

SEVENTH ACQUISITION FOR FRUTAROM IN 2017
ACQUIRES CONTROL OF THE FRAGRANCES COMPANY
TURPAZ AT A COMPANY VALUE OF NIS 54 M (USD 15.1 M)
FRUTAROM IS WORKING ON DEVELOPING GLOBAL ACTIVITY IN
FRAGRANCES AND HAS A PIPELINE OF ADDITIONAL FUTURE
ACQUISITIONS IN THIS FIELD

Herzliya, Israel

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 the implementation of its rapid and profitable growth strategy by announcing today that it has signed an agreement for the purchase of 51% of the shares of the Israeli company Turpaz Perfume and Flavor Extracts Ltd. ("**Turpaz**") at an overall cash-free debt-free company value of NIS 53.7 million (approx. US\$ 15.1 million). The consideration paid by Frutarom for the shares is approx. NIS 14.5 million (approx. US\$ 4.1 million), and in addition Frutarom injected an investment of approx. NIS 27 million (approx. US\$ 7.6 million) into the company. The agreement includes an option for the purchase of the remaining balance of Turpaz shares starting about four years from the date of completion of the transaction at a price based on Turpaz's business performance during the two years leading up to the date of notification on exercising the option. The transaction was completed upon signing and financed through bank debt.

According to Turpaz's management reports, its sales turnover for the 12 months ending in June 2017 totaled approx. NIS 23.3 million (approx. US\$ 6.2 million) and it exhibited higher profitability margins than Frutarom's Flavors division into which it will be consolidated.

Turpaz began its activities in 1970 and engages mainly in the development, production and marketing of fragrance solutions. Turpaz, with 16 employees, has an R&D, manufacturing and marketing site in Israel and recently opened a center for R&D, production, sales and marketing in the US state of New Jersey. Turpaz has a diverse portfolio of products and solutions which are based on considerable know-how and experience, and a broad customer base, and has exhibited impressive growth rates in recent years while improving its profitability margin.

Frutarom decided to launch a strategic move of developing global activity in fragrances, with emphasis on emerging markets with high growth rates. The Turpaz acquisition joins Frutarom's small existing fragrances businesses situated mainly in India, in Africa and in Latin America.

The global fragrances market was estimated in 2016 at US\$ 13.2 billion (a larger scope than flavors which is estimated at US\$ 11 billion) with projections for sales in the flavors and fragrances markets to grow at an annual rate of 3% between 2015 and 2020¹. According to these

¹ IAL Consultants, Dec. 2016



projections, the rate of growth in emerging markets like Asia, Central and South America, Eastern Europe and Africa is expected to be higher as a result of changing consumer preferences in these markets and rising standards of living and disposable income, and could reach an average annual rate of 5.1% over the years 2015 to 2020. Fragrance extracts are sold to customers in the perfume, cosmetics, personal care, household cleaning agents, detergents, air freshener and scented candle industries and more. Like flavors, fragrances are tailor-made developed blends according to customer specifications, involving the building of long-term relationships between the manufacturers and customers and high importance given to innovation, supplier reliability, service quality and the manufacturer's familiarity with their customers' needs for whom the unique fragrances have been developed.

Ori Yehudai, President and CEO of Frutarom Group, said: "The acquisition of Turpaz is an important step towards the implementation of Frutarom's strategy to develop global business in fragrances. The field of fragrances is synergetic and complementary to the field of flavors in terms of, among other things, raw materials and production processes, and many players in Frutarom's fields of activity engage in both flavors and fragrance activities together. Frutarom's strong management is now solid enough and well enough established to develop this additional area of activity.

"We see interesting and diverse growth opportunities for fragrances, especially in emerging markets, and the potential to perform acquisitions of companies with combined flavor and fragrance activities, including in countries where Frutarom is already active, with the potential to realize interesting operational synergies," said **Mr. Yehudai**. "In the past we would forgo opportunities to acquire companies whose main activity was fragrances and with just a smaller amount in flavors. In the framework of our recent strategic decision to develop a global fragrances business, we can now move forward with such acquisitions as well. We are happy to disclose that we have an interesting pipeline of acquisitions in fragrances which we are pushing forward."

In conclusion, **Mr. Yehudai** said: "The Turpaz acquisition is a continuation of the implementation of Frutarom's rapid and profitable growth strategy. This is the seventh acquisition we have made this year after having acquired Unique Flavors in South Africa, the French flavors company René Laurent, the Vietnamese flavors company WFF, SDFLC in Brazil with its flavor solutions for ice creams and desserts, Flavours and Essences in the UK and Mühlehof in Switzerland. Since 2015 we have already acquired 26 companies which have been successfully integrated into our global activity and have been and will continue contributing to further growth in sales and improved profits and margins through maximal capitalization on the synergies they bring. In recent years we have decided to expand our fields of activity as well into natural food colors and natural antioxidants for providing food protection by natural solutions, and now we are also beginning the process of building up a global fragrances business. 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 profitable growth strategy, which is based on combining profitable internal growth and strategic acquisitions, in order to achieve the targets we set: sales of at least US\$ 2 billion with an EBITDA margin of over 22% in our core activities by the year 2020."



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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 60,000 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 approximately 5,000 people worldwide, has 2 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.

