

September 30, 2014

FRUTAROM CONTINUES TO EXPAND ITS PRESENCE IN SOUTH AMERICA'S BURGEONING MARKETS

FRUTAROM ACQUIRES THE FLAVORS AND NATURAL COLORS DIVISION OF MONTANA IN PERU

SALES BY MONTANA'S FLAVORS AND NATURAL COLORS DIVISION IN 2013 AMOUNTED TO US\$52.5 MILLION

ACQUISITION WILL ALSO INCLUDE DEVELOPING ACTIVITY IN CHILE

Continuing to implement its rapid growth strategy, Frutarom Industries Ltd. ("**Frutarom**"), one of the world's 10 largest companies in the field of flavors and fine ingredients, announces today its acquisition of the flavors and natural food colors division of Peruvian company Montana SA ("**Montana Food**") for a cash payment of US\$28.5 million and the assumption of debt in the amount of US\$ 6.5 million. The purchase price reflects a multiple of 7 times 2013 EBITDA. In addition to the Peruvian operations, Frutarom will also acquire, for no further consideration, the Montana Food operations in Chile. Montana Food has assets worth US\$24.8 million. The purchase agreement includes a mechanism for future consideration conditional on improvement over current gross profit of the acquired operations during the 18 month period subsequent to the deal's closing. The purchase agreements will be signed within the next few days and the entire transaction will be concluded within the coming weeks. The transaction will be financed by bank debt.

Montana Food is a division of longstanding Montana SA which was founded in 1964 (which, in addition to the acquired operations, is also involved in the agricultural and feed ingredients business) and has grown into one of South America's leading companies in the field of flavors and natural food colors. Its customers include some of the world's leading global food, beverages and flavor companies as well as manufacturers based locally in South America and Central America. Sales of flavors and natural food colors, which constitute Montana Food's core activity, reached US\$29.5 million in 2013 with operating profit levels in line with those of Frutarom's flavors division with which it will be combined.

Montana Food also maintains trade and marketing activity through which, as part of its service and the providing of comprehensive solutions to its customers, Montana Food markets ingredients that it doesn't produce itself. The scope of this activity, which will be combined with Frutarom's trade and marketing activity (not a core activity of the Company), reached US\$23 million in 2013 with profit levels similar to those of Frutarom's trade and marketing activity.



Montana Food maintains an R&D, sales and marketing center and a modern, efficient production site in Lima, Peru with substantial capacity and the possibility for extensive further output expansion. The acquisition will also include Montana Food's activity in Chile which was established in recent years and includes an R&D and marketing center and a staff of sales personnel for the Chilean market. Montana Food employs 250 people in Peru and 30 in Chile. This acquisition makes Frutarom the only global player in its industry with a sizable production site in Peru as well as one of the top R&D, sales and marketing, and distribution infrastructures in the region. Bringing along their vast experience, the General Managers at Montana Food in Peru and Chile and its business operations managers, who have been successfully running the business to date, will continue in their managerial roles and will contribute considerably to strengthening Frutarom's positioning in the region.

Frutarom will act towards utilizing and integrating the R&D, sales and marketing infrastructure of the acquired activities with Frutarom's global R&D, sales and marketing infrastructure in order to leverage and capitalize on the abundance of cross selling opportunities generated by the acquisition, through both expanding the customer base and expanding the product portfolio. The acquisition also constitutes a major boost to Frutarom's activity in the growing field of natural colors for food, and it intends to leverage Montana Food's capabilities and invest towards substantially expanding its global activity in this key line of business.

Frutarom has made it a goal to expand its growing operations in Central and South America through organic growth as well as acquisitions. The acquisition of Montana Food follows the acquisition of Guatemalan Aroma in 2013 and the Brazilian flavors company Mylner in early 2012, along with activity established independently by Frutarom in Costa Rica which includes an R&D laboratory and a sales and marketing network. The latest acquisition will allow Frutarom to strengthen and solidify its presence and market share in Central and South America's vital burgeoning markets by vastly broadening supply of its products and expanding its R&D, sales and marketing infrastructure. Meanwhile, ownership of a large efficient local production site will help improve service to customers in the region while substantially shortening delivery times and lowering production costs.

