

PRESS RELEASE

May 24, 2016
Herzliya, Israel

**ANOTHER RECORD QUARTER FOR FRUTAROM -
SUCCESSFULLY CONTINUING TO IMPLEMENT ITS
RAPID & PROFITABLE GROWTH STRATEGY:
COMBINATION OF A HIGHER THAN MARKET AVERAGE INTERNAL
GROWTH RATE AND THE CONTRIBUTION FROM THE STRATEGIC
ACQUISITIONS**

- **Sales** grew by **32.7%** to a record US\$ **257.7** million, reflecting constant currency growth in pro-forma terms of **5.9%**
- **Sales from Flavor activities** grew **36.8%** to a record US\$ **182.4** million, reflecting constant currency growth in pro-forma terms of **5.3%**
- **Sales from Specialty Fine Ingredients activities** grew **39.3%** to a record US\$ **60.2** million, reflecting constant currency growth in pro-forma terms of **11%**
- **Record-level profits** (adjusted for nonrecurring expenses¹):
 - **Gross profit** grew by **34%** to US\$ **100.6** million;
 - **EBITDA** grew by **27.5%** to US\$ **47.1** million;
 - **Net income** grew by **22.1%** to US\$ **26.4** million;
 - **Earnings per share** grew by **19.5%**.

**SINCE THE BEGINNING OF 2016 FRUTAROM COMPLETED 5 STRATEGIC
ACQUISITIONS FOR THE SUM TOTAL OF US\$ 182 MILLION**

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

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

¹ Non-recurring expenses were recorded in the first quarter concerning efficiency measures and optimization of acquired activities, the re-organization of the savory taste solutions activity in Germany including provisions covering severance pay in connection with the expected closing of Frutarom plant in Stuttgart, and expenses tied to transacting the acquisitions, which reduced gross profit by US\$ 1.5 million, operating profit by US\$ 7 million and net income by US\$ 4.9 million.

Ori Yehudai, President and CEO of Frutarom:

“First quarter 2016 produced another milestone in our journey of rapid and profitable growth. The successful implementation of our growth strategy, combining profitable internal growth at higher than average market growth rates together with strategic acquisitions that contribute to the ongoing improvement in our results, has brought us another record quarter in both sales and profits.

“The accelerated sales growth this quarter derives from a combination of rapid internal growth in core activities - the Flavors division and the Specialty Fine Ingredients division - which grew 6.3% (in pro-forma terms on a constant currency basis) along with the contribution of the strategic acquisitions we made.

“Subsequent to the 11 acquisitions we carried out in 2015, since the beginning of 2016 we performed 5 more strategic acquisitions and moved ahead in merging the acquisitions we made last year. These acquisitions support the realization of our plans for rapid growth in our core activities while expanding the share of the Flavors activity which entails establishing market leadership in the field of savory taste solutions and expanding and deepening the portfolio of natural solutions we offer our customers in the areas of flavors, health, colors and food protection, and for accelerating our growth and market share expansion in North America and in emerging markets with high growth rates. The acquisitions also open doors for us to new customers and to new markets while generating significant and interesting cross-selling opportunities that are beginning to be reflected in our results.

“Thus, during the quarter we acquired Grow in the United States and Algalo in Israel which specialize in biotech-based natural ingredients, and Extrakt Chemie in Germany, which specializes in extracting specialty ingredients from plants mainly for the pharma, natural remedies, dietary supplements, foods and cosmetics industries, which will also help us continue with streamlining and maximizing the utilization of our production resources in the field of natural plant extracts.

“We have continued to reinforce our market leadership in savory taste solutions, and in January 2016 we completed the acquisition of Wiberg, the largest acquisition in our history, and the acquisition of Amco in Poland. We are also continuing to deepen our activity in the growing Asian and African markets: Further to the acquisitions we made in 2015 in India, Hong Kong and China, we inaugurated a modern new plant in Shanghai as well as a new plant in South Africa which significantly expands our developing activity in the growing sub-Saharan region.

