

EIGHTH ACQUISITION FOR FRUTAROM IN 2017
FRUTAROM CONTINUES EXPANDING ITS ACTIVITY IN
SOUTHEAST ASIA

SIGNED AN AGREEMENT TO ACQUIRE 60% OF MIGHTY,
THAILAND'S LEADING AND INNOVATIVE PRODUCER OF
FLAVORS AND SAVORY SOLUTIONS, AT AN ENTERPRISE
VALUE OF THB 655M (APPROX. USD 20M)

MIGHTY'S SALES IN THE 12 MONTHS ENDED AUGUST 2017 STOOD
AT APPROX. THB 500M (APPROX. USD 15M) AFTER GROWING AT AN
AVERAGE ANNUAL RATE OF 12% OVER THE PAST 4 YEARS

THE ACQUISITION STRENGTHENS FRUTAROM'S POSITION IN THE
GROWING EMERGING MARKETS OF SOUTHEAST ASIA AND ITS
LEADING GLOBAL STANDING IN SAVORY SOLUTIONS

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 60% of the shares of the Thai company The Mighty CO. LTD. (including the activity of Maharaj Food Co. Ltd. and Mighty International Co. Ltd., and hereinafter collectively: "**Mighty**") for approximately THB 393 million (approx. US\$ 12 million) (not including debt) and at a valuation of THB 655 million (approx. US\$ 20 million) (not including debt).

In the framework of the transaction Frutarom will initially acquire 49% of Mighty and, subject to a number of conditions precedent and regulatory approvals in Thailand, will raise its holdings to 60%. The transaction includes a mechanism for future consideration subject to Mighty's future performance and an option for the purchase of the balance of holdings in Mighty in two stages in periods beginning three years and five years from the date the transaction is completed. The first part of the transaction will be completed in the upcoming weeks and Frutarom estimates that raising its holdings to 60% will be completed within several months. The acquisition will be financed by independent means and through bank debt.



Mighty's sales turnover in the 12 months ended August 2017 totaled approx. THB 500 million (approx. US\$ 15 million) after having registered average annual growth of 12% over the past four years.

Mighty, which was founded in 1989, engages in the development, production and marketing of flavors, including savory taste solutions (the non-sweet spectrum of flavors). The company has a leading position in Thailand's flavors market where there are very few producers of taste solutions, and is among the most innovative flavors companies in Southeast Asia based on independent R&D. In recent years Mighty has won a number of prizes as innovative and leading flavors manufacturer in Southeast Asia. The company's broad portfolio of solutions includes flavors, seasoning blends and marinades as well as specialty functional raw materials for the food and beverage industry with emphasis on the field of convenience foods, snacks, noodles, fish, meats, baked goods, beverages and dairy, and it has a portfolio of unique products and solutions adapted to Asian tastes based on the vast knowledge and experience of its managers. Mighty's activity also includes unique solutions for producing raw materials for the fields of infant nutrition and elderly nutrition, and Frutarom intends to continue developing this activity in Thailand and in the countries of the region.

Approximately 60% of Mighty's activity consists of manufacturing of taste solutions, with market leadership in the field of savory taste solutions, while 40% is trade activity in specialty raw materials for the food, beverages and nutrition industries.

Mighty has approximately 180 employees, two production sites with excess production capacity, including a new site located in a development zone which enjoys government incentives and has advanced equipment and production capacity allowing for significant expansion potential, and advanced innovative R&D activity with an interesting pipeline of patent protected products and developments in the field of savory flavors.

Mighty has around 160 customers and is one of the few local flavors companies in Southeast Asia that operates at international standards which allows for supplying major international food and beverage customers along with medium-sized and small local customers. About 70% of its activity is in Thailand and the rest is in the growing countries in Southeast Asia and Asia-Pacific, including Indonesia, Malaysia, Singapore, Vietnam, Bangladesh and India, among others.

Thailand, with a population of around 70 million, is Southeast Asia's second largest economy and the region's second largest trading economy, and is among the economies recording the world's largest stride in recent years in terms of reducing the rate of poverty while attaining full employment and negligible unemployment with government encouragement and support in removing trade barriers among other things.

