

News Release

Frutarom expects to complete acquisition of IFF's fruit preparations business in Europe in the very near future

Continues to implement rapid growth strategy

Frutarom Industries Ltd. (TASE: FRUT) today announced that following the successful completion of the consultation process (by IFF) with the employees works council in France to close the site in Dijon and sell the Fruit Preparations business to Frutarom, Frutarom expects to acquire within the next several days the Fruit Preparations (Food Systems) activity in France, thereby completing the acquisition of IFF's Fruit Preparations business in Europe. The activity to be acquired in France comprised 30% of IFF's European fruit preparations business in 2003.

In May, Frutarom announced that it had signed a letter of intent with IFF to purchase IFF's Fruit Preparations business in Europe. In August, Frutarom completed the first stage of the transaction with the acquisition of the business in Germany and Switzerland, which is conducted at two modern production sites in Emmerich, Germany and Reinach, Switzerland. The activity acquired in Germany and Switzerland comprised 70% of the European fruit preparations business.

The Fruit Preparations (Food Systems) business develops and produces unique compounds of fruit and other natural ingredients used as natural flavor materials in a wide range of food products such as dairy, bakery, etc. This activity is synergetic with Frutarom's other activities.

With the expected completion of the French activity's acquisition, Frutarom intends during the next several months to transfer the production activity of the Dijon site to the modern production sites in Germany and Switzerland, which meet the most exacting standards of leading customers in Europe in the food sector, in order to significantly reduce costs while realizing the considerable synergy of the activity at the three sites and the synergy between the acquired activity and the Frutarom Group's existing activity. The research, development, sales and marketing activity that serves the French market will remain in France, where Frutarom intends to considerably expand its activity.

The purchase price of the business acquired in France is EUR 3.5 million (US\$ 4 million). The price for the activities acquired in Switzerland and Germany is EUR 30 million (US\$ 37 million), making the total agreed price EUR 33.5 million (US\$ 41 million). Certain liabilities, to be assumed by Frutarom, will be deducted from this amount. The purchase agreement also provides an earn out mechanism based

on the results of the acquired business in 2005 and 2006, which allows for an increase or decrease of the purchase price of up to an aggregate of EUR 3.5 million.

"Completing this acquisition is another significant milestone and brings Frutarom closer to its target: to achieve sales revenues of US\$ 300 million and become one of the ten largest multinationals in the flavor and fragrance industry," said Ori Yehudai, President and Chief Executive Officer of the Frutarom Group. Yehudai added, "We are fully integrating the activity acquired in August in Switzerland and Germany with the Frutarom Group's global activity. To date, the merger process has gone according to plan and been successful. The acquisition of the activity in France, which is expected to occur shortly, will be the successful conclusion of the transaction, which is a significant step in realizing the strategy implemented by the Frutarom Group in recent years to grow rapidly through both fast organic growth of core activities and strategic acquisitions of activities and companies. The activity being acquired will contribute significantly to Frutarom's position as a leading supplier in the field of natural flavors and fragrances in Europe and to substantial growth in the Frutarom Group's sales turnover and profit."

The Fruit Preparations (Food Systems) activity further leverages the Frutarom Group's strategy to position itself as a leading global supplier of natural ingredients for the food, functional food and health food industries. A growing trend in the food sector is to incorporate medicinal plants into food and beverages so creating functional foods that are both tasty and possess health and well-being attributes. Frutarom enjoys a competitive advantage in this market as a result of its proven capabilities in extracting medicinal plants and in developing natural flavors for food. These two fields of expertise combined with Frutarom's abilities and rich experience in carrying out clinical studies and excellent access to leading food manufacturers around the world put Frutarom in an excellent position to be a leading global supplier in the functional foods field, thus creating an area of clear competitive advantage and differentiation for the company. The activity acquired will also strengthen Frutarom's activity in savory flavors.

The acquisition considerably expands the Frutarom Group's existing customer base and adds many new customers from among the leading multinational food manufacturers in their field, mainly in the Western European market. Frutarom significantly strengthened its presence in Western Europe following the acquisition of Emil Flachsmann AG last year, particularly in Switzerland and Germany and, after the acquisition of the French activity, in France as well, where Frutarom's presence was less prominent. Frutarom plans to expand the West European activity in the fruit preparations field to other areas, such as North America, East Europe and East Asia.

Yehudai added, "We believe the fruit preparations activity is very synergetic with the existing activity of the Frutarom Group's two divisions (the Flavors Division and the Fine Ingredients Division), and will expand the Frutarom Group's multinational spread to additional countries, where Frutarom had a less substantial presence, such as: France, Spain, Italy, Norway and North Africa. The additional

knowhow; good will; quality, experienced personnel; production capacity and customers from among the leading European food manufacturers will contribute markedly to strengthening Frutarom's two divisions and to positioning Frutarom as one of the leading companies in its field." According to Yehudai, "Frutarom will continue to implement its rapid growth strategy and continually seeks additional strategic acquisitions of companies and activities in its field."

Background on the Company

Frutarom is a multinational company with significant production and development centers on three continents, which markets its product on five continents to over 3,500 customers in more than 100 countries. Frutarom's products are intended for the food, beverage, functional food, flavor, fragrance, pharmaceutical, nutraceutical, food additive and cosmetic industries.

Frutarom operates through two Divisions:

- *The Flavors Division, which develops, produces and markets flavors, seasoning compounds and Food Systems.*
- *The Fine Ingredients Division, which develops, produces and markets specialty ingredients (extracts, essential oils, aroma chemicals, natural and botanical extracts and functional ingredients) for the flavor, fragrance, food, functional food, pharmaceutical, nutraceutical and cosmetic industries.*

Frutarom is also active in several innovative activities, including through its ArtChem activity, which develops, produces and markets raw materials in the peptide field that are intended for the pharmaceutical industry producing through biotechnological methods

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

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