

PRESS RELEASE

May 24, 2017
Herzliya, Israel

ANOTHER RECORD QUARTER FOR FRUTAROM - CONTINUING TO SUCCESSFULLY EXECUTE ITS RAPID AND PROFITABLE GROWTH STRATEGY

HIGH DOUBLE-DIGIT GROWTH IN SALES AND PROFITS:

- **Sales** grew **17.4%** to a **record US\$ 302.5** million, **5.3%** growth on a pro-forma and constant currency basis
- **Core activity sales** grew **17.7%** to a **record US\$ 283.5** million, **6.6%** growth on a pro-forma and constant currency basis
- **Flavors activity sales** grew **20.3%** to a **record US\$ 219.4** million, **6.6%** growth on a pro-forma and constant currency basis
- **Specialty Fine Ingredient activity sales** grew **10.8%** to a **record US\$ 66.8** million, **7.6%** growth on a pro-forma and constant currency basis
- **Record profits:**
 - **Gross profit** rose **16.8%** to **US\$ 115.7** million;
 - **EBITDA** rose **38.6%** to **US\$ 55.7** million;
 - **Net income** rose **56.9%** to **US\$ 33.7** million;
 - **Cash flow from operating activity** climbed **134.2%** to **US\$ 42.5** million

3 STRATEGIC ACQUISITIONS SINCE THE BEGINNING OF 2017 STRENGTHEN PENETRATION INTO NEW MARKETS

EXCELLENT PIPELINE FOR FUTURE ACQUISITIONS

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



* The figures are net of non-recurring expenses.

Ori Yehudai, President and CEO of Frutarom:

“We are pleased with our continuing business trends and performance that have led once again in the first quarter of 2017 to record results for sales, for profits, for cash flow and for earnings per share. The results reflect the continued successful implementation of our rapid and profitable growth strategy combining profitable internal growth at higher growth rates than those of the markets in which we operate, together with the successful merger of our strategic acquisitions that contribute to the continuing and consistent improvement in our results.

“The accelerated 17.4% increase in revenues this quarter results from continued rapid internal growth of our core activities, Flavors and Specialty Fine Ingredients, at a rate of 6.6% this quarter (in pro-forma terms and on a constant currency basis) and from the contribution of the strategic acquisitions we made.

“We are progressing according to plan with the full merging and integration of the 23 strategic acquisitions we made over the past two years. Since the beginning of the year we made three strategic acquisitions that present us with growth opportunities in new markets: René Laurent provides us an entry into local production activity in the significant French flavors market, WFF constitutes our first penetration into growing Vietnamese flavors market, and Unique Flavors in South Africa which contributes towards significantly strengthening our position in the field of savory products in the rapidly growing areas of Africa. Another important move we completed in February 2017 was exercising our option to acquire the 25% balance of holdings in the Russian flavors company PTI which reflects a significant boost of value for our customers, for our employees, and for our investors.

“We are continuing to create a strong quality pipeline of future strategic acquisitions to support the fulfilling of our plan for accelerated growth in our core activities while continuing to expand the share of the Flavors activity, including by gaining global market leadership in savory solutions and expanding the portfolio of natural solutions in the fields of flavors, health, colors and the natural antioxidants we offer our customers while accelerating our growth and expanding our market share in North America and in emerging markets with high growth rates.

“During 2017 we will continue to capitalize on the integration and maximum streamlining, achieving the significant savings made possible from the acquisitions we make. The merger and streamlining processes will also contribute in the years to come towards strengthening our competitiveness and to improving profits and margins with the achieving of operational savings of an annual scope of US\$ 20-22 million which will emerge in the course of 2017:

We are at the stage of successfully completing the merging of our savory activities in Europe following the acquisition of Wiberg. This move will contribute to a gradual improvement in our profitability during the course of 2017 upon completion of the integration and streamlining processes from combining the management, R&D, sales, marketing, production, operational, logistical and administrative platforms of the savory activity in Europe, which we are carrying out in a gradual and measured manner, with emphasis on retaining key personnel and customers. These actions will, upon their completion by the end of 2017, bring savings projected at over US\$ 12 million (on an annual basis) which partly began emerging in the first quarter.

The project for substantially streamlining the natural extracts operations of the Specialty Fine Ingredients division, 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, is successfully moving forward. These measures are expected to bring savings of over US\$ 6 million which will start coming into play during the second half 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.

“We continue to present a strong cash flow from operating activity which has grown this quarter by 134.2% to US\$ 42.5 million. Our sturdy equity structure, high level of liquidity and conservative leverage, with a net debt to EBITDA ratio of less than 2, 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 internal 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.”

