

EIGHTH ACQUISITION FOR FRUTAROM IN 2016**FRUTAROM ACQUIRES 75% OF PIASA GROUP, MEXICO'S LEADING LOCAL COMPANY FOR SAVORY SOLUTIONS, FOR MXN 405 M (APPROX. USD 20.5 M¹)****MXN 800 M (APPROX. USD 45 M²) SALES BY PIASA IN 12 MONTH PERIOD ENDING SEPT 2016 AFTER GROWING AT AN AVERAGE ANNUAL RATE OF APPROX. 8% OVER THE PAST 5 YEARS****FRUTAROM CONTINUES PENETRATING GROWING LATIN AMERICAN MARKETS & FORTIFYING ITS PRESENCE IN THE MEXICAN MARKET****PIASA'S ADVANCED PRODUCTION PLATFORM AND STRONG R&D AND MARKETING INFRASTRUCTURES WILL FORM THE BASIS FOR CONTINUED EXPANSION AND DEEPENING OF FRUTAROM ACTIVITY IN MEXICO AND LATIN AMERICA**

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: The Company announced today the signing of an agreement for the purchase of 75% of the shares of the Mexican group GRUPO PIASA S.A. de C.V. ("**Piasa**"), Mexico's top local provider of savory solutions, in exchange for overall consideration, including debt, of approximately MXN 405 million (approx. USD 20.5 million based on current exchange rate). In the framework of the transaction Frutarom will also acquire the real estate housing Piasa's main production site, located in Monterrey, Mexico, which also serves as its headquarters.

The purchase agreement includes a mechanism for future consideration based on Piasa's future business performance, along with an option for the purchase of the balance of shares beginning five years after completion of the transaction at a price contingent on the company's future business performance. The transaction is expected to be completed within the next several weeks and will be financed through bank debt.

Sales for Piasa Group over the 12 month period ending September 2016 stood at approximately MXN 800 million (approx. US\$ 45 million based on average exchange rate for the period) after achieving average annual growth of 8% over the past five years.

Piasa Group was founded in 1996 in the city of Monterrey, situated in the Mexican state of Nuevo León. Piasa has a leading position in Mexico's savory solutions market and its broad portfolio of solutions includes: flavors, unique spice mixes, sauces, seasonings, marinades, casings, chili based

¹ Based on current exchange rate

² Based on average exchange rate for the period



products, functional ingredients for meat products and vegetable components aimed at the Mexican meat and snacks industries and the country's dining sector. The company has three production sites having significant excess capacity and employs about 300 workers. Piasa has a broad sales and marketing network that includes around 30 employees and an R&D platform with about 50 employees. The company has hundreds of longtime customers which include some leading international restaurant chains and top Mexican meat and snacks manufacturers.

The Mexican economy is the world's 15th largest economy with an estimated US\$ 1.16 trillion in GNP and ranks 11th worldwide in terms of per capita purchasing power. With a population of 120 million and Latin America's second largest economy, Mexico was the first Latin American country to join the OECD. Mexico is a member of the NAFTA trade bloc (which includes the US, Canada and Mexico) and is the largest trading partner of the United States. Over 75% of Mexico's population is urban, and personal domestic consumption accounts for 65% of its GNP. Mexico's food and beverages market is estimated at US\$ 90 billion with a projected annual growth rate of over 5%. Monterrey, where Piasa's main plant is located, is Mexico's second most important economic center and responsible for about 10% of its GNP thanks to a heavy presence of industrial companies³. Frutarom sees strategic importance in significantly penetrating the Mexican market and expanding its activity in the country while leveraging Piasa's leading market position and excess production capacity with the help of Frutarom's global resources.

The acquisition of Piasa in Frutarom's first acquisition in the Mexican market and its fifth in the Latin American market in the last four years. In 2012 Frutarom acquired the Brazilian company Mylner which specializes in sweet flavors for beverages and baked goods, as well as in natural flavors and herbal extracts. In 2013 Frutarom acquired Aroma in Guatemala that specializes in producing sweet flavors for beverages, dairy products, confectionery and snacks, in 2014 it 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, and in October 2016 Frutarom acquired the Brazilian company Nardi which specializes in the production of natural flavors and herbal extracts for the Brazilian beverages industry. 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 the synergies arising from its acquisitions. Today the Company has growing activity in most countries of the region.

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,

³ Sources: Investment in Mexico 2015 (KPMG), DoingBusiness2015Report (WorldBankGroup)



with activity also in India, in 2015; and AMCO of Poland, Wiberg of Austria and Redbrook of Ireland in 2016.

Piasa's activity is largely synergetic with Frutarom's global savory activity, and will enable Frutarom to continue expanding and deepening its activity and market share in Latin America and reinforce its supply of products in the savory field and other areas while leveraging Piasa's specialized knowhow and technology along with its expansive marketing platform which will provide entry into new areas of activity in Mexico while capitalizing on cross-selling opportunities.

Mr. Ricardo Madrigal, the CEO of Piasa Group and one of its founders, will continue serving in his role and will join Frutarom's global Flavors activity management along with remaining a shareholder in Piasa.

Ori Yehudai, President and CEO of Frutarom Group, said: "The acquisition of Piasa 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 important strategic acquisition that provides Frutarom significant entry into the Mexican market, one of Latin America's main markets and among the most important and fastest growing in the world. Piasa is a leader in Mexico's savory solutions market and we intend to continue expanding its activity with the support of Frutarom's global infrastructures and based on Piasa's quality production infrastructure with its excess capacity as well as through exploiting cross-selling opportunities by offering Frutarom's broad portfolio of solutions to Piasa's Mexican customers and gaining new customers in the local market, along with expanding Piasa's activity to those countries in the region where Frutarom already has a sales and marketing infrastructure in place.

"We will continue working to expand our activity in Latin America and other growing emerging markets where our growth engines are focused," **said Mr. Yehudai**. "The Piasa acquisition is our eighth this year and the fifth 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 Central and South American countries, supported by our local and global R&D and production 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 which we are evaluating.

"I am pleased over the partnership with Ricardo Madrigal, CEO of Piasa and one of its founders, and I am sure that together we will continue to lead Piasa Group on a momentum of growth and expansion while solidifying its position as the leading savory solution company in Mexico and neighboring countries and penetrating into the growing field of sweet flavors in one of the largest and most important countries of the region."

In conclusion, **Mr. Yehudai said**: "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 and 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."

Contact Details:



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.

