



## ***Frutarom to Acquire Nesse - European Based Company Specializing in Savory Solutions***

***Haifa, Israel, January 17 2006 - Frutarom Industries Ltd. (LSE: FRUT, TASE: FRUT, OTC: FRUTF)*** today announced that it has acquired 70% of the shares of GewurzMuhle Nesse ("Nesse"), an international group having recorded revenue of Euro 21.4 million in 2004. The consideration for the acquisition is Euro 18.41 million plus a future success fee payment based on continued improvement in *Nesse's* future EBIT. The transaction includes a call and a put option, exercisable as of the end of 2007, to acquire the remaining 30%.

Founded in 1880, *Nesse* is a fast growing international group with 120 employees, two production facilities in Germany, and offices and representatives in 20 other countries, mainly in West and East Europe. The company produces innovative savory solutions including savory flavors, seasonings and specialty functional ingredients. The company's extensive customer base includes hundreds of food manufacturers mainly in West and East Europe.

*Nesse* has achieved remarkable and profitable double digit growth in the past few years. Sales have grown from Euro 14.4 million in 2001 to Euro 21.4 million in 2004 and are expected to continue growing at a double digit rate in 2005, while continuously improving profitability.

The consideration for the acquisition of 70% of *Nesse's* shares is Euro 18.41 million. The future success fee payment is based on continued improvement, to the extent achieved, in *Nesse's* EBIT in the years 2005-2007. The acquisition will be financed from Frutarom's own resources. Frutarom has a call option to purchase and the sellers have a put option to sell, for two years as of the end of 2007, the remaining 30%. The exercise price will be based on 30% of the average annual EBIT achieved by *Nesse* during the two years preceding the exercise of the option, multiplied by 6.5.

"We believe that this strategic acquisition is another significant milestone in implementing our rapid growth strategy. The acquisition will significantly strengthen Frutarom's technological capabilities and savory offering, as well as our market position in both West and East Europe as a leading flavors supplier, while contributing to our sales turnover and profit," said *Ori Yehudai, President and Chief Executive Officer of the Frutarom Group*.

The savory (non sweet) flavors market is growing fast at an annual rate of 4%-6% in developed countries and even more in emerging markets where *Nesse* is active. This growth is due to the changes seen in recent years in social habits and in consumer preferences, which have led to increased consumer demand for convenience foods consumed both in the home and outside of it. Frutarom's strategy is to develop its global savory activity as a strategic growth engine and to continually invest in

developing new, added-value products at its sites around the world. "The *Nesse* acquisition is another significant step for developing and strengthening Frutarom's savory offering, and we intend to continue investing in this important segment in the future," Yehudai added.

*Yehudai* continued, "There are strong synergies between the newly acquired savory activity and our existing activities in the more than 100 countries in which Frutarom operates, especially in Western and Eastern Europe. Using our large, dedicated global sales and marketing team, we plan to take advantage of the substantial cross-selling opportunities created by the complementary customer base and product portfolio. The acquisition also includes activities in additional countries where Frutarom has been less active, such as Poland, the Czech Republic, Latvia, Yugoslavia, among others. *Nesse's* innovative technologies and the integrated savory offering of Frutarom and *Nesse* includes savory flavors and food systems, functional ingredients and seasonings, and will better position us in terms of providing higher added value and meeting our customers' current and future needs."

Frutarom's human resources are expected to benefit from the addition of experienced and efficient personnel at all levels. The Krause family—*Nesse's* owners and experienced managers—will continue to manage *Nesse*, as they have done successfully so far, and will also join Frutarom's global Flavors Division's management. *Nesse's* experienced R&D and sales and marketing personnel will join Frutarom's global infrastructure and will contribute to Frutarom's diverse activities and to extracting the most value from the integration.

"With Frutarom's track record of successfully integrating acquisitions and leveraging synergies and cross-selling opportunities, we feel confident that this acquisition will support our fast, above industry-average growth, and bring significant value to our customers, employees and shareholders," added *Yehudai*.

Frutarom's sales for the first nine months of 2005 grew 36.7% compared with the same period in 2004 to reach US\$ 191.2 million, while net profit grew sharply by 72.7% compared with the same period in 2004 to reach US\$ 22 million.

#### Background on the Company

Frutarom is a global company active in global flavor and fine ingredients markets. Frutarom has significant production and development centers on three continents and markets its products on five continents to over 3,500 customers. Frutarom's products are intended for the food and beverage, flavor and fragrance, pharmaceutical, nutraceutical, functional food, food additive and cosmetic industries.

Frutarom operates through two Divisions:

- The Flavors Division, which develops, produces and markets flavor compounds and food systems.

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

Frutarom's products are produced at its plants in the United States, England, Switzerland, Germany, Israel, Denmark, China, and Turkey. The Company's global marketing organization includes branches in Israel, the United States, England, Switzerland, Germany, Denmark, Norway, France, Spain, Italy, Hungary, Romania, Russia, Ukraine, Kazakhstan, Belarus, Turkey, Brazil, Mexico, China, Japan, Hong Kong, India and Indonesia. The Company also works through local agents and distributors worldwide. Frutarom employs about 1,000 people worldwide.

For further information, visit our website: [www.frutarom.com](http://www.frutarom.com).

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