FRUTAROM INDUSTRIES LTD.
DIRECTORS REPORT TO THE SHAREHOLDERS
FOR THE PERIOD ENDING SEPTEMBER 30, 2008[1]

General

Frutarom Industries Ltd. ("Frutarom" or "the Company"), a global company, was established in 1933 and became a public company in 1996 with the registration of its shares for trade on the Tel Aviv Stock Exchange. In February 2005, the Company's Global Depository Receipts were listed on the London Stock Exchange Official List. Frutarom develops, produces and markets flavors and fine ingredients used to produce food, beverages, flavors, fragrances, pharma/nutraceuticals and personal care products. Frutarom operates production facilities in Europe, North America, Israel and Asia, and produces, markets and sells over 20,000 products to more than 10,000 customers in over 120 countries. Frutarom operates two divisions: the Flavors Division and the Fine Ingredients Division, and has 1,500 employees.

In recent years, Frutarom has implemented a strategy for achieving rapid growth above the industry's average through a combination of internal growth in core activities and strategic acquisitions in its field. These acquisitions establish Frutarom's position as a leading producer of flavors and ingredients. Further, the acquisitions add quality employees to Frutarom personnel. Frutarom has extensive experience in successfully implementing acquisitions and mergers and is working to integrate the acquired activities in its existing operations and to extract the greatest synergy, both commercial and operational, in order to seize the best opportunities for cross selling, cost savings and margins improvement. During 2007, Frutarom made seven acquisitions that were integrated into Frutarom's global operations. In accordance with the Company's expectations and plans, upon completing most of the merger process with the acquired companies and activities as from the first quarter of this year, these acquisitions commenced contributing to sales growth and to the improvement of profit and profitability.

Frutarom will continue to act determinately to implement its rapid growth strategy, combining internal growth and strategic acquisitions, and view this challenging and complex period in the global economy as an opportunity to further establish its 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 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.

The operating results achieved by Frutarom in the third quarter of the year reflect the continued successful realization of the Company's strategy for a rapid and profitable growth and the actions taken to adjust the selling prices of Frutarom's products to the increased prices of raw materials. Frutarom's sales in the third quarter of 2008 showed a sharp increase of 36.9% compared to the same period in 2007 and totaled US$ 120.0 million compared to US$ 87.7 million in the same quarter last year. Excluding the effect of the strengthening of European currencies (in which most of Frutarom's sales are carried out) against the US dollar, there was a 31.5% increase in sales. Gross profit for the third quarter grew by 43.6% and totaled US$ 45.3 million compared to US$ 31.5 million during the same quarter last year.

[1] Prepared in accordance with the consolidated financial reports of the Company as at September 30, 2008, which were prepared in accordance with IFRS.

Gross margin improved to 37.7% compared to 36.0% during the same period in 2007. Operating profit grew by 79.6% and totaled US$ 15.0 million compared to US$ 8.3 million during the third quarter of 2007. Operating margin improved considerably compared to the same quarter last year and reached 12.5% compared to 9.5% during the third quarter of 2007. The EBITDA achieved during the third quarter of 2008 grew sharply by 74.1%, and totaled US$ 20.0 million compared to EBITDA of US$ 11.5 million during the third quarter of 2007. EBITDA margin also improved and was 16.6% compared to 13.1% during the same period in 2007. Profit before tax grew by 88% and totaled US$ 12.4 million compared to US$ 6.6 million during the same quarter in 2007. Net profit for the third quarter of 2008 grew by 60.7% reaching US$ 9.4 million compared to US$ 5.9 million during the same quarter last year. Net margin improved as well and was 7.9% compared to 6.7% in the same quarter last year.

During the first nine months of 2008, Frutarom's sales totaled US$ 374.6 million, an increase of 44.1% compared to the same period in 2007. Excluding the effect of the strengthening of European currencies (in which most of Frutarom's sales are carried out) against the US dollar, the increase in sales totaled 36.4%. Gross profit grew by 48.5% and totaled US$ 139.8 million compared to US$ 94.2 million during the same period last year. Gross margin was 37.3% compared to 36.2% during the first nine months of 2007. Operating profit grew by 77.0% and totaled US$ 48.2 million compared to US$ 27.2 million during the first nine months of 2007 and gross margin grew to reach 12.9% compared to 10.5% during the same period in 2007. During the first nine months of 2008, EBITDA grew sharply by 74.9% and totaled US$ 63.9 million compared to US$ 36.6 million during the same period last year. EBITDA margin improved as well and reached 17.1% compared to 14.1% during the same period in 2007. Profit before tax grew by 60.6% and totaled US$ 40.7 million compared to US$ 25.3 million during the same period last year. Net profit for the period totaled US$ 31.2 million compared to US$ 19.4 million during the same period last year and net margin was 8.3% compared to 7.5%.

During the third quarter of the year, the Company generated positive cash flow of US$ 12.6 million from current activities compared to a cash flow of US$ 5.3 million during the same period in 2007. During the first nine months of the year, the Company generated positive cash flow of US$ 21.2 million from current activities compared to a cash flow of US$ 6.0 million during the same period in 2007.

In the third quarter, earnings per share grew by 70% reaching US$ 0.17 compared to US$ 0.10 per share in the same period last year. During the first nine months of 2008, earnings per share grew by 61.8% totaling US$ 0.55 compared to US$ 0.34 during the first nine months of 2007.

Summary of the Company's Activity

Frutarom operates in the global flavors and fine ingredients markets. In the flavors market, Frutarom is active mainly in the segments of flavor compounds and food systems. In the fine ingredients market, Frutarom operates mainly in the segments of natural flavor extracts, natural functional food ingredients, natural pharma/nutraceutical extracts, essential oils, unique citrus products and aroma chemicals.