“The acquisitions contributed to the growth in sales and profit, but the quarterly results do not yet reflect the profitability expected following their merger and the efficiency measures we are taking which are progressing successfully and according to plan and are expected to bring operational savings on an annual scope of US\$ 20-22 million:

Following the Wiberg acquisition, we are carrying out a reorganization of our savory activities in Europe involving the consolidation and streamlining of our production resources in Germany and various other countries along with consolidating the sales and marketing, R&D and administrative systems. Included in these measures is the closing down of Frutarom’s central plant at Stuttgart by the end of the year and transferring its activity to Wiberg’s modern and efficient plant. This move is expected to yield annual savings of over US\$ 12 million, most of which will be realized towards the end of 2016 and part of it in the first quarter of 2017.

In addition, we are carrying out an overall optimization and operational streamlining of the natural plant extracts facilities in the Specialty Fine Ingredients division. The substantial increase in production capacity for natural extracts following the acquisitions of Vitiva, Ingrenat and Nutrafur has provided the ability to carry out significant streamlining actions, including the closure of the plant in New Jersey in the last quarter of 2015 and transfer of its activities to other plants. Meanwhile we are continuing to add production capacity at the Vitiva, Ingrenat and Nutrafur plants and to optimize production between the various sites according to their specializations in the various extracting technologies while significantly improving their operational efficiency. The latest acquisition, Extrakt Chemie, joins this array of facilities with its substantial excess capacity for GMP pharma products as well.

The global purchasing platform will contribute towards continued improvement in our profitability as well.

“We are continuing to invest many resources in R&D and innovation which provide the basis for ensuring Frutarom’s continuing future rapid and unique growth. Along with investing resources in recruiting and nurturing innovation among the best scientists and engineers, we are expanding our R&D activity which now includes around 580 research and development people in 69 R&D labs spread throughout the world. This policy also includes the many collaborations we have with universities, research institutes and scientists, contributing to our ability to provide high added value to our customers through innovative and unique products with solutions combining natural taste and health. Our investments in innovation also include the acquisition of innovative technologies through, for example, our acquiring of Taura and Inventive in 2015 and of Grow and Algalo this year, which together with Frutarom’s internal R&D activity amplify our abilities to present to our over 28,000 customers around the world a unique, quality and innovative portfolio of solutions.

“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 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.”

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 quarter for sales, operating profit, EBITDA and net income.

The accelerated growth in sales this quarter resulted from a combination of rapid internal growth in Frutarom’s core activities - Flavors and Specialty Fine Ingredients - and the acquisitions carried out.

Sales

Frutarom sales for the first quarter of 2016 rose 32.7% to reach US\$ 257.7 million compared with US\$ 194.2 million in the parallel quarter, reflecting constant-currency growth in pro-forma terms of 5.9% from the parallel period. Changes in the exchange rates of currencies with which the Company operates against the US dollar reduced sales growth in pro-forma terms by 4.2%.

Sales for Frutarom's **core activities** (Flavors and Specialty Fine Ingredients) for the first quarter of 2016 as reported in US dollars rose 37.1% to reach a record US\$ 240.8 million compared with US\$ 175.6 million in the parallel quarter last year, reflecting constant-currency growth in pro-forma terms of 6.3% from the parallel quarter. Currency effects reduced sales in pro-forma terms by 3.7%.

Sales in the **field of Flavors** for the first quarter of 2016 as reported in US dollars rose 36.8% to reach a record US\$ 182.4 million compared with US\$ 133.4 million in the parallel quarter last year, reflecting constant-currency growth in pro-forma terms of 5.3% from the parallel quarter. Currency effects reduced sales in pro-forma terms by 4.4%.

Sales in the **field of Specialty Fine Ingredients** for the first quarter of 2016 as reported in US dollars rose 39.3% to reach a record US\$ 60.3 million compared with US\$ 43.2 million in the parallel quarter, reflecting constant-currency growth in pro-forma terms of 11.0% from the parallel period. Currency effects reduced sales in pro-forma terms by 1.3%.