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 in sales, profits, cash flows from operating activities and in earnings per share.

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

Sales

Frutarom’s sales in the first quarter of 2017 rose 17.4% to a record US\$ 302.5 million compared with US\$ 257.7 million in the parallel period, reflecting 5.3% year-over-year growth on a pro-forma and constant currency basis. Changes in the exchange rates of currencies in which the Company operates as against the US dollar had a 0.4% negative impact on sales growth in pro-forma terms compared with Q1 2016.

Sales for Frutarom’s core activities (Flavors activity and Specialty Fine Ingredients activity) rose 17.7% in Q1 2017 to reach a record level US\$ 283.5 million compared with US\$ 240.8 million in the same quarter last year, reflecting 6.6% year-over-year growth on a pro-forma and constant currency basis. Changes in exchange rates had a negative 1.0% impact on results in pro-forma terms.

Sales for Flavors rose 20.3% in Q1 2017 to reach US\$ 219.4 million in Q1 2017 as against US\$ 182.4 million in Q1 2016, reflecting 6.6% year-over-year growth on a pro-forma and constant currency basis. Currency effects negatively impacted results in pro-forma terms by 0.9%.

Sales for Specialty Fine Ingredients rose 10.8% to US\$ 66.8 million in Q1 2017 compared with US\$ 60.2 million in Q1 2016 and reflect 7.6% year-over-year growth on a pro-forma and constant currency basis. Currency effects negatively impacted sales by 1.3% in pro-forma terms.

Sales for Trade and Marketing (not part of Frutarom’s core activity) rose in Q1 2017 by 12.6% to US\$ 19.0 million compared with US\$ 16.9 million in Q1 2016. Contributing to the increase was the added sales of trade and marketing goods by Piasa in Mexico, acquired in December 2016. Currency effects boosted trade and marketing activity sales by 7.2% in pro-forma terms. Sales declined by 12.5% against the parallel period on a pro-forma and constant currency basis.

Profits and margins

In Q1 2017 Frutarom achieved record quarterly results in sales, gross profit, operating profit, EBITDA, net income, earnings per share and cash flow from operating activities.

These record results were achieved thanks to the profitable internal growth combined with the acquisitions made and the beginning of contributions from the merger activities and efficiency measures.

Gross profit for core businesses (which include the Flavors activity and the Specialty Fine Ingredients activity) rose 17.1% to reach US\$ 111.6 million (gross margin of 39.4%) in Q1 2017 as compared with US\$ 95.3 million (gross margin of 39.6%) in Q1 2016. Adjusted for non-recurring expenses, gross profit for core businesses rose 16.1% to reach US\$ 112.4 million (gross margin of 39.6%) as compared with US\$ 96.8 million (gross margin of 40.2%) in Q1 2016.

Operating profit for core businesses rose 50.1% to reach US\$ 44.8 million (operating margin of 15.8%) in Q1 2017 as compared with US\$ 29.9 million (gross margin of 12.4%) in Q1 2016. Adjusted for non-recurring expenses, operating profit for core businesses rose 23.8% to reach US\$ 45.6 million (operating margin of 16.1%) as compared with US\$ 36.9 million (operating margin of 15.3%) in Q1 2016.

EBITDA for core businesses rose 39.8% to reach US\$ 55.1 million (EBITDA margin of 19.4%) in Q1 2017 as compared with US\$ 39.4 million (EBITDA margin of 16.4%) in Q1 2016. Adjusted for non-recurring expenses, EBITDA for core businesses rose 20.4% to reach US\$ 55.9 million (EBITDA margin of 19.7%) as compared with US\$ 46.4 million (EBITDA margin of 19.3%) in Q1 2016.

Operating profit for the Flavors activity climbed 55.0% to US\$ 35.9 million (operating margin of 16.4%) in Q1 2017 compared with US\$ 23.2 million (operating margin of 12.7%) in Q1 2016. Adjusted for non-recurring expenses, operating profit for the Flavors activity rose 20.7% to US\$ 35.9 million (operating margin of 16.4%) in Q1 2017 compared with US\$ 29.8 million (operating margin of 16.3%) in Q1 2016.

Operating profit for the Specialty Fine Ingredients activity rose 34.2% to US\$ 8.9 million (operating margin of 13.4%) in Q1 2017 compared with US\$ 6.7 million (operating margin of 11.1%) in Q1 2016. Adjusted for non-recurring expenses, operating profit for the Specialty Fine Ingredients activity rose 37.6% to US\$ 9.7 million (operating margin of 14.6%) compared with US\$ 7.1 million (operating margin of 11.7%) in Q1 2016.

