

FRUTAROM CONTINUES TO IMPLEMENT ITS RAPID GROWTH STRATEGY

SHARP GROWTH IN SALES AND CONSIDERABLE IMPROVEMENT IN PROFIT AND MARGINS; CASH FLOW DOUBLED; EARNINGS PER SHARE GREW BY 70%

SALES IN THE THIRD QUARTER GREW 36.9% TO US\$ 120 M

GROSS PROFIT GREW BY 43.6% TO US\$ 45.3 M

OPERATING PROFIT GREW BY 79.6% TO US\$ 15 M

EBITDA GREW BY 74.1% TO US\$ 20 M

NET PROFIT GREW BY 60.7% TO US\$ 9.4 M

**CASH FLOW FROM CURRENT ACTIVITIES GREW BY 140% TO US\$12.6
M**

EARNINGS PER SHARE GREW BY 70% TO US\$ 0.17

- The quarter's results reflect Frutarom's continued successful implementation of its rapid and profitable growth strategy and the successful integration of the seven strategic acquisitions executed in 2007, while further improving profit and margins

Gross margin – 37.7% compared to 36% in parallel quarter

Operating margin – 12.5% compared to 9.5% in parallel quarter

EBITDA margin – 16.6% compared to 13.1% in parallel quarter

Cash flow from current activities – US\$ 12.6 M compared to US\$ 5.3 M in parallel quarter

- Ori Yehudai, Frutarom's President and Chief Executive Officer: "Frutarom will continue to act determinedly to implement its rapid growth strategy which combines organic growth and strategic acquisitions. We view this challenging and complex period in the global economy as an opportunity to further establish Frutarom's position. Frutarom's core businesses – mostly intended for the food industry (a basic human need), its solid capital structure and its ability to generate cash from current activities, will enable it to successfully

glide through the global economic crisis and exploit the opportunities which have emerged and continue to emerge as a result of this crisis."

Haifa, Israel – November 20, 2008. Frutarom (LSE: FRUTq, TASE: FRUT, OTC: FRUTF) today presented its results for the third quarter of 2008.

Frutarom, a producer of flavors and specialty fine ingredients, continues to successfully implement its rapid and profitable growth strategy, reflected in its organic growth and the execution of strategic acquisitions. Frutarom is today the seventh largest company in the field of flavors and specialty fine ingredients. In accordance with Frutarom's plan, its sharp and continuing growth in sales, combining organic growth, at a rate significantly higher than the industry's average, and the execution of seven strategic acquisitions in 2007, are translated to an improvement in margins, profit and in cash flow.

Frutarom reports **revenues of US\$ 120 M for the third quarter of 2008 – a growth of 36.9% compared to the same quarter in 2007** (growth of 31.5% excluding the effect of the strengthening of European currencies against the US dollar). At the same time, **gross profit grew by 43.6%** to US\$ 45.3 M, **improvement of gross margin to 37.7%** compared to 36% during the same period last year, **increase of 79.6% in operating profit** which totaled US\$ 15 M, **and a significant improvement of operating margin to 12.5%** compared to 9.5% during the same quarter last year. **During the third quarter of 2008, EBITDA grew by 74.1%** and reached US\$ 20 M, while **improving the EBITDA margin to 16.6%** compared to 13.1% during the same period last year. **Net profit during the quarter grew by 60.7%** and reached US\$ 9.4 M compared to US\$ 5.9 M during the same quarter last year **and net margin reached 7.9%** compared to 6.7%.

The following factors contributed mainly to the sharp growth in the Company's sales: internal growth in sales of flavors produced and sold by the Flavors Division; internal growth in the sale of unique ingredients, mainly natural, produced and sold by the Fine Ingredients Division; the acquisitions of Gewurzmuller, Raychan, Adumim and Rad during the third and last quarters of 2007 and their integration with Frutarom's global activity; extraction of the synergy and cross selling opportunities between Frutarom's divisions and its customers and products, both the existing ones and those added as a result of the acquisitions carried out in recent years; and the strengthening of the European currencies and the Shekel (in which most of Frutarom's sales are made) against the US dollar.

During the first nine months of 2008, Frutarom's revenues totaled US\$ 374.6 M, growth of 44.1% compared to the same period in 2007 (growth of 36.4% excluding the effect of the strengthening European currencies against the US dollar). **Gross profit grew by 48.5%** and totaled US\$ 139.8 M, while **gross margin reached 37.3%** compared to 36.2% during the first nine months of 2007. **Operating profit leaped by 77%** and totaled US\$ 48.2 M and **operating margin increased and reached 12.9%** compared to 10.5% during the same period last year. **During the first nine months of 2008, EBITDA grew at a sharp rate of 74.9%** and reached US\$ 63.9 M compared to US\$ 36.6 M during the same period

last year. **EBITDA margin also improved and reached 17.1%** compared to 14.1% during the same period last year. **Net profit during the period totaled US\$ 31.2 M** compared to US\$ 19.4 M during the same period last year **and net margin reached 8.3%** compared to 7.5%.

Earnings per share grew during the third quarter of 2008 by 70% and totaled US\$ 0.17 compared to US\$ 0.10 per share during the same quarter in 2007. **During the first nine months of 2008, earnings per share grew at a rate of 61.8% and reached US\$ 0.55** compared to US\$ 0.34 during the same period last year.

The sharp increase in profit generated a significant growth in cash flow from current activities. **During the third quarter of 2008, Frutarom generated cash flow from current activities in the amount of US\$ 12.6 M** compared to a cash flow of US\$ 5.3 M during the third quarter of 2007. **During the first nine months of 2008, the Company generated cash flow from current activities in the amount of US\$ 21.2 M** compared to US\$ 6 M during the same period last year.

As at September 30, 2008, Frutarom's **shareholders' equity** totaled US\$ 278.9 M (50.9% of balance sheet total) compared to US\$ 242.6 M (62.3% of balance sheet total) as at September 30, 2007. Most of the increase in shareholders' equity resulted from the net profit generated during the period.

Ori Yehudai summed up the quarter and stated: "We will continue to determinedly act for the implementation of our rapid growth strategy, combining organic growth and strategic acquisitions. We are satisfied with our organic growth rate and the integration of the acquisitions made in 2007 with our global activity, while maximizing the extraction of business and operational synergy. The implementation of the integration processes of the acquired activities, as planned, has contributed to the further improvement in profit margins, and we will continue to act determinedly to further achieve high organic growth and to improve margins. We view this challenging and complex period in the global economy as an opportunity to further establish our position. Frutarom's core business - mostly intended for the food industry (a basic human need), its solid capital structure, and its ability to generate cash from current activities, will enable us to successfully glide through the global economic crisis and exploit the opportunities which have emerged and continue to emerge as a result of this crisis."

About the Company

Frutarom is a global company active in the world markets for flavors and ingredients. Frutarom has significant production and development centers on three continents and markets its products on five continents to over 10,000 customers in more than 120 countries. Frutarom's products are intended mainly for the food, beverage, flavor, fragrance, pharmaceutical, nutraceutical, health food, functional food, food additive, and cosmetic industries.

Frutarom, which employs approximately 1,500 people worldwide, operates through two Divisions:

- The Flavors Division, which develops, produces and markets flavor compounds and food systems.
- The Fine Ingredients Division, which develops, produces and markets 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, China, and Turkey. The Company's global marketing organization includes branches in Israel, the United States, England, Switzerland, Germany, Belgium, Holland, Denmark, France, 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.

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

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