The acquisition of Montana Food is Frutarom's sixth acquisition in emerging markets since 2012. The share of Frutarom revenues from emerging markets has risen sharply from 25% in the first half of 2010 to 43% in the first half of this year.

In the words of **Ori Yehudai, President and CEO of Frutarom Group**: "The acquisition of Montana Food is the continuation of the implementation of Frutarom Group's rapid growth strategy and towards realizing its vision 'To be the Preferred Partner for Tasty and Healthy Success.' This is an important and significant strategic acquisition which establishes Frutarom as one the world's top flavor companies. We view the Montana Food acquisition with its substantial activity in Peru and Chile, where Frutarom hasn't been active until now in the field of flavors, as another strategic step that expands our activities in the emerging markets altogether and the growing markets of South America in particular. The acquisition strengthens our presence and market share in markets with high growth potential which Frutarom has identified as attractive markets for its continued development. We will strive to continue our expansion in these markets both by continuing to invest in reinforcing our



R&D, sales, marketing, and supply chain infrastructures and through additional strategic acquisitions, thereby strengthening our position as a leading global player.

"The access to leading food and beverage industry customers in South America, as well as Montana Food's capable staff and product portfolio, will help us strengthen and solidify our standing in the region's flavors and natural colors markets and allow us to expand our offering of innovative products and the added value we provide customers throughout the world. I am particularly pleased to be able to strengthen our global position in the growing field of natural colors for food and beverages which we consider a major up-and-coming growth engine and in which we intend to invest and expand as we leverage Montana Food's many capabilities.

"Thanks to Frutarom's proven track record in making acquisitions and in tapping the opportunities presented by synergies inherent in combining the acquired operations with those of Frutarom along with the abundant cross selling opportunities, we are convinced that this acquisition too will contribute to Frutarom's continued rapid and profitable growth while generating substantial value for our customers, employees, and investors."

Mr. Yehudai concluded by saying: "Montana Food is our second acquisition this year and we are working toward identifying and executing additional strategic acquisitions of companies and activities within our field of operations, with particular emphasis on markets showing high growth rates. We will continue implementing our rapid growth strategy based on combining profitable organic growth with strategic acquisitions."

Investor Conference Call

On **Tuesday, September 30, 2014 at 3:00pm BST or 10:00am EDT** Frutarom will be hosting a conference call in which management will review and discuss the transaction and will be available to answer questions.

To participate, please call one of the following teleconferencing numbers. Please begin placing your calls at least 5 minutes before the conference call commences. If you are unable to connect using one of the toll-free numbers, please try the international dial-in number.

USA Dial-in Number: **1-888-668-9141**
UK Dial-in Number: **0-800-917-5108**
INTERNATIONAL Dial-in Number: **+972-3-9180610**

At:

10:00 a.m. EDT

3:00 p.m. BST

4:00 p.m. CET

5:00 p.m. Israel Time

A replay of the call will be available by telephone starting two hours after the call and until Thursday, October 2, 2014. To access the replay please dial: **+972-3-9255904**.



About Frutarom:

Frutarom is a global company operating in the global flavor and fine ingredients markets. Frutarom has significant production and development centers on four continents and markets and sells over 31,000 products its products 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 2,700 people worldwide, has 2 main core activities :

- The Flavors Activity which develops, produces and markets flavor compounds and food systems .
- The Fine Ingredients Activity, which develops, produces and markets natural flavor extracts, natural functional food ingredients, natural pharma/nutraceutical extracts, natural algae based biotechnical products, aroma chemicals, essential oils, unique citrus products, natural gums and stabilizers. The Specialty Fine Ingredients products are sold primarily to the food, beverage, flavor, fragrance, pharmaceutical/nutraceutical, cosmetics and personal care industries .

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

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

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