5 million in Q1 2017, reflecting a growth of 8.3% on a pro-forma and constant currency basis, compared with Q1 2017. Changes in exchange rates boosted sales by 7.8% in pro forma terms.

Sales for **Flavors** rose 28.3% to a record US\$ 281.5 million, compared with approx. US\$ 219.4 million in Q1 2017, reflecting a growth of approx. 8.1% on a pro-forma and constant currency basis, compared with Q1 2017. Changes in exchange rates boosted sales by 8.6% in pro forma terms.

Sales for **Specialty Fine Ingredients** rose 29.9% to US\$ 86.7 million in Q1 2018, compared with US\$ 66.8 million in Q1 2017, reflecting a growth of approx. 8.5% on a pro-forma and constant currency basis, compared with Q1 2017. Changes in exchange rates boosted sales by approx. 4.8% in pro forma terms.

Sales for **Trade and Marketing** (not a core activity of Frutarom) rose 0.3% to US\$ 19.1 million in Q1 2018, compared with US\$ 19.0 million in Q1 2017. On a pro-forma and constant currency basis, trade and marketing activity sales dropped by approx. 5.1%, compared with Q1 2017. Changes in exchange rates boosted sales by 5.4% in pro forma terms.

## Profits and margins

In Q1 2018 Frutarom achieved record results in sales, gross profit, operating profit, EBITDA, net income, and earnings per share. These record results were achieved thanks to the profitable internal growth combined with the acquisitions made and the contribution from merger activities and efficiency measures that are being implemented, and will continue to be implemented.

**Gross profit of all Frutarom activities** rose approx. 34.6% to reach approx. US\$ 155.7 million (approx. 40.5% of total revenues) in Q1 2018, compared with US\$ 115.7 million (approx. 38.2% of total revenues) in Q1 2017. **Operating profit** rose approx. 37.8% to reach US\$ 62.5 million (operating margin of approx. 16.2%) compared with approx. US\$ 45.3 million (operating margin of approx. 15.0%) in Q1 2017. **EBITDA** rose approx. 44.3%, to reach US\$ 80.4 million (EBITDA margin of approx. 20.9%) compared with approx. US\$ 55.7 million (EBITDA margin of approx. 18.4%) in Q1 2017.

**Gross profit for core businesses** (Flavors activity and Specialty Fine Ingredients activity) rose approx. 36.8% in Q1 2018, to reach US\$ 152.6 million with a gross margin of approx. 41.7%, compared with US\$ 111.6 million in Q1 2017 and a gross margin of approx. 39.4%. **operating profit for core businesses** rose approx. 39.3% in Q1 2018, to reach approx. US\$ 62.5 million (operating margin of approx. 17.1%) compared with approx. US\$ 44.8 million (operating margin of approx. 15.8%) in Q1 2017. **EBITDA for core businesses** rose approx. 45.5% to US\$ 80.2 million (EBITDA margin of approx. 21.9%), compared with US\$ 55.1 million (EBITDA margin of approx. 19.4%) in Q1 2017.

Net nonrecurring expenses were recorded in Q1 2018 for acquisitions and measures taken by Frutarom to attain optimization and efficiency, mainly in the natural extracts operations of the Specialty Fine Ingredients Division. These nonrecurring expenses diminished reported gross profit by US\$ 0.7 million, reported operating profit and EBITDA by US\$ 0.9 million, and net income by US\$



0.7 million. Nonrecurring expenses were recorded in Q1 2017, for measures taken by Frutarom to attain optimization and efficiency in the natural extracts operations of the Specialty Fine Ingredients Division, which diminished each of the reported profits for that quarter - gross, operating and EBITDA - by approx. US\$ 0.8 million, and reported net income by approx. US\$ 0.6 million.

Completing the merger of companies acquired in recent years and the measures being taken by Frutarom to optimize the management, R&D, marketing, sales, production resources, operations, purchasing and logistics systems, which are proceeding according to plan, will bring significant operational savings and strengthen its competitiveness through the maximum utilization of its sites worldwide. In addition, activities are continuing according to plan for building and reinforcing the global platform for purchasing raw materials used by Frutarom in the manufacturing of its products which will capitalize on the purchasing power that has grown significantly in recent years, along with switching to purchasing directly from producers in source countries, primarily of natural raw materials (which constitute over 75% of the raw materials used by Frutarom). The global purchasing platform will also contribute to additional improvement in purchasing costs and gross margins in the years to come.

It should be noted that in recent years, due to Frutarom's internal growth and acquisitions, seasonal effects on its results have diminished. Nonetheless, increased demand for beverages, yogurts, ice cream and other food products during the summer months brings about higher sales and some degree of improvement in Frutarom's profitability margins in the second and third quarters of the year.

### **Net Income**

**Net income in Q1 2018** rose 35.4% to a record US\$ 45.7 million (net margin of 11.9%) compared with US\$ 33.7 million (net margin of 11.2%) in Q1 2017.

