

## PRESS RELEASE

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Herzliya, Israel

**ANOTHER RECORD YEAR FOR FRUTAROM - CONTINUES TO SUCCESSFULLY  
IMPLEMENT ITS RAPID AND PROFITABLE GROWTH STRATEGY  
RECORDS IN SALES, OPERATING PROFITS, CASH FLOW AND EPS**

**Full-year 2016:**

- **Sales rose 31.4% to a record US\$ 1,147 million.** Constant currency growth on a pro-forma basis<sup>1</sup> of **5.3%**
- **Core activity sales rose 35.4% to a record US\$ 1,067.5 million.** Constant currency growth on a pro-forma basis<sup>1</sup> of **5.9%**
- **Flavors activity sales rose 39.3% to a record US\$ 846.5 million.** Constant currency growth on a pro-forma basis<sup>1</sup> of **6.1%**
- **Specialty Fine Ingredient activity sales rose 23.2% to a record US\$ 227.9 million.** Constant currency growth on a pro-forma basis<sup>1</sup> of **6.1%**
- **Record profits for 2016 (adjusted for nonrecurring expenses<sup>2</sup>):**
  - **Gross profit rose 31.4% to US\$ 448.0 million;**
  - **EBITDA rose 27.9% to a record US\$ 217.3 million;**
  - **Net income rose 16.6% to US\$ 129.2 million;**
- **Record cash flow from operating activity that rose 36% to US\$ 124.6 million**

**Fourth quarter 2016:**

- **Sales rose 28.1% to a record US\$ 289 million.** Constant currency growth on a pro-forma basis<sup>1</sup> of **3.8%**
- **Core activity sales rose 30.4% to a record US\$ 267 million.** Constant currency growth on a pro-forma basis<sup>1</sup> of **4.2%**
- **Flavors activity sales rose 36.9% to a record US\$ 214.8 million.** Constant currency growth on a pro-forma basis<sup>1</sup> of **5.1%**
- **Specialty Fine Ingredient activity sales rose 11.5% to US\$ 53.9 million.** Constant currency growth on a pro-forma basis<sup>1</sup> of **3%**
- **Record profits in the quarter (adjusted for nonrecurring expenses<sup>2</sup>):**
  - **Gross profit rose 28.3% to US\$ 113.4 million;**
  - **EBITDA rose 23.8% to a record US\$ 52.7 million;**
  - **Net income rose 10.3% to US\$ 33.9 million;**
- **Cash flow from operating activity rose 13.3% to US\$ 28.2 million**

<sup>1</sup> Assuming the acquisitions performed and completed in 2015 had been consolidated in the reports since January 1, 2015 and that the acquisitions performed in 2016 had been consolidated in 2015 according to their date of acquisition in 2016 ("pro-forma basis").

<sup>2</sup> Net non-recurring expenses were recorded in 2016 and in Q4 2016 concerning optimization and amalgamating plants, in connection with acquisition transactions and with regards to non-recurring income from the sale of a plant in the USA, which in Q4 reduced gross profit by US\$ 3.2 million, operating profit by US\$ 9.5 million, and net income by US\$ 6.9 million. For 2016 these net non-recurring expenses reduced gross profit by US\$ 10.4 million, operating profit by US\$ 24.9 million, and net income by US\$ 18.1 million.

**SINCE THE BEGINNING OF 2016 FRUTAROM COMPLETED 9 STRATEGIC ACQUISITIONS FOR OVERALL CONSIDERATION OF APPROX. US\$ 255 MILLION**

**SUCCESSFULLY MOVING AHEAD WITH INTEGRATING THE MANAGEMENT, R&D, SALES AND MARKETING, OPERATIONS, PROCUREMENT AND PRODUCTION PLATFORMS AND FULFILLING THE PLANT AMALGAMATION AND RESOURCE OPTIMIZATION PROJECTS THAT ARE EXPECTED TO BRING OPERATIONAL SAVINGS AT AN ANNUAL RATE OF US\$ 20-22 MILLION WHICH WILL BE GRADUALLY REFLECTED OVER THE COURSE OF 2017.**

