Passion for Taste & Health

Company Overview

March 2017
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Frutarom’s Foundations

Founded in 1933, Frutarom combined the cultivation of aromatic plants and flowers with the extraction and distillation of flavors, fine ingredients and essential oils.
A Leading Fast Growing Global Flavor & Fine Ingredient House

**Global Presence**
- A Top 10 flavor house
- Sales in over 150 countries
- 27,000 customers

**Broad Product Portfolio**
- 60,000 products
- Over 5,000 raw materials
- Innovative pipeline

**Financial Success 2000-2016**
- 14x growth in sales (CAGR 18%)
- 24x growth in EBITDA*
- 35x growth in Net Profit*

**Public Company**
- Listed on London & TLV Stock Exchanges
- From $13M to approx. $3.3 B market cap

* Excluding non-recurrent expenses
** Assuming all acquisitions made and completed in 2016 were consolidated as of 1.1.2016
Global Expansion throughout the years

2000-2016 Sales CAGR of 18%

Sales office
Acquisition
Global Presence

- **Production** - 57 Sites
- **R&D** - 72 Labs
- **Sales & Marketing** - 95 Offices
A Profitable Growth Story

* Excluding non-recurrent expenses
** Assuming all acquisitions made and completed in 2016 were consolidated as of 1.1.2016
A Top-Ten Flavor House

Estimated Sales of Flavors
US$ M

Source: Companies’ Publications, Leffingwell & Associates, Frutarom’s estimations
* Considering only Core Activity

+800 smaller companies
Our Employees are the Key to Our Success

4,700 employees worldwide

Employees by Region:
- ROW, 6%
- North America, 9%
- Emerging Markets, 56%
- Europe, 29%

Employees by Function:
- Operations, 50%
- Sales & Marketing, 22%
- R&D, 13%
- G&A, 15%
**Goals & Strategy**

- **Above-industry Growth**
- **Continue Margin Expansion**
- **Continue Acquisitions Strategy**

$2 Billion in revenues in 2020

Above **22%** EBITDA in our core business by 2020*

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**Unique Offering**
- Natural & Clean Label
- Taste & Health
- More profitable segments

**Customer Focus**
- Innovative solutions to MNCs
- Local Mid Size & Private Label

**Geographic Focus**
- Expand market share in North America
- Accelerate growth in key Emerging Markets

**Leverage Cross-selling Opportunities**

**Supply Chain Optimization**
- Integration of operations
- Global Purchasing

* Given current product mix
Frutarom’s Unique Offering
Expands offering to enhance customer partnership

**Growing Core Business**

**Taste Solutions** 74% of Sales

- **Flavors**
  - Unique, high quality creation of sweet and savory flavors for food and beverage
  - Local and global tastes

- **Savory Solutions**
  - Value-added functional savory solutions for the food industry (snacks, meat, fish, ready meals, convenience food, organic, and culinary segments)

- **Food Systems**
  - Comprehensive sweet and savory food systems
  - Unique technologies for fruit, spice, vegetable, meat and fish preparations

**Fine Ingredients** 19% of Sales

- **Natural Health**
  - Innovative, science-based health ingredients for phyto-pharmaceuticals, dietary supplements, functional foods, cosmetics, and personal care
  - Supporting the growing demand for natural health and beauty

- **Flavors & Fragrance Specialty Ingredients**
  - Specialty botanical extracts, distillates, essential oils and aroma chemicals

- **Natural Colors**
  - Wide array of natural colors for food, beverage and cosmetics

- **Natural Solutions for Food Protection**
  - Natural anti-oxidants and anti-microbials. Biotechnology based products for natural food preservation and shelf life extension
Sharing the Passion for Taste & Health

We develop tailored solutions combining excellent taste with health and functionality all under one roof
Consumer Trends

Health, Wellness, functional food

79% of consumers indicate that they actively make dietary choices to prevent health conditions such as obesity, diabetes and high cholesterol, but unwilling to forgo taste even for health...

