

FRUTAROM ANNOUNCES THE EXERCISE OF ITS OPTION TO ACQUIRE 25% OF THE RUSSIAN FLAVORS COMPANY PTI SPECIALIZING IN UNIQUE SAVORY TASTE SOLUTIONS

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 implementing its rapid growth strategy and announces today that the option provided it for the purchase of the remaining 25% balance of share capital of Vantodio Holdings Limited (hereinafter: "**Vantodio**"), owner of the Russian group Protein Technologies Ingredients (hereinafter: "**PTI**") has been exercised for the overall sum of approximately US\$ 40 million. The purchase of the remaining 25% balance of share capital of Vantodio was financed through bank credit.

Founded in 1996, PTI engages in the development, production and marketing of unique and innovative savory taste solutions, including flavor extracts, seasoning blends and functional ingredients for the food industry (including specialty protein-based ingredients which it manufactures itself using advanced technology and food grade fiber production), with special emphasis on processed meats and convenience foods. PTI also engages in trading and marketing activity under which, as part of its service and providing of overall solutions to its customers, it supplies them ingredients that it does not itself manufacture.

PTI has two production sites near Moscow and an R&D and marketing center in Moscow which includes research, development and applications labs, and about 25 distribution centers throughout Russia and other countries in the area. PTI employs about 500 people, including about 50 engaged in R&D of which 17 are PhDs with expertise in food engineering, biotechnology and chemistry and about 200 engaged in sales, marketing and distribution.

In November 2013 Frutarom purchased 75% of PTI's share capital for a cash payment of US\$ 50.3 million (reflecting a company value of US\$ 67 million). The purchase agreement included an option for the purchase of the 25% balance of shares starting from three years, hence at a multiple of between 6 and 7 of the average annual EBITDA achieved in the three years prior to the exercise of the option. Today Frutarom announces that the option has been exercised for approximately US\$ 40 million.

Following the acquisition Frutarom became the leading manufacturer of specialty savory solutions in Russia and the countries of the region and with one of the most leading and largest R&D and sales, marketing and distribution platforms in its field. Frutarom's advantage as a global company with an advanced R&D platform and broad and modern product portfolio and local production, allows it to increase its market share by capitalizing to the utmost on the trend among Russian customers for switching to locally produced products and buying locally-made ingredients to the fullest possible extent. In addition and according to plan, since the acquisition Frutarom has integrated its activity with the activity of PTI in countries where both companies operate while exploiting the synergies between the activities, accelerating growth through the support of its ability to expand its product



range and capitalize on the significant cross-selling opportunities, both by expanding the customer base and by expanding the product portfolio, improving service and delivery times to customers and while achieving operational savings. As a result, in the three years that have passed since the acquisition, PTI has exhibited impressive growth rates with significant improvement in its profit margins.

The partner managing the activity, who has led it with great success, will continue in his role.

Ori Yehudai, President and CEO of Frutarom Group, said: "We are pleased with the success of the PTI acquisition which has established Frutarom as a leading company in savory flavor solutions in Russia and the surrounding countries. The acquisition materially strengthened the technological capabilities, the product portfolio we offer our customers, and our broad local and global customer base. PTI is the leading local manufacturer in the Russian market and as we expected the combination of a leading local manufacturing company with the support of a global company like Frutarom strengthened our market leadership and accelerated the pace of our profitable internal growth.

"We will continue to exploit and combine PTI's R&D and sales and marketing platform in Russia and the markets in the region with Frutarom's global R&D and sales and marketing platform in order to leverage and fulfill the abundant cross-selling opportunities between the activities," said **Mr. Yehudai**. "We will continue investing in increasing the activity and during the year we will open a modern and advanced center of innovation which will combine PTI's activity and Frutarom's diverse activities in Russia and the region under one roof. Our plans also include building a new and modern factory which will allow for continued rapid growth and strengthen our market leadership in the region.

"I am happy about exercising the option to acquire the 25% balance of shares at a value that reflects a significant boost in value for our customers, our employees and our investors," said **Mr. Yehudai**.

Mr. Yehudai concluded by saying: "We are working on seeking out and executing additional strategic 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."

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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, Mexico, 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.