Sales in the **field of Trade and Marketing** (not a core activity of Frutarom) for the first quarter of 2016 as reported in US dollars rose 1.0% on a constant currency basis. Without adjusting for currency effects, sales in the first quarter of 2016 declined by 9.0% to US\$ 16.9 million compared with US\$ 18.6 million in the parallel quarter. Currency effects reduced sales by 10.0%.

Profits and margins

In Q1 2016 Frutarom achieved record results in sales, gross profit, operating profit, EBITDA and net income.

These record results were achieved despite the effects of shifts in the exchange rates of currencies in which the Company operates against the US dollar which had a 4.2% negative impact on the sales and profit reported in USD (in pro-forma terms).

Profits for the **core businesses**, comprising the Flavors activity and the Specialty Fine Ingredients activity, reached record levels and, adjusted for the non-recurring expenses, gross profit for the core businesses in the first quarter rose 37.1% and reached US\$ 96.8 million (gross margin of 40.2%), operating profit rose 29.6% and reached US\$ 36.7 million (operating margin of 15.2%) and EBITDA rose 29.1% and reached US\$ 46.0 million (EBITDA margin of 19.1%).

Non-recurring expenses were recorded this quarter concerning the actions being taken by Frutarom towards optimizing its resources, amalgamating plants, and towards attaining maximal operational efficiency. These non-recurring expenses reduced reported gross profit for the quarter by US\$ 1.5 million, operating profit by US\$ 7 million and net income by US\$ 4.9 million. Most of the non-recurring expenses concern the reorganization being carried out by the Company on its savory activity in Germany and center around closing Frutarom's main production plant at Stuttgart during 2016, including provisions for severance pay, along with steps to combine the R&D and sales and marketing platforms for the savory activity in Europe and with regards to the acquisitions performed during the quarter. The reorganization of

savory activity is expected to bring savings on an annual basis of over US\$12 million, most of which will be realized towards the end of 2016 and part of it in the first quarter of 2017.

The acquisitions that were made contributed to growth in sales and profit, but the quarterly results do not yet reflect the profitability expected following their merger and the efficiency measures being taken by Frutarom. Most of the expected savings from completing the merger of activities and from realizing savings resulting from the consolidation of production sites and of the R&D, sales and marketing, supply chain, operations and procurement platforms of the acquired companies, which are estimated at a total of US\$ 20-22 million on an annual basis, will be reflected in Frutarom's results during 2016 and at the beginning of 2017.

In addition, 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 for the first quarter of 2016 (adjusted for non-recurring expenses) grew by 22.1% and reached US\$ 26.4 million. Reported net income reached US\$ 21.5 million compared with US\$ 21.4 million in the first quarter of 2015.

Summary of profits and margins in Q1 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 | | |
| | Q1 2015 | Q1 2016 | | Q1 2015 | Q1 2016 | |
| Gross profit | 70.6 | 96.8 | 37.1% | 75.1 | 100.6 | 34.0% |
| <i>Margin</i> | 40.2% | 40.2% | | 38.7% | 39.1% | |
| Operating profit | 28.3 | 36.7 | 29.6% | 29.5 | 37.4 | 26.8% |
| <i>Margin</i> | 16.1% | 15.2% | | 15.2% | 14.5% | |
| EBITDA | 35.6 | 46.0 | 29.1% | 36.9 | 47.1 | 27.5% |
| <i>Margin</i> | 20.3% | 19.1% | | 19.0% | 18.3% | |
| Net income | | | | 21.6 | 26.4 | 22.1% |
| <i>Margin</i> | | | | 11.1% | 10.3% | |

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Investor Conference Call

On Tuesday, May 24, 2016 at 4:00pm Israel time (2:00pm BST or 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: 1-888-407-2553
UK Dial-in Number: 0-800-917-9141
SWITZERLAND Dial-in Number: 0-800-834-878
ISRAEL Local Dial-in Number: 03-918-0644
INTERNATIONAL Dial-in Number: +972-3-918-0644

Beginning May 26, 2016 a recording of the conference call can be found on the Company's website at www.frutarom.com and will be available by telephone starting from Tuesday, May 24, 2016 until Thursday, May 26, 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 all six 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, 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.