**Net income adjusted for nonrecurring expenses** rose 35.1% to reach a record US\$ 46.4 million (net margin of 12.1%) compared with US\$ 34.4 million (net margin of 11.4%) in Q1 2017.

### **Earnings per share**

**Reported earnings per share in Q1 2018** rose 35.4% to reach US\$ 0.76, compared with US\$ 0.56 in Q1 2017.

**Earnings per share adjusted for nonrecurring expenses** rose by 35.1% to reach US\$ 0.77, compared with US\$ 0.57 in Q1 2017.

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

**Cash flow from operating activities** totaled US\$ 47.6 million, compared with US\$ 47.4 million in Q1 2017. Due to the timing of tax payments, net cash flow from operating activities in Q1 2018 totaled US\$ 35.4 million in Q1 2018, compared to US\$ 42.5 million in Q1 2017 (taxes paid in Q1 2018 amounted to approx. US\$ 12.2, compared to approx. US\$ 4.8 million in Q1 2017).



## Profit and profit margin tables for Q1 2018

Reported results in US dollars:

<i>In millions of US dollars</i>	Core businesses Flavors and Specialty Fine Ingredients			Total Frutarom Group		
	Q1 2017	Q1 2018	Growth %	Q1 2017	Q1 2018	Growth %
<b>Sales</b>	283.5	365.7	29.0%	302.5	384.8	27.2%
<b>Gross profit</b>	111.6	152.6	36.8%	115.7	155.7	34.6%
<i>Margin</i>	39.4%	41.7%		38.2%	40.5%	
<b>Operating profit</b>	44.8	62.5	39.3%	45.3	62.5	37.8%
<i>Margin</i>	15.8%	17.1%		15.0%	16.2%	
<b>EBITDA</b>	55.1	80.2	45.5%	55.7	80.4	44.3%
<i>Margin</i>	19.4%	21.9%		18.4%	20.9%	
<b>Net Income</b>				33.7	45.7	35.4%
<i>Margin</i>				11.2%	11.9%	

Adjusted for nonrecurring expenses:

<i>In millions of US dollars</i>	Core businesses Flavors and Specialty Fine Ingredients			Total Frutarom Group		
	Q1 2017	Q1 2018	Growth %	Q1 2017	Q1 2018	Growth %
<b>Gross profit</b>	112.4	153.3	36.4%	116.5	156.4	34.3%
<i>Margin</i>	39.6%	41.9%		38.5%	40.7%	
<b>Operating profit</b>	45.6	63.4	38.9%	46.1	63.4	37.4%
<i>Margin</i>	16.1%	17.3%		15.3%	16.5%	
<b>EBITDA</b>	55.9	81.1	45.1%	56.5	81.4	43.9%
<i>Margin</i>	19.7%	22.2%		18.7%	21.1%	
<b>Net Income</b>				34.4	46.4	35.1%
<i>Margin</i>				11.4%	12.1%	

**Investor Conference Call**



**On Tuesday, May 29, 2018 at 2:00pm GMT (3:00pm CET), 9:00am EST** 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: 1-888-281-1167**

**UK Dial-in Number: 0-800-917-9141**

**SWITZERLAND Dial-in Number: 0-800-834-878**

**ISRAEL Dial-in Number: 03-9180685**

**INTERNATIONAL Dial-in Number: +972-3-9180685**

A replay of the call will be available by telephone, starting from **Tuesday, May 29, 2018 until Thursday, May 31, 2018** and on Frutarom's investor relations website, starting on June 3, 2018. To access the replay please dial: **1-888-295-2634** (USA), **0-800-028-2634** (UK), **0-800-837-191** (Switzerland), or **+972-3-9255936** (Israel).

#### [About Frutarom](#)

Frutarom (LSE: FRUT, TASE: FRUT) is a leading global company operating in the global flavors and natural fine ingredients markets. Frutarom has significant production and development centers on all six continents and markets and sells over 70,000 products to more than 30,000 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, which employs approx. 5,400 people worldwide, has 2 main 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 algae-based biotechnical products, natural food colors, natural antioxidants that provide solutions for natural food protection, aroma compounds, essential oils, unique citrus products and specialty ingredients for infant formula and elderly clinical nutrition. 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, Canada, the UK, Ireland, Switzerland, Germany, Belgium, Italy, Spain, France, Slovenia, Poland, Russia, Turkey, Israel, South Africa, Morocco, China, India, Mexico, Guatemala, Peru, Chile, Brazil and New Zealand. The Company's global marketing organization encompasses branches in Israel, the US, Canada, the UK, Ireland, Austria, 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, Indonesia and New Zealand. The Company also works through local agents and distributors throughout the world. For further information, please visit the Company's website at: [www.frutarom.com](http://www.frutarom.com).