**BUILDING AND STRENGTHENING THE GLOBAL PROCUREMENT PLATFORM ALSO CONTINUES AND THIS WILL CONTRIBUTE TO FURTHER IMPROVEMENT IN PROFITS AND PROFITABILITY**

**FRUTAROM IS ADVANCING TOWARDS ITS GOAL OF AT LEAST US\$ 2 BILLION IN SALES WITH EBITDA FROM CORE ACTIVITIES OF OVER 22% BY 2020**

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

“We are pleased with the additional leap forward we achieved in 2016 in which we again registered record results in sales, profits and cash flow. Over the past four years we have doubled Frutarom’s revenues and profits, reflecting the successful implementation of our rapid and profitable growth strategy combining profitable internal growth, at growth rates higher than those of the markets in which we operate, together with strategic acquisitions that contribute to the continuing and consistent improvement in our results.

“The 31.4% accelerated growth of our activity in 2016 stems from continued rapid internal growth of our profitable Flavors activity at the rate of 6.1% (on a constant currency and pro-forma basis) and from the contribution of the strategic acquisitions we made.

“Further to the 11 acquisitions we made in 2015, since the beginning of 2016 we made another 9 strategic acquisitions and we progressed according to plan in fully merging and integrating them. We are continuing to create a strong quality pipeline of future acquisitions to support the fulfilling of our plan for accelerated growth in our core activities while expanding the share of the Flavors activity, including by gaining market leadership in the field of savory solutions and expanding the portfolio of natural solutions in the fields of flavors, health, colors and the natural antioxidants we offer our customers, and accelerating our growth and expanding our market share in North America and in emerging markets with high growth rates.

“Since the beginning of the fourth quarter we completed the acquisition of Piasa, a leading local player in Mexico’s savory market that reflects the continued implementation of our strategy to deepen our market share in growing emerging markets. In addition, we acquired Nardi Aroma in Brazil which operates in the field of natural extracts and flavors for beverages. In February 2017 we also acquired Unique

Flavors in South Africa which will contribute towards significantly strengthening our position in the rapidly growing areas of Africa while capitalizing on the arising synergies with our existing activity in the region. Another important move we completed in February 2017 was exercising our option to acquire the remaining 25% holdings in the Russian flavors company PTI which reflects a significant enhancement of value for our customers, our employees, and our investors.

“The projects of combining and integrating activities and production sites and achieving maximum efficiency are moving ahead successfully. This year these mainly included the merger of activities and significant streamlining in the savory operations in Europe following the acquisition of Wiberg. I am pleased that the main and most important part of the project, the transfer of production from the main savory site at Stuttgart, Germany to Wiberg’s modern and efficient site in Germany, along with the closing of the plant in Stuttgart, has been successfully completed, and that further to completing this move we are busy these days completing the merging of the marketing, R&D, and administration of the savory activity in Europe in a gradual and measured manner with emphasis on retaining key personnel and customers. These actions are expected to bring savings projected at over US\$ 12 million (on an annual basis) which partly already started to be seen in the first quarter of 2017 with the balance to gradually come into play over the course of 2017.

“Also, we are pushing forward on substantially streamlining the natural extracts operations of the Specialty Fine Ingredients division as part of an overall move to expand the scope of activity in natural extracts and improve its margins by increasing output and optimizing production lines. These measures are expected to bring savings of over US\$ 6 million which will start coming into play during the second half of 2017.

“The merging and streamlining measures will also contribute in the coming years to strengthening our competitiveness and improving profits and profitability with the attainment of operational savings in an annual range of US\$ 20-22 million which will come into play gradually over the course of 2017. We are also continuing to build up and strengthen the global procurement platform while capitalizing on our purchasing power which has increased considerably in recent years, and moving towards purchasing raw materials, particularly those that are natural, in their source countries. The global procurement platform will contribute as well to further improvement in Frutarom’s profitability.