Growth Drivers

- Aging and rising obesity
- Consumers’ preference for Natural and Healthy
- Awareness and need for transparency
- Lifestyle & Income - willingness to try new food
- Snacking and eating meals throughout the day
- Growing willingness to purchase Private Label Products

Opportunities

- Avoidance Products (“Free-from”/“zero”) or Moderation Products with "diet“, "low”, "less"
- Clean Label Products
- Natural and Organic products
- Positive Nutrition and Functional Food
- Healthier convenience food
- Growing market share in Private Label sector

Meeting Consumer Trends Through Artful Creation and Innovation

Food Industry Goes Natural

- Dropping low-calorie sweetener aspartame from Diet Pepsi due to consumer’s preference for soft drinks that are free of artificial sweeteners.
- Nestle USA removing artificial flavors and FDA certified colors from all Nestle chocolate candy by end of 2015.
- Nestle UK removing all artificial ingredients from all its confectionary in the UK.
- Removing artificial flavors from most products and replacing them with natural alternatives, as of this year.
- Removing artificial colors by end of July 2015.
- Replacing artificial preservatives and additives by end of 2017.
- Replacing synthetic colors and artificial preservatives from best selling classic Macaroni & Cheese starting 2016.
- Collaborating with Evolution Fresh to Let Simple Ingredients Shine in New Smoothies and Greek Yogurts, as customers are looking for foods with fewer ingredients that are minimally processed and taste great.
- Transforming to cleaner labels across all brands to meet consumer trends for food made with genuine, simple ingredients.
- Aiming to stop using artificial colors and flavors in its cereals and snack bars by the end of 2018.
- Growing pressure to remove synthetic ingredients from products due to health concerns.
Strategically Positioned to meet Market Trends

Creation through Science and Innovation

- Functional Food
  - Products with Health properties
- Natural and Clean Label
- Health & Wellness
  - Reduced fat, calories & salt
- Natural Taste Solutions
- Natural Colors
- Natural Food Protection
- Convenience Ready Meals
- Cost Reduction
Frutarom - the Origin of Taste

Not Just Great Taste - Pioneering Disruptive Innovation

Aroma Solutions
From natural flavors to delivery systems

Organic Flavors
Certified organic flavors

Citrus Expertise
- Tree to Market Understanding
- Control of RM
- Strong Science

Taste Enhancers
- Sweetness enhancers
- Sodium enhancers

Natural Fruit Ingredients
Specialty ingredients through innovative technology

FTNF & Beverage Base
- Growing consumer demand
- Citrus expertise
- Clean label

Extensive global library of flavors developed with skill and passion over decades of artful creation
Healthy and Tasty Success

Global manufacturer of natural, science-based and high quality ingredients for healthy nutrition and tasty solutions.

Innovative and market-oriented formulations, geared to growing markets like cognitive health, cardiovascular health and wellness.

Concepts and healthy solutions for:

- FUNCTIONAL FOODS & BEVERAGES
- PHARMA
- DIETARY SUPPLEMENTS

High Barriers to Entry:

- Highly Regulated –
- Driven by Science Long Term
- Long product lifecycles

Frutarom Health Portfolio
Natural and Clean Label trend drives Natural Color growth

Natural food color market is expected to reach $1.7B by 2020 at an annual growth of 6-7%*.

Two Domains of Expertise in natural Colors: Pigments Extraction and Formulated Solutions

- **Primary extracts**
- **Clean label range (E-number free)**

Frutarom is Strategically positioned to serve this fast growing market:

- **Strong R&D and cutting-edge technologies** to provide a wide array of natural colors for food & beverage and cosmetics
- **Over 15 years of experience** in all development processes (aqueous and solvent extraction)
- Efficient **supply chain** integration
- Offering a **full solution** of Flavor & Color
- Strengthening position with recent acquisitions of *Montana Food*, *Ingrenat* and *Vitiva* and leveraging cross selling.

