

Press Release

February 4, 2018
Herzliya, Israel

Frutarom Deepens and Expands Its Penetration into the Growing and Profitable Market of Natural Active Fine Ingredients for the Cosmetics Industry

Acquires IBR - Israeli Biotechnology Research – A Developer, Manufacturer and Marketer of Active Natural Fine Ingredients for the Cosmetics and Dietary Supplements Industries, for US\$ 21 Million

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, and announces today that it has purchased 100% of the shares in the Israeli company, I.B.R – Israeli Biotechnology Research Ltd. ("**IBR**") for approximately USD 21M. The transaction was completed upon signing and financed through bank debt.

IBR's sales turnover in 2017 totaled approx. USD 7.4M, and in the past 4 years it has exhibited an average annual growth rate of 20%, and a 40% growth this past year. Frutarom projects a continued accelerated profitable growth for IBR products, which will also be supported by the various cross selling opportunities facilitated by this acquisition.

Established in 1995, IBR researches, develops, manufactures and markets innovative and proprietary natural active ingredients for the cosmetics and dietary supplements industries, mainly for cellular and skin anti-aging, skin protection from UV rays and air pollution, skin whitening and pigmentation prevention. IBR's product portfolio includes products that have won international cosmetics industry awards for scientific innovation.

IBR has R&D labs and a production facility in the town of Yavne, and it employs approx. 30 employees, many of them with advanced academic degrees and a long-standing industry experience. IBR has a broad customer base, in the U.S., Europe and Asia, including some of the world's leading cosmetics and personal care companies. IBR has a strong pipeline of new products which were developed in recent years, some are scheduled to be launched by the end of this year and will contribute to accelerating IBR's profitable growth.

The acquisition is the continuation of the implementation of Frutarom's strategy to establish its position as a leading global supplier of unique natural products, and will be joining Frutarom's growing activities in the fields of algae-growth and active ingredients extraction for personal care and skin protection, sold to some of the world's leading cosmetics companies.

Frutarom will work on fully exploiting the cross-selling opportunities inherent in this acquisition and toward expanding the product portfolio for IBR's existing customer base, including natural colors, natural plant and algae extracts and fragrances, and marketing IBR's

unique products to Frutarom customers worldwide. IBR's researchers will be joining Frutarom's global R&D teams working on Frutarom's natural active ingredients, and will support the accelerated development of future innovative products.

The global active ingredients market for cosmetics was valued at approx. USD 2.63B in 2015 and is projected to reach USD 4.45B by 2026. The primary drivers for this market's accelerated increase are the rise in lifestyle and standard of living and the changes in consumption habits and personal grooming habits, along with a growing awareness about beautification and personal appearance and care, especially in Asia and South America, which is generating a significant increase in the demand for cosmetics and personal care products. Another growth driver is the increased demand for cosmetics and personal grooming products for the male consumer segment. In addition, the demand for natural, green and environmentally friendly cosmetic products is constantly growing. In particular, the projected continued increase in the demand for anti-aging, skin whitening, and sun protection products is expected to drive the market in the future¹.

Mr. Ori Yehudai, President and CEO of Frutarom Group, said: "The IBR acquisition is yet another strategic acquisition of activity in Frutarom's growing core field which will enable us to offer our customers a broader portfolio of innovative solutions, and an important step in implementing Frutarom's strategic plan to develop worldwide business in to the growing and profitable fields of natural cosmetics. We continue to expand our portfolio of unique and natural products, already constituting 75% of our sale volume."

Mr. Yehudai concluded: "The acquisition of IBR 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 first acquisition we have made this year, following 12 acquisitions in 2017, and 32 acquisitions we have carried out since 2015, which have all 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 of the multiple 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 approx. 5,500 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, unique citrus products and ingredients for infant formula and elderly clinical nutrition. 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.

ⁱ Technavio, Global Cosmetic Ingredients Market 2017-2021 (Jan, 2017); FMI, Cosmetic Ingredients Market: Global Industry Analysis and Opportunity Assessment 2015-2025 (2018); Marketsandmarkets.com, Active Ingredients Market for Cosmetics by Functionality, Application - Global Forecast to 2026 (Jan, 2017)