

## PRESS RELEASE

August 15, 2016  
Herzliya, Israel

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

#### **QUARTERLY SALES CROSS US\$ 300M MARK FOR THE FIRST TIME**

##### **In Q2 2016:**

- **Sales** grew by **37.4%** to a **record US\$ 300.2** million. Constant currency growth in pro-forma terms of **7.2%**
- **Sales from core activities** grew by **43.2%** to a **record US\$ 279.7** million. Constant currency growth in pro-forma terms of **7.9%**
- **Sales from Flavor activities** grew **44.3%** to a **record US\$ 224.4** million. Constant currency growth in pro-forma terms of **7.7%**
- **Sales from Specialty Fine Ingredients activities** grew **39.1%** to a **record US\$ 57.6** million, reflecting constant currency growth in pro-forma terms of **9.9%**
- **Record-level quarterly profits** (adjusted for nonrecurring expenses<sup>1</sup>):
  - **Gross profit** grew by **36.9%** to **US\$ 116.9** million;
  - **EBITDA** grew by **33.2%** to **US\$ 57.2** million;
  - **Net income** grew by **22.7%** to **US\$ 33.7** million;
  - **Earnings per share** grew by **21.3%**;
  - **Cash flow from operating activity** more than doubled, growing by **110.8%** to **US\$ 36.7** million.

##### **In First Half of 2016:**

- **Sales** grew by **35.2%** to a **record US\$ 558** million. Constant currency growth in pro-forma terms of **6.6%**
- **Sales from core activities** grew by **40.3%** to a **record US\$ 520.6** million. Constant currency growth in pro-forma terms of **7.2%**
- **Sales from Flavor activities** grew **40.8%** to a **record US\$ 406.8** million. Constant currency growth in pro-forma terms of **6.6%**
- **Sales from Specialty Fine Ingredients activities** grew **39.2%** to a **record US\$ 117.9** million. Constant currency growth in pro-forma terms of **10.5%**

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<sup>1</sup> Net non-recurring expenses were recorded in the second quarter and first half 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 second quarter reduced gross profit by US\$ 2.6 million, operating profit by US\$ 4.4 million and net income by US\$ 3.4 million. In the first half year these net non-recurring expenses reduced gross profit by US\$ 4.1 million, operating profit by US\$ 11.4 million and net income by US\$ 8.3 million.

- **Record-level quarterly profits** (adjusted for nonrecurring expenses<sup>1</sup>):
  - **Gross profit** grew by **35.5%** to US\$ **217.5** million;
  - **EBITDA** grew by **30.6%** to US\$ **104.3** million;
  - **Net income** grew by **22.4%** to US\$ **60.1** million;
  - **Earnings per share** grew by **20.5%**;
  - **Cash flow from operating activity** grew by **46.8%** to US\$ **54.8** million.

**SINCE THE BEGINNING OF 2016 FRUTAROM COMPLETED 6 STRATEGIC ACQUISITIONS FOR THE SUM TOTAL OF US\$ 222 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:**

“Second quarter 2016 with sales of over US\$ 300 million produced is another milestone in our journey of rapid and profitable growth. The successful implementation of the 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 for both sales and profits.

“The accelerated 37.4% 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 7.9% (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 6 more strategic acquisitions and moved ahead according to plan with the complete merging and operational integration of the acquisitions we have made. 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. 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.

“The projects for combining and consolidating activities and production sites and towards achieving utmost efficiency are proceeding successfully. These steps also 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, most of which will materialize towards the end of 2016 and in the first quarter of 2017) 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 which will materialize in the second half of 2017). These efficiency measures, which will also contribute in the coming years to strengthening our competitiveness and improving profits and margins, 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.

"In addition 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.

"We are continuing to invest considerable resources into R&D and innovation which constitute the foundation for ensuring Frutarom's continuing unique rapid growth into the future, expanding this activity which now encompasses 580 R&D people at 71 labs spread out throughout the world. We are also expanding the many collaborations we have with universities, research institutes and scientists. These investments contribute to our ability to bring our customers high added value through innovative and unique products and natural solutions combining taste and health.

"Frutarom continues maintaining a high level of liquidity and conservative leveraging based on strong cash flow from operating activity which this quarter more than doubled against the parallel quarter. 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 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."

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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 second quarter and first half of the year in sales, operating profit, EBITDA, net income and cash flow.

The accelerated growth in sales in the second quarter and halfway through 2016 results from a combination of rapid internal growth in Frutarom's core activities – Flavors and Specialty Fine Ingredients – and the acquisitions carried out.

### **Sales**

**Sales in the second quarter** of 2016 rose 37.4% to a record of US\$ 300.2 million compared with US\$ 218.5 million in the parallel period, reflecting year-over-year constant currency growth of 7.2% in pro-forma terms. Changes in the exchange rates of currencies in which the Company operates as against the US dollar had a 2.7% negative impact on sales growth in pro-forma terms vs. Q2 2015.



