

SEVENTH ACQUISITION FOR FRUTAROM IN 2016

FRUTAROM ACQUIRES NARDI AROMAS OF BRAZIL, SPECIALIZING IN NATURAL FLAVORS AND HERBAL EXTRACTS FOR THE BEVERAGE INDUSTRY

**SALES FOR NARDI AROMAS IN THE 12 MONTHS ENDING IN
AUGUST 2016 TOTALED APPROX. BRL 4.9 M (USD 1.5M)**

ACQUISITION IS IN EXCHANGE FOR BRL 5.1 M (USD 1.6M)

FRUTAROM EXPANDS ITS PORTFOLIO OF SOLUTIONS IN NATURAL FLAVORS AND HERBAL EXTRACTS FOR THE GROWING BEVERAGES MARKET

Herzliya, Israel

Frutarom Industries Ltd. ("**Frutarom**"), one of the world's 10 largest companies in the field of flavors and specialty fine ingredients, continues its momentum of acquisitions and the implementation of its rapid and profitable growth strategy: The Company announced today the signing of an agreement for the purchase of 100% of the shares of the Brazilian company Nardi Aromas Ltda ("**Nardi**") in exchange for approximately BRL 5.1 million (approx. USD 1.6 million). The transaction was independently financed.

Nardi was founded in 1971 and has an efficient production site in the vicinity of the city of Sao Paulo and Frutarom's Brazilian production site. Nardi has 14 employees and specializes in the development, production and marketing of natural traditional Brazilian flavors and plant-based herbal extracts for the alcoholic drinks and carbonated beverages markets. Nardi has dozens of longtime customers including leading Brazilian beverage companies. Nardi sales for the 12 month period ending in August 2016 amounted to approximately BRL 4.9 million (US\$ 1.5 million). Nardi's key personnel will continue serving in their roles. Nardi's unique products in the field of natural flavors and herbal extracts, based on unique raw materials originating in Brazil, have tremendous growth potential outside Brazil as well, and Frutarom intends to incorporate them into its broad products portfolio in the field of beverages while capitalizing on cross-selling opportunities and based on its global sales and marketing network.

Frutarom sees great importance in expanding its activity in Latin America with emphasis on Brazil, the region's most significant market. In this regard Frutarom acquired in 2012 the Brazilian company Mylner which specializes in sweet flavors for beverages and baked goods, as well as in natural extracts from plants and natural flavor products. In 2013 Frutarom acquired Aroma in Guatemala that specializes in producing sweet flavors for beverages, dairy products, confectionery and snacks, and in 2014 Frutarom acquired the natural flavors and colors division of Montana of Peru which produces natural flavors and colors for the food industry and has significant activity in Peru and in Chile. Also,



in recent years Frutarom has taken steps to expand its activity in Latin America on the basis of its local and global production infrastructure and R&D and marketing capabilities and by exploiting synergies that came about through the acquisitions it performed. Today the Company has growing activity in most countries of the region.

The Brazilian beverages market is the sixth largest beverages market in the world and estimated at upwards of US\$ 110 billion as of 2015 with a projected growth rate of about 6% in local currency terms. The alcoholic drinks market constitutes about 55% of Brazil's overall beverages market and is estimated at US\$ 60 billion as of 2015 with a projected growth rate of 6.7% in local currency terms, while the non-alcoholic drinks market is estimated at US\$ 50 billion as of 2015 with a projected annual growth rate of 5%¹. Frutarom intends to expand its activity in Brazil's beverages market based on the infrastructure and knowhow of Nardi with its excess production capacity, as well as by exploiting cross-selling opportunities among Frutarom's circle of customers in Brazil. In addition, Frutarom intends to tap the synergies and savings made possible from combining Nardi's activity with its own existing activity in Brazil.

Ori Yehudai, President and CEO of Frutarom Group, said: "The acquisition of Nardi is the continuation of the implementation of Frutarom Group's rapid profitable growth strategy and the realization of its vision 'to be the preferred partner for tasty and healthy success.' This is an acquisition that establishes Frutarom's presence in Brazil and allows for the expansion of our portfolio of solutions in Brazil for the substantial and growing beverages market based on Nardi's existing activity with its excess production activity, exploiting cross-selling opportunities and attaining of operational savings and the tapping of synergies made possible with our existing activity in Brazil in the fields of R&D, sales and marketing, and production. We also see great potential in expanding Nardi's activity in natural flavors and herbal extracts originating with unique Brazilian raw materials to outside of Brazil as well, incorporating these into Frutarom's broad portfolio of solutions for beverages and based on our global sales and marketing network and our circle of customers that generate significant cross-selling opportunities.

"We intend to continue working to expand our activity in Latin America, with emphasis on the Brazilian market and other key markets in the region," **said Mr. Yehudai**. "The acquisition of Nardi is the fourth acquisition we have made in Latin America in the past four years, a period in which we have built a broad sales and marketing infrastructure in most of the Central and South American countries, supported by our local and global production and R&D activity. I am convinced that this infrastructure will support the continued rapid growth of our activity in Latin America both by means of organic growth and through additional acquisitions that we intend to evaluate."

In conclusion, **Mr. Yehudai said**: "This is the seventh acquisition we have made since the beginning of the year. We are working on seeking out and executing additional acquisitions of companies and activities in our fields of activity, with special focus on high-growth markets. We have a strong pipeline of potential strategic acquisitions. We will continue carrying out our rapid profitable growth strategy, which is based on profitable internal growth and strategic acquisitions, in order to achieve the targets we recently set: sales of at least US\$ 2 billion with an EBITDA margin of over 22% in our core activities by the year 2020."

¹ Source: Canadean Intelligence Center, Sept. 2016



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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 52,000 products to more than 29,000 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 more than 4,500 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 substances for food protection, aroma compounds, essential oils, unique citrus products, natural gums and resins. 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, Slovenia, Russia, Poland, Turkey, Israel, South Africa, China, India, Guatemala, Peru, Chile, Brazil and New Zealand. The Company's global marketing organization encompasses branches in Israel, the US, Canada, the UK, Ireland, Switzerland, Germany, Austria, 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 our website at: www.frutarom.com.

