

Press Release

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Herzliya, Israel

Second Acquisition for Frutarom in 2018: Frutarom Deepens and Expands Its Penetration into Latin America in the Flavors and Fragrances Arena

Frutarom Acquires 70% of the Argentinian Flavors & Fragrances Group Meroar for US\$ 11.2 million

Frutarom's Entrance into the Argentinian Market will Open Up Significant Cross Selling Opportunities in View of Frutarom's Leading Position and Broad Range of Technologies & Solutions in Latin America

Frutarom Industries Ltd. ("**Frutarom**"), one of the world's 10 largest companies in the field of flavors and natural specialty fine ingredients, continues its momentum of acquisitions and implementation of its rapid and profitable growth strategy, with an announcement today that it has signed an agreement for the purchase of 70% of the share capital of the Argentinian companies Meroar S.A and Meroaromas S.A. ("**Meroar** ") for US\$ 11.2 million. The purchase agreement includes an option to purchase the balance of Meroar's shares, starting from the elapse of 3 years of completion of the transaction, at a price based on Meroar's business performance during this period. The transaction is expected to be completed over the coming months and it will be financed through bank debt.

Meroar's sales turnover in 2017 totaled approx. US\$ 7.4M, while exhibiting higher profitability rates than those of Frutarom's Flavors division, which it will be integrated with. This acquisition is Frutarom's first significant entry into the important Argentinian market. Frutarom projects an accelerated growth in Meroar's activity, supported by, among other things, the numerous cross-selling opportunities generated by this acquisition, based on Frutarom's leading position in Latin American markets, and the broad range of technologies and solutions it has in these markets, as well as Meroar's leading position in Argentina.

Established in 1980, Meroar researches, develops, manufactures and markets flavors and fragrances. The group has a workforce of 40 employees and a manufacturing site in Buenos Aires, the capital of Argentina, with R&D and application labs, and separate production facilities for flavors and fragrances. Meroar has a broad portfolio of solutions, which includes fragrances for the cosmetics, personal care and household products industries, and flavors mainly for the beverage, sweets, baked goods and pharmaceutical industries. Meroar has a broad customer base in Argentina which includes leading cosmetics and food companies. Meroar's managers and founders have decades-long experience, some of it acquired in leading global companies in the flavors and fragrances industry.

The acquisition is the continuation of the implementation of Frutarom's strategy to develop global activity in the field of fragrances, with an emphasis on emerging markets with high growth rates. In 2017 Frutarom acquired the Israeli company Turpaz, with development centers in the U.S. and the South of France, as well as the Polish company Pollena Aroma, which has a modern facility that will serve as the European center for Frutarom's growing fragrances activity, which were added to Frutarom's minor existing fragrance business concentrated mainly in India, Africa and Latin America. Frutarom intends to continue to expand its activity in fragrances through the accelerated development of a global platform of knowledge and expertise, along with additional future acquisitions of small and medium sized fragrances companies.

The Meroar acquisition is also part of Frutarom's plan to deepen its market share in the growing market of Latin America. This is Frutarom's eighth acquisition in Latin America in the past 6 years. In 2012 Frutarom acquired the Brazilian company Mylner, which specializes in sweet flavors for beverages and baked goods, as well as natural plant extracts and natural flavor products. In 2013 Frutarom acquired the Guatemalan company Aroma, which specializes in the production of sweet flavors for beverages, dairy products, sweets and snacks. In 2014 Frutarom acquired the flavors and colors division of the Peruvian company Montana, a producer of natural flavors and colors for the food industry with substantial activity in Peru and Chile. In 2016 Frutarom acquired the Brazilian company Nardi Aromas, specializing in the production of natural flavors and extracts for the Brazilian beverage market and Piasa, a Mexican leading local player in the field of Savory Solutions. In 2017 it acquired the Brazilian company, SDFLC, a leading player in the field of flavor solutions for ice cream and desserts in Brazil, and signed an agreement to purchase the Brazilian group Bremil, which has a leading position in the field of Savory Solutions for the meat industry. In addition, in recent years Frutarom has taken action to expand its activity in Latin America based on its production infrastructure and global and local R&D and marketing capabilities, while tapping into the synergies generated by its acquisitions. Frutarom has growing activity in most of the region's countries and it intends to continue to expand its activity in the region, both in Argentina and in other Latin American countries.

Argentina, with a population of 44 million, is South America's second largest economy and Latin America's third, after Brazil and Mexico. In recent years Argentina has experienced political transformation and positive macro-economic changes, characterized by structural reforms in taxation, the labor market and budgetary policy, which have led to a 3% growth in its GDP in 2017, a growth which is projected to continue in 2018.

Meroar's managers and founders, Mr. Mario Volevici, Mr. Jorge Safi, Mr. Juan Carlos Indeciso, and Mr. Emiliano Volevici, will continue managing the activity and will become part of Frutarom's management structure in Latin America. They will also remain on as shareholders with 30% of the Meroar Group's capital equity.

Mr. Ori Yehudai, President and CEO of Frutarom Group, said: "The Meroar acquisition constitutes a significant first entry for Frutarom into Argentina, and is yet another strategic acquisition of an activity in Frutarom's core field which will enable us to offer our customers a broader range of innovative solutions, and an important step in implementing Frutarom's strategic plan to develop a worldwide business of Fragrances, particularly in emerging markets with high growth rates.

"Meroar has extensive know-how acquired over the years and unique flavors and fragrance solutions based on its founders' extensive experience. Those will contribute to building up our position in these activities, with an emphasis on Latin America, in combination with our activity in the fragrance industry in Peru, through Montana, which will enable some very interesting synergies and cross-selling opportunities, in Argentina, Peru, and other Latin American countries. In addition, Frutarom's leading position in the field of flavor solutions in Latin America will enable us to significantly enhance Meroar's flavor solution's activity, while capitalizing on the significant cross selling potential, by offering a broad range of Frutarom products and technologies to Meroar's customers in Argentina, a country where our presence so far has not been substantial and we see a rapid growth horizon for Frutarom there."

Mr. Yehudai concluded: "The Meroar acquisition continues Frutarom's implementation of its rapid and profitable growth strategy and the realization of its vision 'to be the preferred partner for tasty and healthy success'. This is our second acquisition this year, following 20 acquisitions in the past 2 years, and 37 acquisitions we have carried out since 2013, which have been successfully integrated into our global activity and have contributed, and will continue to contribute, to further growth in sales and improved profits and margins through maximum capitalization on the synergies they bring. We have an outstanding pipeline of further strategic acquisitions of companies and activities within the scope of our operations and we will continue carrying out our rapid and profitable growth strategy, which is based on combining profitable internal growth and strategic acquisitions, in order to achieve our recently revised targets of at least US\$ 2.25 billion in sales with an EBITDA margin of 23% in our core activities by the year 2020."

[About Frutarom](#)

Frutarom (LSE: **FRUT**, TASE: **FRUT**) is a leading global company operating in the global flavors and natural fine ingredients markets. Frutarom has significant production and development centers on all six continents and markets and sells over 70,000 products to more than 30,000 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, which employs approx. 5,500 people worldwide, has two main 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, France, Slovenia, Poland, Russia, Turkey, Israel, South Africa, Morocco, China, India, Mexico, Guatemala, Peru, Chile, Brazil and New Zealand. The Company's global marketing organization encompasses branches in Israel, the US, Canada, the UK, Ireland, Austria, Switzerland, Germany, 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, please visit the Company's website at: www.frutarom.com.