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. These nonrecurring expenses diminished gross profit, operating profit and EBITDA each by US\$ 0.8 million and net income by US\$ 0.6 million. Nonrecurring expenses were recorded in Q1 2016 for measures taken by Frutarom to optimize its resources, combine plants and attain maximum operational efficiency, which diminished gross profit for that quarter by US\$ 1.5 million, operating profit by US\$ 7 million, EBITDA by US\$ 7 million and net income by US\$ 4.9 million.

Completing the merger of companies acquired in recent years and measures being taken by Frutarom to optimize the management, R&D, 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. These actions are expected to result in annual operational savings in the range of US\$ 20-22 million (as compared with Frutarom's cost structure in Q2 2016), a smaller part of which have already begun to come into play in the first quarter of 2017 with the balance to gradually manifest itself in the course of 2017.

In addition, activity continues according to plan for building and reinforcing the global platform for purchasing raw materials used by Frutarom in the manufacture 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 contribute as well to further improvement in purchasing costs and gross margins in the years to come.

Net income

Net income in Q1 2017 climbed 56.9% and reached a record US\$ 33.7 million (net margin of 11.2%) compared with US\$ 21.5 million (net margin of 8.3%) in Q1 2016.

Net income adjusted for non-recurring expenses rose 30.1% and reached a record US\$ 34.4 million (net margin of 11.4%) compared with US\$ 26.4 million (net margin of 10.3%) in Q1 2016.

Earnings per share

Earnings per share in Q1 2017 rose 56.0% and reached a record US\$ 0.56 compared with US\$ 0.36 per share in Q1 2016.

Earnings per share adjusted for non-recurring expenses rose 29.0% from US\$ 0.57 compared with US\$ 0.44 in Q1 2016.

Cash flow from operating activity

Cash flow from operating activity in Q1 2017 climbed 134.2% to reach a record US\$ 42.5 million compared with US\$ 18.2 million in Q1 2016.

Tables summarizing profits and margins in the first quarter

Reported results in US dollars:

	Core Businesses Flavors and Specialty Fine Ingredients			Total Frutarom Group		
	Q1 2016	Q1 2017	% increase	Q1 2016	Q1 2017	% increase
Sales	240.8	283.5	17.7%	257.7	302.5	17.4%
Gross profit	95.3	111.6	17.1%	99.1	115.7	16.8%
<i>Margin</i>	39.6%	39.4%		38.5%	38.2%	
Operating profit	29.9	44.8	50.1%	30.5	45.3	48.5%
<i>Margin</i>	12.4%	15.8%		11.9%	15.0%	
EBITDA	39.4	55.1	39.8%	40.2	55.7	38.6%
<i>Margin</i>	16.4%	19.4%		15.6%	18.4%	
Net income				21.5	33.7	56.9%
<i>Margin</i>				8.3%	11.2%	

Adjusted for non-recurring expenses:

In millions of US dollars	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			Q1 2016	Q1 2017	
	Q1 2016	Q1 2017		Q1 2016	Q1 2017	
Gross profit	96.8	112.4	16.1%	100.7	116.5	15.8%
<i>Margin</i>	40.2%	39.6%		39.1%	38.5%	
Operating profit	36.9	45.6	23.8%	37.5	46.1	22.9%
<i>Margin</i>	15.3%	16.1%		14.6%	15.3%	
EBITDA	46.4	55.9	20.4%	47.2	56.5	19.7%
<i>Margin</i>	19.3%	19.7%		18.3%	18.7%	
Net income				26.4	34.4	30.1%
<i>Margin</i>				10.3%	11.4%	

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Investor Conference Call

On Wednesday, May 24, 2017 at 4:00pm Israel Daylight Time (1:00pm GMT, 3:00pm CEST, 9:00am EDT) Frutarom will host a conference call in which management will review and discuss its first quarter 2017 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 9:00 am EDT
 UK Dial-in Number: 0-800-917-5108 at 1:00 pm GMT
 SWITZERLAND Dial-in Number: 0-800-834-878 at 3:00 pm CEST
 ISRAEL Dial-in Number: 03-918-0610 at 4:00 pm Israel Daylight Time
 INTERNATIONAL Dial-in Number: +972-3-918-0610

A recording of the call will be available by telephone starting from Wednesday, May 24, 2017 until Friday, May 26, 2017 at 1-888-254-7270 (USA), 0-800-917-4256 (UK), 0-800-837-191 (Switzerland), or +972-3-9255928 (Israel), and on Frutarom's investor relations website starting on May 29, 2017.



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 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 4,750 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 antioxidants that provide solutions for natural food protection, aroma compounds, essential oils and unique citrus products. 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.