Sales from Frutarom's **core activities** (the Flavors and Specialty Fine Ingredients activities) in the second quarter of 2016 rose 43.2% to reach a record US\$ 279.7 million compared with US\$ 195.4 million in Q2 2015, reflecting tear-over-year constant currency growth in pro-forma terms of 7.9%. Currency effects negatively impacted results in pro-forma terms by 2.1%.

Sales from the **Flavors activity** in the second quarter of 2016 rose 44.3% to reach a record US\$ 224.4 million as against US\$ 155.5 million in Q2 2015, reflecting constant currency growth in pro-forma terms of 7.7% against the parallel period. Currency effects negatively impacted results in pro-forma terms by 2.6%.

Sales from **Specialty Fine Ingredients** activity in the second quarter of 2016 rose 39.1% to US\$ 57.6 million compared with US\$ 41.4 million in Q2 2015 and reflect constant currency growth in pro-forma terms of 9.9% against the parallel period. Currency effects were negligible.

Sales from **Trade and Marketing** (which does not constitute part of Frutarom's core activity) declined 1.4% on a constant currency basis. Without adjusting for currency effects, sales in Q2 2016 declined by 11.4% to US\$ 20.5 million compared with US\$ 23.1 million in Q2 2015. Currency effects negatively impacted sales by 10.0%.

**Frutarom sales in the first half** of 2016 rose 35.2% to reach a half-year record high of US\$ 558.0 million, reflecting year-over-year constant currency growth of 6.6% 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 3.4% compared to the first half of 2015.

Sales from Frutarom's **core activities** (the Flavors and Specialty Fine Ingredients activities) in the first half of 2016 rose 40.3% to reach a record US\$ 520.6 million compared with US\$ 371 million in H1 2015, reflecting tear-over-year constant currency growth in pro-forma terms of 7.2% compared to the parallel period.

Sales from **Flavors activity** in H1 2016 rose 40.8% and reached US\$ 406.8 million as opposed to US\$ 288.9 million the previous year, reflecting growth in pro-forma terms on a constant currency basis of 6.6% vs. prior year. Currency effects negatively impacted sales in pro-forma terms by 3.4%.

Sales from **Specialty Fine Ingredients activity** in H1 2016 rose 39.2% and reached US\$ 117.9 million compared with US\$ 84.7 million in H1 2015, reflecting growth in pro-forma terms on a constant currency basis of 10.5% vs. prior year. Currency effects had a 0.7% negative impact on results.

Sales from **Trade and Marketing activity** (not a core activity for Frutarom) in H1 2016 amounted to US\$ 37.4 million compared with US\$ 41.7 million the year before (a 0.3% decrease from H1 2015 in pro-forma terms on a constant currency basis). Currency effects had a negative 10.0% impact on sales.

### **Profits and margins**

**In Q2 2016 profits for the core businesses**, comprising the Flavors and Specialty Fine Ingredients activities, reached record levels and, adjusted for non-recurring expenses, gross profit rose in Q2 2016 by 39.8% to reach US\$ 113.4 million (gross margin of 40.6%), operating profit rose by 31.1% to reach US\$ 45.6 million (operating margin of 16.3%), and EBITDA grew by 34.3% to reach US\$ 57.0 million (EBITDA margin of 20.4%).

**In the first half of 2016 profits from the core businesses** reached record levels and, adjusted for non-recurring expenses, gross profit rose by 38.6% to reach US\$ 210.3 million (gross margin of 40.4%), operating profit rose by 30.5% to reach US\$ 82.3 million (operating margin of 15.8%), and EBITDA grew by 32.2% to reach US\$ 103.2 million (EBITDA margin of 19.8%).



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, and these include non-recurring expenses incurred for the Company's reorganization of its savory activity in Germany, for operational optimization of the natural extracts activity in the Specialty Fine Ingredients division and in connection with acquisitions performed, and a non-recurring income was recorded on the sale of the Company's North Bergen site in New Jersey. These non-recurring effects reduced reported gross profit for the quarter by US\$ 2.6 million, operating profit by US\$ 4.4 million and net income by US\$ 3.4 million. In the first half year these non-recurring effects reduced reported gross profit by US\$ 4.1 million, operating profit by US\$ 11.4 million and net income by US\$ 8.3 million.

The acquisitions carried out have contributed to growth in sales and in profits, but the quarterly and half-year results do not yet reflect the profitability expected following the merger operations and streamlining measures being taken by Frutarom.

Following the acquisition of Wiberg, Frutarom continues working on combining and streamlining its R&D, marketing, sales, purchasing and production platforms in Germany and various countries in order to achieve maximum possible operational efficiency and savings which are estimated at over US\$ 12 million (on an annual basis), most of which will materialize towards the end of 2016 and in the first quarter of 2017. As part of these measures, Frutarom's main plant for savory products at Stuttgart, Germany is expected to close by the end of the year, with its activity transferred to Wiberg's efficient plant in Germany. The merger process is moving progressing according to plan and even ahead of the expected timetable.