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Natural Solutions for Food Protection – the Natural choice

Market trend pushes for more Natural and Clean Label products - the need for Natural Ingredients is rising

- Leading Market Position
- Natural Ability to Improve Shelf Life
- Consumer Demand for Natural Solutions Regulations tighten
- Market Growth Rate of nearly 6%*

- Offering a Full Solution of Taste & Food Protection
- Unique capabilities to balance off-taste with Flavor
- Significant potential in the Pet Food and Feed industries
- Growth potential in emerging countries
- Strengthening Strategic Position with recent acquisitions of Vitiva, Ingrenat and Nutrafur
- Leveraging Cross Selling

Customer in the Centre
A Unique product offering

- Natural Taste Ingredients
- Sweet & Savory Flavors
- Beverage Base
- Food Systems
- Natural Health Solutions
- Savory Solutions
- Algae Based Ingredients
- Natural Fruit based Ingredients
- Natural Colors
- Herbal Extracts
- Culinary
- Citrus Specialties
- Natural Anti-Oxidants
- Starter Culture
- Functional Ingredients
Frutarom’s Customer Focus
Growing Mid-Sized Food & Beverage Market

New Mid-size & Local Companies Emerging
- Growing Private Label Sector
- Developing Markets

Fragmented market

Service Expectations

The Global Food Market
(% of Market Share)

Market size $4,595B*

- Small & Local (<$1B) 60%
- Large (>=$10B) 20%
- ($3B-$10B) 11%
- ($1B-$3B) 9%

*Source: Jan, 2016 Datamonitor, Euromonitor and Frutarom’s estimations
F&F Market Fragmented But Consolidating

The Global F&F Market
(% of Market Share)

Large F&F players with full service platform, focused on top multinational customers

Many small niche companies with limited service capability and regional focus only

Few mid-sized players with both regional strength and global platform

Market size $24B*

800+ Companies (<$400M) 22%

8 Companies ($0.4M-$1.2B) 21%

4 Companies ($>2.5B) 57%

* Source: Oct, 2016 Laffingwell & Associates, Datamonitor, Euromonitor and Frutarom’s estimations
Natural Fine Ingredients – Targeted Focus on Accelerated Fast Growing Markets

Natural Fine Ingredients for Natural Colors, Natural Food Protection & Natural Health ingredients

**Health Ingredients**
- Market Size ~ 2.5B$
- CAGR ~6.5%
- Pharmaceuticals, Nutraceuticals, Cosmetics and Functional applications
- Diversified market with ~45% share in the emerging markets

**Natural Colors**
- Market Size ~ 1.3B$
- CAGR ~6-7%
- ~65% of the market comprised of local & mid-sized players

**Natural Food Protection**
- Market Size ~ 0.7B$
- CAGR ~6%
- Main catalysts for growth are the European & US markets

**Total Estimated Market size of 4.5B$**


Strategic Project to Grow Market Share
Private Label – Mid-Sized and Local

- Substantial Market Share in EU
- Growing Penetration Rate in US
- High Growth Potential in Emerging Markets

35% Value share of Private label averages 35% in Europe

30% Private label accounts for $1 of every $3 spent in the consumer packaged goods (CPG) market in Europe

27% Growth in Private Label Sector in India between 2012-2014

5% Value share of Private Label still below 5% in Key Emerging Markets (such as China, India and Brazil) – Substantial Growth Potential

62% Of consumers say buying private label makes them feel like a smart shopper

67% Of consumers believe private label offers extremely good value for money

Source: The Nielsen Company, November 2014
Private Label – Mid-Sized and Local

Market Share

Source: The Nielsen Company, November 2014
Frutarom’s Geographic Focus
Accelerated Growth and Gain of Market Share in North America

Strengthening US presence through strategic acquisitions

- **Flavor Specialties** in the West Coast in 2009
- **Flavor Solutions** in Cincinnati in 2011

