

PRESS RELEASE

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FRUTAROM ACQUIRES THE BUSINESS OF THE AMERICAN FLAVORS COMPANY FLAVOR SPECIALTIES

**IN 2008, FLAVOR SPECIALTIES' SALES TOTALED \$ 11.5
MILLION**

CONTINUES TO IMPLEMENT RAPID GROWTH STRATEGY

Ori Yehudai, President of Frutarom: “The acquisition of Flavor Specialties reinforces Frutarom's presence in the US in the flavors field and strengthens its position as a leading global flavors producer and supplier.”

Haifa, Israel – March 4, 2009, Frutarom Industries Ltd. (LSE: FRUTq, TASE: FRUT, OTC:FTUTF) announced today that it has signed an agreement to acquire the assets and business of the American Company Flavors Specialties Inc. ("FSI") which has activities also in Central and South America, in consideration for a cash payment of \$ 17.2 million. The acquisition agreement determines a future upwards or downwards earn-out mechanism, based on the average EBITDA generated by FSI during the 24 months ending December 31, 2010, multiplied by 5.5. In accordance with the earn-out mechanism, total consideration could increase up to a maximum of \$ 27 million or decrease to \$ 13.15 million. The upwards earn-out payment will be paid (by Frutarom) for average EBITDA in excess \$ 3.1 million and the downwards EBITDA will be paid (to Frutarom) for averaged EBITDA below \$ 2.7 million. In 2008, FSI's sales totaled approximately \$ 11.5 million. In 2007, FSI's sales totaled approximately \$ 11.2 million. The acquisition will be financed through bank loans.

Established in 1979 by 3 experienced and reputable founders, FSI is a flavor and botanical extracts company that develops, produces and markets flavors and botanical extracts mainly for the food and beverage industry. FSI has a production site in Corona, California, in the Western Coast of the US and it employs some 38 employees. FSI's broad customer base includes leading food and beverage manufacturers in its countries of operation.

According to **Ori Yehudai, President and Chief Executive Officer of Frutarom**, “This acquisition, which is an additional step in the implementation

of Frutarom's rapid growth strategy and of realizing its vision, "*To be the preferred partner for tasty and healthy success*", is an important strategic acquisition that implements our plan to strengthen Frutarom's geographical presence in the flavors field in the American Continent, and mainly in the US, and supports the further strengthening and positioning of Frutarom, which is already today one of the ten largest companies in the world in the flavors field". **Yehudai** added, "Thanks to Frutarom's proven experience in making acquisitions and in realizing the synergy and cross selling opportunities, we are convinced that this acquisition will contribute to Frutarom's continued fast growth and profitability and will create high value for our customers, our employees and our investors."

Frutarom's personnel, particularly in the US and in the flavors field, will benefit from the significant addition of experienced and skilled managers and employees at all levels. FSI's 3 founders and its strong and experienced management will be integrated into Frutarom USA and contribute their rich experience, and together they will lead the flavors activities in America.

The acquisition is expected to strengthen Frutarom's research and development capabilities in the fields of flavors, functional food and combining health-benefit products into food and beverages. FSI specializes in this important field, which, according to market researches, is growing in the Western World at an annual rate of approximately 9%.

Yehudai added, "Frutarom intends to take advantage of our global marketing and sales infrastructure to leverage and realize the many cross selling opportunities created by this acquisition, by broadening both the customer base and the product portfolio".

According to **Yehudai**, Frutarom continues to implement its rapid growth strategy combining organic growth in its core activities, at rates above the industry average, with strategic acquisitions. Frutarom continues working to identify and implement additional strategic acquisitions of companies and activities and believes that its solid capital structure and its ability to generate cash from operating activities, together with available credit lines from leading banks in the world, will enable it to utilize acquisition opportunities created due to the global economic crisis.

Background on the Company

Frutarom is a multinational company which acts in the global markets of flavors and fine ingredients. The Company has significant production and development centers on three continents and it markets its products in five continents to over 10,000 customers in more than 120 countries. Frutarom's products are intended for the following industries - food and



beverages, flavor and fragrance, pharmaceuticals, nutraceuticals, health food and functional food, food additives and cosmetics.

Frutarom operates under 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 pharmaceutical/nutraceutical extracts, specialty essential oils and citrus products, and aroma chemicals.

Frutarom's products are produced in its plants in the United States, England, Switzerland, Germany, Israel, Denmark, China, and Turkey. The Company's global marketing organization includes the marketing divisions 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. Frutarom has about 1,500 employees worldwide.

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