“Frutarom continues to maintain a high level of liquidity and conservative leveraging, with a ratio of net debt to EBITDA of 1.9, based on a strong cash flow from operating activity which has grown this year by 36% to a record US\$ 124.6 million. Our sturdy equity structure and the strong cash flow we generate enable us to continue initiating and capitalizing on acquisition opportunities based on our strong and 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 progress with natural and healthy products in step with demand from billions of consumers throughout the world, the geographic expansion in North America and in the emerging markets with high growth rates, the moves we are making to optimize our resources while capitalizing on the abundant cross-selling opportunities and the operational savings brought about by the acquisitions, the building of a global procurement 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 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 another record-breaking results for the fourth quarter of 2016 and for the year in sales, gross profit, operating profit, EBITDA, net income and earnings per share.

The rapid increase in revenues stems from a combination of rapid internal growth in the core activities overall and the Flavors activity in particular, and the strategic acquisitions that were carried out.

## **Sales**

**Frutarom's sales as reported in US dollars rose in 2016** by 31.4% to reach an annual record of US\$ 1,147 million, reflecting constant-currency growth on a pro-forma basis of 5.3% compared with 2015. Changes against the US dollar in the exchange rates of currencies in which the Company operates reduced sales growth in pro-forma terms by 2.6%.

Sales for Frutarom's **core activities** (Flavors activity and Specialty Fine Ingredients activity) rose in 2016 by 35.4% to reach a record US\$ 1,067.5 million compared with US\$ 788.5 million last year, reflecting constant-currency growth on a pro-forma basis of 5.9% compared with 2015. Currency effects impacted results by 2.4%.

Sales in the field of **Flavors** in 2016 as reported in US dollars rose 39.3% to reach US\$ 846.5 million (compared with US\$ 607.5 million the previous year), reflecting constant-currency growth on a pro-forma basis of 6.1% compared to 2015. Currency effects reduced sales on a pro-forma basis by 2.8%.

Sales in the field of **Specialty Fine Ingredients** in 2016 as reported in US dollars rose 23.2% to reach US\$ 227.9 million compared with US\$ 184.9 million the previous year, reflecting constant-currency growth on a pro-forma basis of 6.1% from the parallel period. Currency effects reduced sales on a pro-forma basis by 0.8%.

Sales in the field of **Trade and Marketing** in 2016 as reported in US dollars declined by 5.8% to US\$ 79.5 million compared with US\$ 84.3 million the previous year, reflecting a constant-currency decrease on a pro-forma basis of 1.8% from the parallel period. Currency effects reduced sales on a pro-forma basis by 5.3%.

**Frutarom's reported sales in fourth quarter 2016** rose 28.1% to reach a Q4 record of US\$ 289 million compared with US\$ 225.6 million in the same quarter the previous year, reflecting constant-currency growth on a pro-forma basis of 3.8% compared with the parallel period. Changes against the US dollar in the exchange rates of currencies in which the Company operates reduced pro-forma sales growth by 2.1% in comparison with Q4 2015.

Sales for Frutarom's **core activities** (Flavors activity and Specialty Fine Ingredients activity) in fourth quarter 2016 rose 30.4% to reach a record US\$ 267 million compared with US\$ 204.8 million in the parallel quarter last year, reflecting constant-currency growth on a pro-forma basis of 4.2% compared with 2015. Currency effects impacted pro-forma results by 2.3%.

Sales in the field of **Flavors** in fourth quarter 2016 as reported in US dollars rose 36.9% to reach US\$ 214.8 million compared with US\$ 156.9 million the previous year, reflecting constant-currency growth on a pro-forma basis of 5.1% compared to the parallel period. Currency effects reduced sales on a pro-forma basis by 2.6%.

Sales in the field of **Specialty Fine Ingredients** in fourth quarter 2016 as reported in US dollars rose 11.5% to reach US\$ 53.9 million compared with US\$ 48.3 million the previous year,

reflecting constant-currency growth on a pro-forma basis of 3% from the parallel period. Currency effects reduced sales on a pro-forma basis by 1.2%.

Sales in the field of **Trade and Marketing** (which is not part of Frutarom's core activity) grew in fourth quarter 2016 by 5.8% to US\$ 22.1 million compared with US\$ 20.9 million the parallel period. Contributing to the increase was the additional sales of trade and marketing products by Piasa in Mexico which was acquired in December 2016. On a constant-currency and pro-forma basis there was a 1.1% decline from Q4 2015. Currency effects were negligible.