Additional substantial foothold through the acquisition of Hagelin (2013)
- Lucrative beverage market
- Diversified customer base
- Technological know how

Acquisition of CitraSource (2014)
- Savory position in North America
- Citrus capabilities and leadership Presence in Florida

Acquisition of BSA (2015)
- Savory position in North America

Acquisition of Scandia (2015)
- Citrus Expertise

Acquisition of Wiberg (2016)
- Savory position in North America

Acquisition of Grow (2016)
- Position in Supplement and Nutraceutical market
Accelerated Growth in Emerging Markets

**Asia**
- New State-of-the-art plant in China
- Acquisition of Inventive in China & Hong Kong
- Acquisition of Sonarome and BSA in India
- Expanded R&D and sales force in China, Indonesia, Philippines, Thailand, Vietnam, Sri Lanka and India
- Evaluating strategic acquisition opportunities

**Central & South America**
- Acquired Piasa in Mexico
- Acquired Mylner and Nardi Aromas in Brazil
- Acquired Aroma in Guatemala
- Acquired Montana in Peru and Chile
- Evaluating strategic acquisition opportunities

**East & Central Europe**
- Market leadership in Central and East Europe
- Acquired Etol in Slovenia and PTI in Russia
- Acquired Amco in Poland
- One of the only global players with major production sites in Russia and Central Europe
- Wiberg acquisition contributes to strengthen market leadership

**Africa**
- Acquired Unique Flavors in 2017
- New State-of-the-art plant in South Africa
- Fast growing operation, reinforced by JannDeRee, Hagelin, Sonarome and Unique acquisitions
- Enhanced R&D and sales force in fast growing markets (Kenya, Nigeria etc.)
Above Market Growth in North America & Emerging Markets

3.8x growth in Emerging Markets
4x growth in North America
8x growth in Flavors North America

*Assuming all acquisitions made and completed in 2016 were consolidated as of 1.1.2016
Frutarom’s Growth Strategy
Frutarom’s Strategy: Clear Focus Going Forward

Profitable Internal Growth

- **Geographic Reach**
  - Developed markets (Europe and USA)
  - Emerging markets (Asia, LATAM, Central and Eastern Europe, Africa)

- **Customer Focus**
  - Mid-sized and local
  - Private label
  - Multinational

- **Product Offering**
  - Natural Flavor solutions (extracts, fruit bases specialty, essential oils)
  - Natural health solutions /functional food ingredients
  - Natural color solutions
  - Natural Solutions for Food Protection
  - Cost reduction solutions

- **Core Competencies**
  - R&D and innovation – internal and external
  - Efficiencies, scale and synergies – cross selling
  - Experienced global management
  - Customer-driven organization
Frutarom’s Strategy: Clear Focus Going Forward

Proven Acquisition Track Record of 58 Successful Acquisitions

Strict Acquisition Criteria:
- Highly valuable and experienced management and employees
- Acquiring new customers
- Market share gain
- Product portfolio expansion
- R&D capabilities and unique technologies
- Capacity expansion
- Cost reduction opportunities
- Positive impact on EPS

Focus on Integration Execution
- Retaining Management and Customers
- Cross selling opportunities
- Optimization & Harmonization of Resources
- Global Knowledge Sharing
- Operational Streamlining
- Cost Reduction and savings

- Accelerated Growth
- Value Creation
- Margin Improvement
Realizing Strategy through Acquisitions

**Geographic Focus**

**North America**
- **Hagelin**
  - Strengthening market position in the US and EM
  - Expertise in Beverages
- **CitraSource**
  - Strengthening Citrus capabilities & leadership
  - Presence in Florida – World Center for Citrus
- **Scandia Citrus**
  - Strengthening market position in the US
  - Expertise in specialty Citrus solutions
- **BSA**
  - Canada, India
  - Strengthening savory position in North America and India
- **Wiberg**
  - USA, Canada
  - Strengthening savory position in North America