Mighty's activity is synergetic with Frutarom's expanding activity in Southeast Asia in the field of flavors which has grown in recent years at a faster rate than the market, and combining the diverse customer bases and broad technology portfolio of Mighty and Frutarom in taste solutions creates many diverse cross-selling opportunities. Frutarom intends to turn Mighty into a center for R&D and production for the countries of the entire region, and to increase and accelerate Mighty's growing activity in the field of sweet flavors as well based on Frutarom's capabilities.



The acquisition of Mighty is Frutarom's second acquisition this year in Southeast Asia after having acquired the Vietnamese flavors producer WFF, and is part of the fulfillment of Frutarom's strategy to significantly expand its activity in Asia. In this framework Frutarom acquired in 2015 the Indian flavors company Sonarome and the Chinese/Hong Kong taste solutions company Inventive, and in 2016 inaugurated a new modern flavors plant, including an advanced R&D laboratory, in Shanghai, China. Frutarom intends to continue significantly expanding its activity in Asia based both on rapid organic growth and an interesting acquisition pipeline including in additional key regional countries, along with optimal exploitation of the many cross-selling opportunities and taking steps to integrate the procurement, production, R&D and sales and marketing platforms in the countries of the region.

Mighty's activity also blends in with Frutarom's expanding global savory activity which has grown significantly in recent years. Frutarom sees great strategic importance for rapid growth in the field of savory flavors in which now holds a leading market position, and is focused on developing unique innovative natural and healthy products with high added value at its sites throughout the world. The global market for savory flavors is growing due to the rise in standard of living and changes in lifestyle and consumer habits bringing about increased demand for processed and convenience foods both for home consumption and for eating out. Frutarom embarked about 10 years ago on a strategic course of action to significantly build up its global savory activity by acquiring leading companies in their fields possessing unique solutions and a strong position in strategic target markets. Among the companies and activities acquired: Nesse, Gewürzmüller and the savory activity of Chr. Hansen in Germany (in 2006, 2007 and 2009 respectively); EAFI in the UK, the savory activities of Rieber in Norway, US-based FSI and the savory activities of Chr. Hansen in Italy in 2011; Savoury Flavours in the UK and ETOL in 2012; JannDeRee in South Africa and PTI in Russia in 2013; FoodBlenders in the UK and BSA of Canada, with activity also in India, in 2015; and AMCO of Poland, Wiberg of Austria, Redbrook of Ireland and Piasa of Mexico in 2016; and Unique Flavors in South Africa and Mühlehof in Switzerland in 2017.

The owners of Mighty, Dr. Vasan Rattananupap who serves as the company's President & CEO and its chief R&D officer, Mrs. Watchareekul Rattananupap, the company's VP Sales and Marketing, and its COO Boonsong Pujanasuvonchai, with their decades of experience and knowledge in the global and Thai food, beverages and flavors industries, will continue to manage the company and will join Frutarom's managerial ranks in the field of flavors in Asia.

Ori Yehudai, President and CEO of Frutarom Group, said: "The acquisition of the Thai flavors company Mighty is an additional acquisition of activity in Frutarom's core field which strengthens our global market leadership in the field of savory along with deepening our activity in the important growing region of Southeast Asia and continues Frutarom's implementation of its rapid and profitable growth strategy and realization of its vision 'to be the preferred partner for tasty and healthy success.'

"The acquisition will contribute towards strengthening our position in Thailand while attaining a significant comparative advantage of proven innovative R&D capabilities and an advanced local sales and production center in one of Southeast Asia's most important and fastest growing markets," said **Mr. Yehudai**. "We continue to view Southeast Asia as an important region in our



map of future growth and are examining further transactions in the region that will allow accelerated growth in our core activities.

“We intend to take steps to capitalize on the considerable cross-selling opportunities made possible by joining together Mighty’s diverse product portfolio and innovative technologies with Frutarom customers, with emphasis on leveraging Mighty’s unique and innovative capabilities in developing and producing Asian flavors in the field of savory which enjoy strong demand in the Western world, and by joining together Frutarom’s broad portfolio of solutions with Mighty customers,” said **Mr. Yehudai**.

In conclusion, **Mr. Yehudai** said: "The Mighty acquisition is our eighth acquisition this year, following 27 acquisitions we have made since 2015 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. 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 supplement 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.