### **Profits and margins**

**Profits for core businesses**, which include the Flavors activity and the Specialty Fine Ingredients activity, reached record levels **in 2016** and, adjusted for non-recurring expenses, gross profit rose 33.6% to reach US\$ 431.1 million (gross margin of 40.4%), operating profit rose 28.3% to reach 172.2 million (operating margin of 16.1%) and EBITDA grew by 29% to reach US\$ 214.9 million (EBITDA margin of 20.1%).

**Profits for core businesses in fourth quarter 2016** also reached record levels and, adjusted for non-recurring expenses, gross profit rose 30% to reach US\$ 108.8 million (gross margin of 40.7%), operating profit rose 26.1% to reach 40.5 million (operating margin of 15.2%) and EBITDA grew by 25% to reach US\$ 51.8 million (EBITDA margin of 19.4%).

The record results were achieved despite the effects of changes against the US dollar of currencies in which the Company operates and of non-recurring expenses for measures Frutarom is taking to optimize its resources, consolidate plants, and attain maximum operational efficiency, including non-recurring expenses incurred by the Company in reorganizing its savory activity in Germany following the acquisition of Wiberg which mainly centers around the closing down of Frutarom's main production site for savory products located in Stuttgart and the transfer of its production to Wiberg's modern plant in Germany, and actions being taken to consolidate the savory activity's R&D and sales and marketing operations in Europe. Expenses were also recorded for steps taken to raise output and achieve operational efficiency in the Specialty Fine Ingredients' natural extracts activity following the acquisitions of Vitiva, Ingrenat, Nutrafur and Extrakt-Chemie which made it possible to, among other things, shut down and sell Frutarom's plant in North Bergen, New Jersey in second quarter 2016 and the transfer of its activity to its other plants, for other efficiency measures and with regards to acquisitions. In the fourth quarter these non-recurring effects reduced reported gross profit by US\$ 3.2 million, operating profit by US\$ 9.5 million and net income by US\$ 6.9 million. For the full year of 2016 these non-recurring effects reduced reported gross profit by US\$ 10.4 million, operating profit by US\$ 24.9 million and net income by US\$ 18.1 million.

The acquisitions that were made contributed to an increase in sales and profit, but the results for the quarter do not yet reflect the profitability expected as a result of the merging and streamlining measures being taken by the Company. Most of the savings expected from completing the merging of activities and the realizing of the substantial cost cutting arising from the consolidating of production sites and the R&D, sales and marketing, supply chain, operations and purchasing functions of the acquired companies will be reflected in Frutarom's results for 2017. The overall streamlining measures and optimization will bring significant operational savings in the range of US\$ 20-22 million a year compared with Frutarom's cost structure in the second quarter of 2016, which will be achieved gradually over the course of 2017.

In addition, work continues according to plan for building up and strengthening the global procurement platform for raw materials used by Frutarom in the manufacture of its products, which will exploit the purchasing power that grew significantly over the past few years along with shifting to direct purchasing from producers in source countries, mainly of natural raw materials (which make up over 70% of the raw materials used by Frutarom). The global procurement platform will contribute as well to further improvement in purchasing costs and gross margin.

### Net income and earnings per share

**Net income for 2016** (adjusted for non-recurring expenses) rose 16.6% and reached a record US\$ 129.2 million, with a net margin of 11.3% of sales. Reported net income rose 15.6% and reached a record US\$ 111.1 million compared with US\$ 96.1 million in 2015.

**Earnings per share in 2016** (adjusted for non-recurring expenses) rose 15.6% from US\$ 1.87 per share the previous year to US\$ 2.16. Reported earnings per share rose 14.5% and reached a record US\$ 1.85 compared with US\$ 1.62 per share in 2015.

**Net income for fourth quarter 2016** (adjusted for non-recurring expenses) rose 10.3% to reach US\$ 33.9 million. Reported net income rose 14.8% and reached a record US\$ 27.0 million compared with US\$ 23.5 million in fourth quarter 2015.

