

PRESS RELEASE

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**FRUTAROM IS BOLSTERING ITS LEADING POSITION IN THE DEVELOPING
MARKETS OF EAST EUROPE**

**FRUTAROM ACQUIRES CONTROL OF RUSSIAN FLAVORS COMPANY
PTI WHICH SPECIALIZES
IN UNIQUE SAVORY TASTE SOLUTIONS**

PTI sales in 2012 totaled \$111 million

Frutarom Industries Ltd. ("Frutarom"), one of the world's largest companies in the field of flavors and fine ingredients, continues to implement its rapid growth strategy and today announced that it concluded the terms of an agreement for the acquisition of 75% of the share capital of the Protein Technologies Ingredients Group ("**PTI Group**"), for a cash consideration of US\$ 50.3 million (reflecting a company value of US\$67 million). PTI has net assets valued at above US\$40 million and no debt.

The agreement includes an option to acquire the remaining share capital within three years at a price reflecting an EV/EBITDA multiple of 6 - 7x based on the average EBITDA achieved over the three years prior to the exercise. The purchase agreement is in the process of signing and the Company estimates that the transaction will be completed in the coming days. The transaction will be financed with a bank loan.

PTI Group, which was established in 1996, is engaged in the development, manufacture and marketing of unique and innovative savory taste solutions (the non-sweet spectrum) that include flavors, seasoning compounds and functional raw materials for the food industry (including unique protein-based ingredients, which are manufactured using advanced technology), with a special emphasis on the processed meat and convenience food industry. Sales turnover of the savory taste solutions business, which constitutes PTI's core business, have been growing rapidly over the past few years, at a double-digit rate annually, and in 2012 amounted to US\$ 60 million with operating profit margins similar to those of Frutarom's Flavor activity, with which it will be merged.

In addition, PTI has a trade and marketing segment which sells raw materials that are not manufactured by the company, as part of a comprehensive service to its customers. This business, which will be merged with Frutarom's Trade and Marketing activity (not its core business) amounted to \$50 million in 2012 and has similar profit margins as Frutarom's Trade and Marketing activity.

PTI has shown impressive growth rates in the last few years and its sales turnover grew 8% in 2011 and 5.2% in 2012, with sales of US\$111 million, and an EBITDA of US\$10.5 million. PTI's savory flavor business, which is its core business, grew at a higher pace and by a double-digit rate over these years. PTI's overall business grew 13% between 2010 and 2012.

The PTI Group operates two production sites not far from Moscow and a new sales and marketing R&D center in Moscow that includes development and application labs and 25 distribution centers across Russia and neighboring countries. The company employs a staff of 500, of which more than 40 deal with R&D, including 17 PhDs in the fields of food engineering, biotechnology and chemistry and around 200 that deal with sales, marketing and distribution. Following the acquisition, Frutarom will become one of the few global players with substantial production sites in Russia and with an R&D, sales, marketing and distribution network that is one of the largest and leading in Russia and neighboring countries.



The company's founders, with extensive experience in this area, that currently manage the company with great success, will remain in their respective positions in the company and as shareholders.

PTI's activity is largely synergetic to Frutarom's global savory business, which grew substantially over the last few years due to the acquisition of the savory business of Nesse, Gewurzmuller and the savory business of Christian Hansen, which were acquired by Frutarom in 2006, 2007 and 2009, respectively, the acquisitions of EAFI, the savory business of Rieber and FSI in 2011, the acquisition of Savoury Flavours and Etol in 2012 and the acquisition of Jannderee in 2012. The acquisition of PTI will enable Frutarom to expand the range of savory products and broaden its activity and market share in developing and developed countries.

Ori Yehudai, President of Frutarom: "The acquisition of PTI continues the implementation of the rapid growth strategy of the Frutarom Group, and its vision **"to be the preferred partner for tasty and healthy success"**. This a major strategic acquisition, which bolsters Frutarom's position as one of the world's largest and leading flavor companies, which is positioned as a leading global manufacturer of savory taste solutions. This acquisition reinforces Frutarom's technological capabilities and expands both the range of savory flavors (non-sweet tastes) and functional products offered to worldwide customers and its wide global customer base.

PTI is one of the leading manufacturers in the Russian market and the combination of a local manufacturer supported by a global company should create significant advantages in the Russian market which, according to analysts, is expected to grow by up to 10% annually in the next few years - higher than the projected growth rates in Central Europe and the US. Frutarom, which is active in the Russian market, can exploit the advantages of being a global company with local production. The company is strengthening its market leadership in Eastern European markets and can significantly benefit from the addition of R&D resources, management, an excellent sales team, and efficient manufacture, distribution and supply chain systems across Russia and the region."

"Frutarom considers the savory taste solutions business an important and strategic growth engine and invests in the development of unique products, with high added value, across its global sites. The acquisition of PTI, following prior acquisitions, is another step in the establishment of Frutarom's leadership in this important area, and we plan to continue investing in the expansion of our savory business in other countries, including through acquisitions.

Frutarom's staff in the area of unique savory solutions and functional raw materials will enjoy the addition and contribution of experienced and efficient managers and employees, at all levels. PTI's excellent, robust and efficient management will be added to Frutarom's management, which will benefit from its extensive experience, and together they will lead the business in Russia and in CIS countries."

Yehudai further added that: "Frutarom plants to take advantage and integrate PTI's R&D, sales and marketing infrastructure in Russia and in the markets it operates with Frutarom's global R&D, sales and marketing infrastructure in order to leverage and exploit the cross-selling opportunities generated by this acquisition, by expanding both the customer base and the product basket. Owing to Frutarom's proven experience in strategic acquisitions and creation of synergy, and in view of the numerous cross-selling possibilities to be generated by the consolidation of the acquired business with Frutarom, we are convinced that this acquisition will further enhance the rapid growth and profitability of the Frutarom Group and will generate high value for our customers, employees and investors."



Yehudai stated that: “We continue to implement our rapid growth and profit-generating strategy. The acquisition of the PTI Group is Frutarom’s second acquisition in 2013, and we aim to identify and perform additional strategic acquisitions of companies and businesses in this industry, with a special emphasis on high-growth markets.”

About Frutarom

Frutarom is a global company operating in the global flavor and fine ingredients markets. Frutarom has significant production and development centers in three continents and it markets its products in five continents to over 13,000 customers in more than 130 countries. Frutarom’s products are intended mainly for the food, beverage, flavor, fragrance, pharmaceutical, nutraceutical, health food, functional food, food additives and cosmetic industries.

Frutarom, which employs approximately 2,020 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, China, South Africa and Turkey. The Company’s global marketing organization includes branches in Israel, the US, UK, Switzerland, Germany, Belgium, the Netherlands, Denmark, Norway, France, Hungary, Romania, Russia, Ukraine, Kazakhstan, Belarus, Turkey, Brazil, Mexico, Costa Rica, China, Japan, Hong Kong, India, Indonesia and South Africa. The Company also works through local agents and distributors worldwide.

For further information, visit our website: www.frutarom.com.