**Emerging Markets**
- **PTI** Russia & CIS
  - Strengthening leadership position in Eastern Europe
  - Savory solutions leadership
- **Amco** Poland
  - Strengthening savory solutions leadership in Eastern Europe
- **Aroma** Guatemala
  - Strengthening market position in Central America
- **Montana Food** Peru & Chile
  - Strengthening market position in LATAM
- **Sonarome** India
  - Strengthening market position in India and Africa
- **Inventive** China
  - Strengthening market position in Southeast Asia
- **Nardi Aromas** Brazil
  - Strengthening beverage flavoring capabilities in Brazil
- **Piasa** Brazil
  - Savory solutions leadership in Mexico and LATAM
- **Unique Flavors**

**Natural & Healthy**

**Continuing to improve product mix and strengthening position in Health & Wellness**
- **Montana Food** Peru & Chile
  - Strengthening market position in LATAM
- **Inventive** Spain
  - Food protection
  - Natural Colors
- **Ingrenat** Spain
  - Health Ingredients
- **Nutrafur**
  - Specialty natural plant extracts for food, health and food protection
- **Algalo** Israel
  - Biotechnology startup for Algae-Based products
- **Extrakt Chemie**
  - Natural extracts for Pharma

**Leveraging Synergies**
- Strong management, R&D and sales
- Additional improvement in margins
- Cross-selling opportunities
- Optimization & Savings
Several projects underway for optimization and margin improvement, including:

- Reorganization of the production infrastructure of the Savory business in Europe following the Wiberg acquisition (Flavors Activity) is almost completed and will yield annual savings of over US$ 12M, some of which are partially already starting to be seen in Q1 2017 and the balance will be reflected during 2017.
- Streamlining of the global production resources in the field of natural plant extracts (Specialty Fine Ingredients Activity) which is planned to yield annual savings of US$ 6M, to be reflected starting H2 2017.
- The projects are advancing successfully and according to plan with US$ 20-22M expected total operational savings on an annual basis vs Frutarom’s Q2/2016 cost structure, to be reflected gradually during the course of 2017.
- Building and strengthening the global purchasing organization will contribute to improved competitiveness, profits and profitability.
Frutarom’s 2016 Annual and Q4/2016 Results
Constantly Improving Flavor Division’s Profit and Profitability

Flavor Activity Trends
• Higher growth rates
• Higher profitability
• Margin improvement

Major contributors to growth in Profit & Profitability:
• Successful integration of recent acquisitions
• Above market organic growth rate
• Exploiting operational efficiencies

*net of non-recurrent expenses
2016 KPI’s - Record High Revenues and Profits

Revenues - $1,147M
Flavor Business approx. 74% of Revenues

Growth - Sales Growth – 31.4%
Sales YoY Growth – 5.3% (on LFL basis)*
Core Business YoY Growth – 5.9% (on LFL basis)*
Flavors YoY Growth – 6.1% (on LFL basis)*
Specialty Fine Ingredients YoY Growth – 6.1% (on LFL basis)*

Gross Profit - $448.0M*
31.4% YoY Growth*
40.4% Core Business Gross Margin*

EBITDA - $217.3M*
27.9% YoY Growth*
20.1% Core Business EBITDA Margin*

Net Income - $129.2M*
16.6% YoY Growth*
11.3% Net Margin*

Operating Cash Flow – $124.6M
36.0% YoY Growth

* Sales on a constant currency and pro-forma basis, assuming the acquisitions performed and completed in 2015 had been consolidated on January 1, 2015, and the acquisitions performed in 2016 had been consolidated in 2015 according to their date of acquisition; Gross Profit, EBITDA, Net income, their growth rates and profitability margins are net of non-recurrent expenses which reduced reported 2016 Gross profit by 10.4M$, the operating profit by 24.9M$ and the Net Income in 18.1M$, and on a constant currency basis.
Q4/2016 KPI’s - Continued Accelerated Growth