In addition, there is an overall drive to expand activity and production capacity hand-in-hand with optimization and operational streamlining in the facilities for natural extracts from plants in the Specialty Fine Ingredients division which is progressing successfully and according to plan. A significant increase in production capacity in natural extracts following the acquisitions of Vitiva, Nutrafur and Ingrenat in 2015 made room for significant efficiency measures including closure and sale of Frutarom's plant at North Bergen in New Jersey and the transfer of its activity to the modern plants that were acquired. Meanwhile Frutarom is expanding its production capacity and production optimization in natural extracts by establishing excellence centers for the various extraction technologies while significantly improving operational efficiency. Recently joining this array of facilities is the newly acquired Extrakt Chemie in Germany which also has substantial excess capacity for GMP pharma products. These actions, which will contribute towards a significant improvement in cost structure and competitiveness in natural extracts from plants, the heart of Frutarom's growth strategy, are expected to generate savings estimated at over US\$ 6 million (annually) that will start taking hold during the second half of 2017.

Overall, the efficiency measures and optimization we are spearheading following the acquisitions will bring significant operational savings in the annual range of US\$ 20-22 million in relation to Frutarom cost structure in the second quarter of this year.

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 the second quarter of 2016** (adjusted for non-recurring expenses) grew by 22.7% and reached US\$ 33.7 million. Reported net income rose 16.1% to reach a record US\$ 30.3 million compared with US\$ 26.1 million in the second quarter of 2015.

**Net income in the first half of 2016** (adjusted for non-recurring expenses) grew by 22.4% and reached US\$ 60.1 million. Reported net income rose 9.1% to reach a record US\$ 51.8 million compared with US\$ 47.5 million in the first half of 2015.

**Earnings per share in the second quarter of 2016** (adjusted for non-recurring expenses) rose 21.3% to US\$ 0.56 compared with US\$ 0.46 in the parallel quarter. Reported earnings per share rose 14.4% to US\$ 0.50 compared with US 0.44 in the parallel quarter.

**Earnings per share in the first half of 2016** (adjusted for non-recurring expenses) rose 20.5% to US\$ 1.00 compared with US\$ 0.83 in the parallel quarter. Reported earnings per share rose 7.0% to US\$ 0.86 compared with US 0.81 in the parallel period.

### Cash flow from operating activity

**In the second quarter of 2016 net cash flow from operating activity** more than doubled to US\$ 36.7 million from US\$ 17.4 million in the parallel quarter, a 110.8% increase.

**In the first half of 2016 net cash flow from operating activity** grew by 46.8% to US\$ 54.8 million compared with US\$ 37.3 million the year before.

### Tables summarizing profits and margins in Q2 2016 and the 1<sup>st</sup> half 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		
	Q2 2015	Q2 2016		Q2 2015	Q2 2016	
<b>Gross profit</b>	81.1	113.4	39.8%	85.4	116.9	36.9%
<i>Margin</i>	41.5%	40.6%		39.1%	38.9%	
<b>Operating profit</b>	34.7	45.6	31.1%	35.1	45.7	29.9%
<i>Margin</i>	17.8%	16.3%		16.1%	15.2%	
<b>EBITDA</b>	42.4	57.0	34.3%	42.9	57.2	33.2%
<i>Margin</i>	21.7%	20.4%		19.6%	19.0%	
<b>Net income</b>				27.5	33.7	22.7%
<i>Margin</i>				12.6%	11.2%	

In millions of US dollars	Core Businesses Flavors and Specialty Fine Ingredients			Total Frutarom Group		
	Adjusted for non- recurring expenses		% increase	Adjusted for non- recurring expenses		% increase
	H1 2015	H1 2016		H1 2015	H1 2016	
<b>Gross profit</b>	151.7	210.3	38.6%	160.5	217.5	35.5%
<i>Margin</i>	40.9%	40.4%		38.9%	39.0%	
<b>Operating profit</b>	63.1	82.3	30.5%	64.6	83.0	28.5%
<i>Margin</i>	17.0%	15.8%		15.7%	14.9%	
<b>EBITDA</b>	78.0	103.2	32.2%	79.8	104.3	30.6%
<i>Margin</i>	21.0%	19.8%		19.3%	18.7%	
<b>Net income</b>				49.1	60.1	22.4%
<i>Margin</i>				11.9%	10.8%	

### **Contact Details:**

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### **Investor Conference Call**

**On Monday, August 15, 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: 03-918-0610  
 INTERNATIONAL Dial-in Number: +972-3-918-0610

A replay of the conference call can be found on the Company's investor relations webpage at [www.frutarom.com](http://www.frutarom.com) starting on August 17, 2016 and will be available by telephone starting August 15, 2016 until August 17, 2016. To access the replay please dial: 1-888-326-9310 (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 52,000 products its products to about 29,000 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 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).