

Press Release

December 20, 2017
Herzliya, Israel

Frutarom's 11th Acquisition in 2017

Acquires the Polish Flavors & Fragrances Company Pollena-Aroma

Pollena-Aroma Sales in the 12 Month Period Ending September 2017 Totaled Approx. US\$ 5M

Pollena-Aroma has a Modern Plant which will serve as Frutarom's European Center for Business Development of Fragrances

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 and announces today that it has signed an agreement for the purchase of 99.96% of the shares in the Polish company Pollena-Aroma Sp, z.o.o. ("**Pollena-Aroma**") for approximately US\$ 8.5 million (approx. € 7.2 million). The transaction was completed upon signing and financed from independent sources.

According to Pollena-Aroma's managerial reports, its sales turnover in the 12 month period ending September 2017 totaled approx. US\$ 5 million (approx. € 4.5 million).

Pollena-Aroma, established in 1956, engages in the development, production and marketing of flavors, fragrances and specialty ingredients for the aromatherapy and natural cosmetics industries. Pollena-Aroma holds a leading position in Poland's flavors and fragrances market as the former leading Polish government company in this field which underwent privatization in the early 1990s. Pollena-Aroma operates a modern advanced production site near Warsaw which includes an R&D center and labs, and state-of-the-art production with robotic equipment among the most advanced worldwide, built four years ago at a total investment of approx. US\$ 8 million. The plant has substantial excess production capacity and will become a significant R&D, production, and sales and marketing center for Frutarom's European fragrances activity. Pollena-Aroma has 64 employees, including highly educated scientists, flavorists and perfumers with extensive experience in the industry, and a large customer base in Europe, particularly in Poland and Ukraine.

The acquisition is the continuation of the implementation of Frutarom's strategy to develop global activity in fragrances, with emphasis on high-growth emerging markets. In this framework, in 2017 Frutarom acquired Turpaz in Israel which joined Frutarom's minor existing fragrance businesses concentrated mainly in India, Africa and Latin America. The fragrance field is synergetic and complementary to the field of flavors with respect to raw materials and production processes, among other things. Many players in Frutarom's fields of activity conduct flavor and fragrance activities in parallel.

The worldwide market for fragrances was estimated in 2016 at US\$ 13.2 billion (greater than that of flavors which is estimated at US\$ 11 billion), amid projections of sales in the flavors and fragrances markets growing at an annual rate of 3% between 2015 and 2020¹. According to these 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 evolving consumer preferences in these markets and rising standards of living and disposable income, and could reach an average annual rate of 5.1% from 2015 to 2020.

Fragrances are sold to customers in the perfume, cosmetics, personal hygiene, household cleaning agents, detergents, air freshener and scented candle industries and more. Like flavors, fragrances are blends that are developed and tailor-made to customer requirements while long-term relationships are built up between the manufacturers and the customers, with much importance given to innovation, supplier reliance, service quality and familiarity of the manufacturers with customer needs for whom the specialty fragrances were developed. Frutarom intends to continue developing this important field, including by way of a good pipeline of additional activities in fragrances which will hasten its penetration and expansion in this field.

Pollena-Aroma's flavors activity is very synergetic with Frutarom's flavors activity in Europe, especially in Poland. Frutarom will work on fully exploiting the cross-selling opportunities inherent in this acquisition and towards expanding the product portfolio to Pollena-Aroma's existing customer base. Frutarom will also work towards attaining maximum commercial and operational efficiency from the merging of Pollena-Aroma's activity with its own activity in Poland and countries in the region. At the end of 2015 Frutarom acquired the growing activity of Amco, one of the leading savory flavors and solutions companies in the Polish market.

Pollena-Aroma is also active in specialty ingredients for the aromatherapy and natural cosmetics industries, an area which Frutarom plans to develop globally with Pollena-Aroma serving as an important R&D and manufacturing center for this field.

Mr. Ori Yehudai, President and CEO of Frutarom Group, said: "This is another strategic acquisition of activity in Frutarom's core field which will enable us to offer our customers a broader portfolio of solutions, and an important step in implementing Frutarom's strategic plan to develop worldwide business in fragrances. The field of fragrances is synergetic and complementary to the field of flavors with respect to raw materials and production processes, among other things, and many players in Frutarom's fields of activity carry out parallel flavors and fragrances activities. 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. 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 strategic decision to develop a global fragrances business, we can now move ahead with such acquisitions as well, like Pollena-Aroma, and we have an interesting pipeline of further acquisitions in the field of fragrances which we are pushing forward. The acquisition also provides further reinforcement for our growing activity in Poland and neighboring countries where Frutarom holds a leading position in flavors."

¹ IAL Consultants, Dec 2016.

In conclusion, **Mr. Yehudai** said: "The acquisition of Pollena-Aroma 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 the eleventh acquisition we have made this year, following 29 acquisitions we have carried out 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 maximum capitalization on the synergies they bring. We have an outstanding pipeline for 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 over 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.