

PRESS RELEASE

FOURTH STRATEGIC ACQUISITION FOR FRUTAROM IN 2013

FRUTAROM ACQUIRES US FLAVOR COMPANY HAGELIN FOR \$52.4 MILLION

Frutarom reinforces its presence in the US and in the fast growing markets of Latin America and Africa

Expands its business in the growing and lucrative beverage flavors sector

Frutarom Industries Ltd. (“**Frutarom**”), one of the world’s ten biggest companies in the flavors and fine ingredients industry, continues to implement its rapid and lucrative growth strategy and announced its fourth acquisition this year of 100% of the share capital of US-based Hagelin (“**Hagelin**”) for a cash consideration of \$52.4 million. This acquisition strengthens Frutarom’s foothold in the US market, which is the world’s biggest flavor market, and accelerates its penetration into the developing and fast growing markets of Central and South America and Africa, which are of high strategic importance to Frutarom. This acquisition substantially expands Frutarom’s business activity in the growing and profitable beverage flavors sector. Frutarom has thus completed four acquisitions in 2013, with a total sales turnover of \$147 million in 2012, investing a total of \$120 million.

Frutarom will continue to implement its rapid and successful growth strategy that combines organic growth with strategic acquisitions.

Hagelin, established in 1967 and employs a staff of 84, is engaged in the development, production and marketing of flavors and unique flavor technologies for the food industry, with an emphasis on the growing sector of beverage flavors. Hagelin’s sales turnover totaled \$24.2 million in 2012, up 7% from 2011.

Hagelin has salient competitive advantages and, among others, specializes in the development of advanced flavor solutions for the reduction of salt, sugar and calories and improvement of the taste experience. This acquisition expands Frutarom’s global range of advanced products and technologies, which also covers soft drinks, functional drinks (which offer nutritional value), alcoholic beverages, and savory solutions (the non-sweet spectrum).

Hagelin’s customer base includes leading international food and beverage manufacturers and local food and beverage manufacturers in the US, the UK, and in developing markets such as Central and South America and Africa, which have experienced high growth rates. This acquisition is expected to expand Frutarom’s customer base, while creating many cross-selling opportunities.

Hagelin’s robust and experienced executive team will join and contribute to Frutarom’s US management.

Hagelin has three R&D, production and marketing sites, two of them in the US (in New Jersey and in Georgia), and one in the UK. Hagelin’s business is largely synergistic to that of Frutarom in the US, which has grown significantly in recent years (43% in 2012) from a combination of rapid and profitable organic growth and acquisitions. Frutarom has three production sites in the US as well as production sites in the UK and it will strive towards capitalizing on synergies.



Ori Yehudai, President and CEO of Frutarom said today: “We are happy to announce the acquisition of US Hagelin, which will substantially bolster our presence in the biggest flavors market in the world and in other important developing markets, which we identified as strategic to securing our rapid growth. The acquisition of this lucrative company will intensify Frutarom’s technological capabilities, especially in the growing and profitable beverage flavors sector, and adds to its R&D capabilities, sales and marketing infrastructure and cross-selling opportunities. In this acquisition, we will enjoy a significant reinforcement of excellent managers, R&D, sales and marketing personnel”.

“This acquisition is yet another step in the growth of Frutarom’s profitable flavor business in the US, a market we identified as a key strategic target. Our US activity in recent years is exhibiting consistent organic growth that is at higher rates than the market’s average growth rates, and the acquisitions we made in the past few years accelerated this growth and increased our market share. We plan to continue implementing our rapid growth strategy in the US market.

Today we report our fourth acquisition for 2013. This follows the eight acquisitions between January 2011 and January 2012 that are reflected in our 2013 record results and have taken Frutarom several steps forward in its growth journey. We are convinced that the successful mergers in 2013 of JannDeRee in South Africa, PTI in Russia, Aroma in Guatemala and now Hagelin in the US – will take us another step forward in our business activities and results in 2014 and the coming years. They expand our emphasis on increasing our market shares in developing, high-growth markets and in the US as well.. We will continue to implement our rapid growth strategy and to identify and carry out additional acquisitions of companies and activities that are synergistic to our own. Our solid capital structure supported by the strong cash flow we generate will allow us to continue the successful implementation of our rapid and profitable growth strategy”.

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 15,500 customers in more than 145 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 2,600 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, Russia, Switzerland, Germany, Israel, China, South Africa, Turkey, Guatemala and Brazil. 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, Guatemala, Brazil, 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.

