

**FRUTAROM STRENGTHENS AND ENHANCES ITS MARKET**

**PRESENCE IN THE USA AND COMPLETES THE FIFTH**

**ACQUISITION IN 2011:**

**FRUTAROM ACQUIRES THE AMERICAN**

**COMPANY**

**FLAVOR SYSTEMS INTERNATIONAL Inc.**

Frutarom, one of the ten largest companies in the world for flavors and unique raw materials, continues its successful implementation of the rapid and profitable growth strategy and reports the fifth acquisition of the year, the USA based Flavor Systems International Inc. This strategic and important acquisition strengthens Frutarom's presence in the USA, the world's largest market in the field of flavors. On the transaction conclusion date, expected to take place in a few weeks, Frutarom will pay \$35.3 million. The final price of the transaction will be determined in accordance with an agreed mechanism related to future earnings. Therefore, the consideration of the acquisition may range from \$29.3 million to \$45.3 million. In addition, Frutarom will pay \$6.5 million for real-estate assets (which include a new facility that will become active during the fourth quarter of 2011) that are owned by related companies.

Flavor Systems, established in 1994, employs approximately 50 employees and focuses on the development, production and marketing of sweet and savory flavors to the Food and Beverage markets. The sales turnover of Flavor Systems increased at an impressive rate and amounted in the last 12 months ended at 31.7.2011 to \$18.4 million, compared to \$16.5 million the year ended at 31.10.2010.

The modern facility and R&D laboratories of Flavor Systems are located in Cincinnati, USA. The acquisition also includes a new and advanced production site, with a high production capacity, in its final construction stages, due to be completed in the next few weeks. The site will enable a material expansion into market segments where Frutarom is not active presently such as the growing market of flavored coffee and shakes, sold at convenience stores and large food chain stores in the USA. In addition, through this acquisition, Frutarom gains access to the field of savory flavors in the USA, in which it did not act as yet. Frutarom has a prominent position in the European savory market, achieved through internal growth and acquisitions, including three that were acquired during 2011, and will act to leverage its capabilities in the important US market.



Frutarom will achieve business and operational efficiencies in the merger of Flavor Systems operations with its current flavor operations on the East and West Coast of the USA. The R&D, sales, marketing, production and supply chain functions of Flavor Systems will be consolidated with Frutarom's existing organization in the USA to achieve synergies. Frutarom will act to utilize the numerous cross-selling possibilities arising from this acquisition and will take steps to expand its products range and customers base in the US market. This acquisition is consistent with the acquisition of FSI in Corona, USA, in 2009 and will also support Frutarom's expansion strategy in Central and South America.

Ori Yehudai, President and CEO of Frutarom stated today, that "I am glad to announce the important acquisition of the US company, Flavor Systems, which considerably expands our activities in USA which is the world's largest flavor market and supports Frutarom's future strengthening and positioning in the global market. We continue the successful implementation of our rapid growth strategy, which combines profitable internal growth in the core segments with strategic acquisitions.

"Flavor Systems presents an impressive and growing activity in a range of market segments and utilizes unique technology to achieve rapid growth. The acquisition enables us to expand our fields of activity in the USA and offer a wide and innovative product range to our customers, while entering the savory market, which we already lead in the European market, but never accessed in the USA. The entry to the flavored coffee market and penetration to leading convenient stores and food chain stores in the USA, is an important step for Frutarom. Pursuant to the acquisition, a strong and qualified management team plus experienced R&D, marketing and operation personnel will join Frutarom and help to create future synergies from merging the activities.

Mr. Yehudai concluded by saying: "This is our fifth acquisition in the current year and thanks to our proven experience in concluding acquisitions and realizing the synergies, we are confident that this acquisition will also contribute to the continued rapid and profitable growth of Frutarom. We have an excellent acquisitions pipeline in both developed markets and developing countries, with special attention to Asia, Central and South America and Eastern Europe. Our strong capital structure, combined with credit lines from leading banks in the world will enable us to seek additional strategic acquisitions, aiming to multiply Frutarom's sales turnover again within the next four years."

#### **About Frutarom**

**Frutarom** is a global company operating in the flavor and fine ingredients markets. Frutarom has significant production and development centers on three continents and it markets its products in five continents to over 13,000 customers in more than 120 countries. Frutarom's products are intended for the food, beverage, flavor, fragrance, pharmaceutical, nutraceutical, health food, functional food, food additives and cosmetic industries.

Frutarom, which employs approximately 1,500 people worldwide, has 2 main activities:

- The Flavors Segment, which develops, produces and markets flavor compounds and food systems.
- The Fine Ingredients Segment, which develops, produces and markets natural flavor extracts, natural functional food ingredients, natural pharma/nutraceutical extracts, specialty essential oils, citrus products and aroma chemicals.

Frutarom's products are produced in its plants in the US, UK, Switzerland, Germany, Israel, Norway, China, Turkey and South Africa. The Company's global marketing organization includes branches in Israel, the US, Germany, UK, Belgium, Switzerland, Denmark, Norway, South Africa, France, the Netherlands, Hungary, Romania, Russia, Ukraine, Kazakhstan, Belarus, Turkey, Brazil, Mexico, Costa Rica, China, Japan, Hong Kong, India and Indonesia. The Company also works through local agents and distributors worldwide.





For further information visit:

Frutarom's website: [www.frutarom.com](http://www.frutarom.com)

Flavor Systems's website: [www.flavorsystems.com](http://www.flavorsystems.com)

