

## Press Release

December 20, 2017

Herzliya, Israel

### **Twelfth Acquisition for Frutarom in 2017: Deepens and Expands its Penetration into Growing Latin American Markets and Fortifying its Presence in the Brazilian Market**

**Frutarom Acquires 51% of Bremil, Brazil's Top Producer of Savory Solutions, at a Company Value of approximately USD 73M (approx. BRL 240M)**

**Bremil Sales Totaled Approx. USD 47M (approx. BRL 150M) in the 12-Month Period Ending October 2017**

**Over Recent Years Frutarom has built up Global Leadership in Savory Solutions and will deepen its Activity in this Field and Expand it into Additional Countries by Exploiting its Knowledge Base, Specialized Technology and Diverse Innovative Solutions Portfolio Based on Natural Ingredients while Tapping Significant Cross-Selling Opportunities**

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, further to its report from this morning with regards to the acquisition of the Polish flavors & fragrances company Pollena-Aroma, announces that it has signed an agreement for the purchase of 51% of the shares of the Brazilian company Bremil Indústria Ltda. ("**Bremil**"), the top producer of savory solutions in Brazil, at a company value of approximately US\$ 73 million (approx. BRL 240 million). Consideration for the 51% of shares is US\$ 31 million (approx. BRL 103 million) which includes estimated asset adjustments to the date of completion. The transaction includes a mechanism for future consideration based on Bremil's future business performance in 2017 and 2018. The purchase agreement includes an option for the purchase of the balance of shares of Bremil to take effect starting five years from the date of the transaction's completion at a price based on Bremil's business performance during that period. The transaction is expected to be completed during the first few months of 2018 and will be financed through bank debt.

According to Bremil's managerial reports its revenues over the 12 month period ending October 2017 stood at approximately US\$ 47 million (approx. BRL 150 million).

Bremil was established in 1987 in the city of Passo Fundo in the Brazilian state of Rio Grande do Sul and holds a leading position in Brazil's savory solutions market, with emphasis on convenience foods, prepared foods and processed meats. Bremil, which employs about 250 workers, serves about 450 customers in Brazil and countries of the region, with substantial presence among top meat producers, and has two production sites, in southern and central Brazil, with significant excess production capacity which Frutarom intends to utilize towards raising output and growth in Brazil and neighboring countries. Bremil provides its customers a complete portfolio of quality solutions based on natural ingredients and on a wide range of taste solutions and unique functional solutions which include seasoning blends, marinades, flavors, coatings, texture solutions, and solutions for food protection. Bremil also engages in the field of taste and functional solutions for baked goods.

Frutarom sees great strategic importance for rapid growth in the field of savory flavors 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 Chr. Hansen's savory activity 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, Mühlehof in Switzerland and Mighty in Thailand in 2017.

The Bremil acquisition fits in well with Frutarom's expanding global activity in savory solutions, strengthens its global leadership in this field and also provides Frutarom market leadership in Brazil and Latin America. By leveraging Bremil's specialized know-how and technology along with Frutarom's expansive sales and marketing platform in Brazil and Latin America, Frutarom will work on expanding Bremil's activity into additional countries as well as capitalizing on the many cross-selling opportunities for Frutarom products among Bremil customers.

Brazil is the world's third largest market for meat, after the United States and China, with US\$ 38 billion in annual sales<sup>1</sup>. Per capita meat consumption in Brazil, with a population of 220 million, is fifth in the world and stands at an annual rate of approx. 40 kilograms<sup>2</sup>. The state has meat producers that are among the leaders regionally and globally, with widespread presence in Latin America. Bremil has longstanding familiarity and tradition of activity with leading meat producers in the state based on knowhow and specialized and innovative R&D capabilities, along with a sales and marketing network with wide-ranging professional knowledge and broad nationwide deployment.

The acquisition of Bremil in Frutarom's fourth acquisition in the last five years in the Brazilian market as well as seventh over that period in Latin America, a growing territory which following the transaction will be responsible for nearly 15% of Frutarom sales. 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, in 2016 Frutarom acquired the Brazilian company Nardi Aromas, which specializes in production of natural flavors and herbal extracts for the Brazilian beverages industry, as well as Piasa, Mexico's leading local player in savory solutions, and in 2017 it acquired SDFLC, a leading Brazilian player in taste solutions for ice creams and desserts. In addition, Frutarom has taken steps in recent years 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 Frutarom has growing activity in most countries of the region and intends to continue expanding its activity in the region, both in Brazil, Latin America's most important market, and in the other Latin American countries.

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<sup>1</sup> As of 2015 according to figures from Cision

<sup>2</sup> As of 2016 according to figures from Beef Market Central

Bremil's founders and managers will continue managing the activity and will become part of Frutarom's management structure in Latin America along with continuing on as shareholders with 49% of Bremil's capital equity.

**Ori Yehudai, President and CEO of Frutarom Group**, said: "The acquisition of Bremil 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 which enables Frutarom to make an additional major leap forward in strengthening its global leadership in savory solutions as well as substantially reinforcing our position in the growing Brazilian market in particular and in Latin America in general.

"The Brazilian market is the largest and key market in Latin American and Bremil holds a leading position in the savory solutions market based on experience, knowhow, longstanding tradition and innovative technology," said **Mr. Yehudai**. "Our intention is to continue expanding its activity through Frutarom's global support, capitalizing on the operational synergies with our existing activity in Brazil while exploiting the many cross-selling opportunities both by offering Frutarom's broad, innovative portfolio of savory solutions to Bremil customers in Brazil and by expanding Bremil's activity to countries of the region where Frutarom already has sales and marketing infrastructure, in order to also develop much more significant activity in savory solutions in Latin America.

"We intend to continue working on expanding our activity in Latin America and other growing emerging markets where our growth engines are focused," continued **Mr. Yehudai**. "The Bremil acquisition is the twelfth acquisition for Frutarom this year and Frutarom's seventh in Latin America in the past five 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 rapid organic growth and through additional acquisitions which we are evaluating. In recent years Frutarom has been successfully implementing a strategy of rapid geographic expansion in North America and in emerging markets having higher rates of growth," said **Mr. Yehudai**. "This strategy has resulted in Frutarom sales in Latin America over the past seven years having grown by a factor of 16 and sales in emerging markets having grown fivefold while Frutarom's total sales grew by a factor of 3.3. Frutarom's percentage of sales in Latin American reaches nearly 15% compared to approximately 3% in 2010 and the percentage of sales in emerging markets will make up 45% of total Frutarom sales compared with 27% in 2010."

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 natural products in the field of taste and health, 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\$ 2.25 billion 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](http://www.frutarom.com).