Revenues - $289.0M
Flavor Business approx. 74% of Revenues

Growth - Sales Growth – 28.1%
Sales YoY Growth – 3.8% (on LFL basis)*
Core Business YoY Growth – 4.2% (on LFL basis)*
Flavors YoY Growth – 5.1% (on LFL basis)*
Specialty Fine Ingredients YoY Growth – 3.0% (on LFL basis)*

Gross Profit - $113.4M*
28.3% YoY Growth*
40.7% Core Business Gross Margin*

EBITDA - $52.7M*
23.8% YoY Growth*
19.4% Core Business EBITDA Margin*

Net Income - $33.9M*
10.3% YoY Growth*
11.7% Net Margin*

Operating Cash Flow - $28.2M
13.3% YoY Growth

* Sales on a constant currency and pro-forma basis assuming the acquisitions performed and completed in 2015 had been consolidated on January 1, 2015, and the acquisitions performed in 2016 had been consolidated in 2015 according to their date of acquisition; Gross Profit, EBITDA, Net income, their growth rates and profitability margins are net of non-recurrent expenses which reduced reported Q4/2016 Gross profit by 3.2M$, the operating profit by 9.5M$ and the Net Income in 6.9M$, and on a constant currency basis.
Solid Balance Sheet & Cash Flow from Operations

Cash Flow

- $659M - Cumulative cash flow 2009-2016
- 2016 - $124.6M YoY growth of 36.0%
- Q4/2016 - $28.2M YoY growth of 13.3%

Balance Sheet

- Net debt (31.12.16) - $420M
- Equity (31.12.16) - $665M
- Equity Ratio\(^1\) at approx. 41.9%
- Leverage Ratio\(^2\) at approx. 26.5%
- Net Debt / EBITDA\(^3\) ratio = 1.9

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\(^1\) Equity ratio = shareholders equity / total assets
\(^2\) Leverage ratio = net financial debt / total assets
\(^3\) 2016 Pro-Forma adjusted EBITDA
Positive Outlook for 2017 and Onwards

- **Product Focus** - unique offering and product portfolio focused on **innovative** integrated solutions **combining taste** and **health, natural** and **clean label products**
- **Customer Focus** - mid-size and local customers, the private label sector and unique added value solutions to MNCs
- **Geographic Focus** – **Global leading position** with focus on North America and on high growth **Emerging Economies**

- Announced **34 acquisitions since 2011** and **20 acquisitions since the beginning of 2015**
- 9 companies acquired **since the beginning of 2016 for ~255M$**
- **Cross-selling** will contribute to improved accelerated growth of the combined activities
- **Operational efficiencies and synergies** from successful integration of acquisitions expected to generate savings of $20-22 M Vs Frutarom’s Q2/2016 cost structure
- **Global purchasing will further** contribute to improvement in profits and margins
- **Strong acquisitions pipeline** for supporting growth strategy remains intact

- Maintaining a **solid balance sheet** based on strong business fundamentals, healthy profitability and robust cash flow from operations
- **Cumulative cash flow** since 2009 - approx. US$ 659M
Positive Outlook for 2017 & 2018

- Profitable internal growth in core business
- Focus on innovative, health & wellness oriented, natural product mix
- Successful integration of the recent acquisitions
- Additional projects to improve efficiency and merge activities and operations
- Strengthening & leveraging of global purchasing
- Strong acquisitions pipeline

* Excluding non-recurrent expenses
Frutarom’s Strategic Goals

- Above-industry Growth
- Continue Margin Expansion
- Continue Acquisitions Strategy

Combining rapid profitable organic growth with strategic acquisitions

- $2 Billion in revenues in 2020
- Above 22% EBITDA in our core business by 2020*

* Given current product mix
Frutarom’s Vision
To Be The Preferred Partner
For Tasty And Healthy Success