**Earnings per share for fourth quarter 2016** (adjusted for non-recurring expenses) rose 10.2% to reach US\$ 0.57 compared with US\$ 0.51 the previous year. Reported earnings per share rose 15.0% and reached US\$ 0.45 compared with US\$ 0.39 per share in the parallel quarter.

### Cash flow from operating activity

Cash flow from operating activity in **2016** grew by 36% in 2015 from US\$ 91.7 million to a record US\$ 124.6 million.

Cash flow from operating activity in **fourth quarter 2016** rose 13.3% in 2015 to US\$ 28.2 million compared with US\$ 24.9 million in the same quarter the previous year.

### Tables summarizing profits and margins

FY 2016:

<i>In millions of US dollars</i>	Core Businesses			Total Frutarom Group		
	Flavors and Specialty Fine Ingredients		% increase adjusted for non-recurring expenses	Adjusted for non-recurring expenses		% increase adjusted for non-recurring expenses
	2015	2016		2015	2016	
<b>Gross profit</b>	322.6	431.1	33.6%	340.9	448.0	31.4%
<i>Margin</i>	40.9%	40.4%		39.1%	39.1%	
<b>Operating profit</b>	134.2	172.2	28.3%	137.0	174.1	27.1%
<i>Margin</i>	17.0%	16.1%		15.7%	15.2%	
<b>EBITDA</b>	166.6	214.9	29.0%	170.0	217.3	27.9%
<i>Margin</i>	21.1%	20.1%		19.5%	18.9%	
<b>Net income</b>				110.8	129.2	16.6%
<i>Margin</i>				12.7%	11.3%	

Q4/ 2016:

<i>In millions of US dollars</i>	Core Businesses			Total Frutarom Group		
	Flavors and Specialty Fine Ingredients		% increase adjusted for non-recurring expenses	Adjusted for non- recurring expenses		% increase adjusted for non-recurring expenses
	Adjusted for non- recurring expenses			Adjusted for non- recurring expenses		
	Q4 2015	Q4 2016		Q4 2015	Q4 2016	
<b>Gross profit</b>	83.6	108.8	30.0%	88.3	113.4	28.3%
<i>Margin</i>	40.8%	40.7%		39.2%	39.2%	
<b>Operating profit</b>	32.1	40.5	26.1%	33.0	41.3	25.0%
<i>Margin</i>	15.7%	15.2%		14.6%	14.3%	
<b>EBITDA</b>	41.4	51.8	25.0%	42.6	52.7	23.8%
<i>Margin</i>	20.2%	19.4%		18.9%	18.2%	
<b>Net income</b>				30.8	33.9	10.3%
<i>Margin</i>				13.6%	11.7%	

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**Investor Conference Call**

**On Thursday, March 23, 2017 at 4:00pm Israel time (2:00pm GMT, 3:00pm CET, 10:00am EDT) Frutarom will host a conference call** in which management will review and discuss its 2016 annual 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 at 10:00 am EDT  
 UK Dial-in Number: 0-800-917-5108 at 2:00 pm GMT  
 SWITZERLAND Dial-in Number: 0-800-834-878 at 3:00 pm CET  
 ISRAEL Dial-in Number: 03-918-0610 at 4:00 pm Israel Time  
 INTERNATIONAL Dial-in Number: +972-3-918-0610

A replay of the call will be available by telephone from Friday, March 24, 2017 until Monday, March 27, 2017 and on Frutarom's investor relations website ([www.frutarom.com](http://www.frutarom.com)) starting on March 27, 2017. To access the replay please dial: 1-888-326-9310 (USA), 0-800-917-4256 (UK), 0-800-837-191 (Switzerland), or +972-3-925-5900 (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 60,000 products to more than 27,000 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 approximately 4,750 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 algae based biotechnical products, natural food colors, natural substances for food protection, aroma compounds, essential oils, unique citrus products, and 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, Canada, the UK, Ireland, Switzerland, Germany, Belgium, Italy, Spain, Slovenia, Russia, Poland, Turkey, Israel, South Africa, China, India, Guatemala, Peru, Chile, Brazil, Mexico 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).