SRI Consultants estimates that the global market for flavors, fragrances and fine ingredients amounts to approximately US$ 18 billion. Frutarom does not operate in the market for fragrance compounds, but does operate in the markets for functional food ingredients (which is not included in the above estimation). Accordingly, the Company believes that the global market in which it operates had sales of approximately US$ 15.0 billion. Based on Leffingwell & Associates' data, Frutarom is ranked as one of the ten largest companies in the field of flavors and fragrances.

The Company's activities are divided into two main divisions, each of which is a major field of activity:

The Flavors Division develops, produces, markets and sells flavor compounds and Food Systems used mainly by manufacturers of food and beverages. Frutarom develops thousands of different flavors, most of which are tailor-made for specific customers, and continuously develops new flavors in order to meet changing consumer preferences and future customer needs. The Flavors Division is the more profitable of Frutarom's activities and has experienced accelerated growth in recent years as a result of both organic growth and the successful integration of a number of strategic acquisitions. The internal growth in the Flavors Division's sales derives mainly from the Division's focus on both developed and emerging markets by providing superior service to global multinationals as well as mid-sized, local customers.

The Fine Ingredients Division develops, produces, markets and sells natural flavor extracts, natural functional food ingredients, natural pharma/nutraceutical extracts, essential oils, unique citrus products, aroma chemicals, and natural gums and stabilizers. The Division’s products are sold principally to the food, beverage, flavor, fragrance, pharma/nutraceutical and personal care industries. The Fine Ingredients Division has experienced growth in recent years as a result of both internal growth and successful strategic acquisitions. The internal growth in the Fine Ingredients Division's sales is mainly the result of the development of new, innovative products having high added value and higher than average margin, and its focus on multinational, mid-sized and local customers worldwide. Most of the Division's products are natural products, which enjoy a higher demand than non-natural products. Frutarom works to expand the natural product portfolio it offers its customers, with particular emphasis on the functional food area.

Frutarom focuses on large multinational customers as well as mid-size and local customers, offering each one the same superior service and tailor-made products. Frutarom concentrates on developed markets such as Western Europe and the United States, as well as fast growing emerging markets such as the CIS (former Soviet Union), Eastern Europe, Asia, and South and Central America. Frutarom offers its customers a wide product portfolio comprised mostly of natural and innovative, value-added products, such as natural functional food ingredients, and continues to invest substantial resources in the Company’s research and development activities. As part of these research and development activities and to expand its offering of natural, innovative and unique products, Frutarom is cooperating with universities, research institutes and start-ups in Israel and elsewhere in the world.

Frutarom will continue to invest considerable efforts and resources in successfully implementing its rapid growth strategy in order to continue strengthening the Company's position as one of the leading global companies in the field of flavors and fine ingredients and to realize its vision:

“To be the Preferred Partner for Tasty and Healthy Success.”

Results of Activity in the Third Quarter of 2008

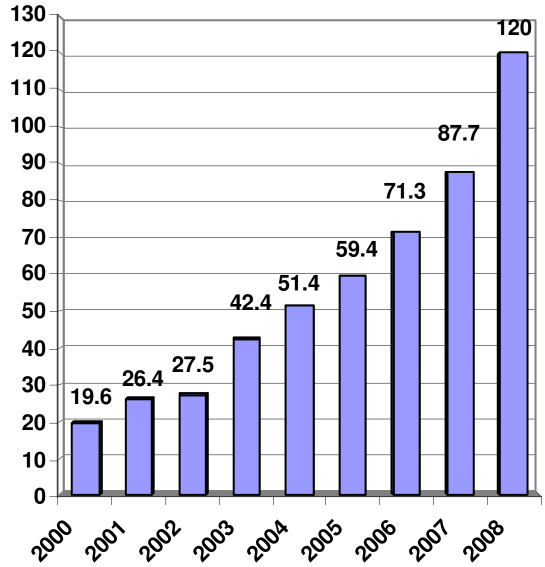
The following is a summary of the profit and loss report for the third quarter of the year (US$ millions):

	2008	2007	Change (%)
Sales	120.0	87.7	36.9%
Gross profit	45.3	31.5	43.6%
R&D, Selling, Administration, General and Other income	30.3	23.2	30.7%
Operating profit	15.0	8.3	79.6%
EBITDA	20.0	11.5	74.1%
Profit before tax	12.4	6.6	88.0%
Net profit	9.4	5.9	60.7%

Sales

During the third quarter of 2008, Frutarom's sales totaled US$ 120 million, an increase of 36.9% compared to US$ 87.7 million during the same quarter of 2007. Excluding the effect of the strengthening of European currencies (in which most of Frutarom's sales are carried out) against the US dollar, sales grew by 31.5%.

Sales Development in the Third Quarter of 2000–2008 (US$ millions)



The following factors were the major contributors to the increase in sales:

A. Internal growth in the sale of flavors produced and sold by the Flavors Division.

B. Internal growth in the sale of unique ingredients, mainly natural, produced and sold by the Fine Ingredients Division.

C. Acquisition of Gewurzmuller, Raychan, Adumim and Rad during the third and fourth quarters of 2007 and their integration with Frutarom's global activities.

D. Utilization of the synergy and cross-selling opportunities between Frutarom's Divisions, existing customers and products and those added through the acquisitions carried out in recent years.

E. The strengthening of the European currencies and the New Israeli Shekel (in which most of Frutarom's sales are made) against the US dollar.

Sales Breakdown by Fields of Activity in the Third Quarter of 2000-2008 (US$ millions and %)

		2000	2001	2002	2003	2004	2005	2006	2007	2008
Flavors Division	**Sales**	6.6	10.1	11.8	21.1	28.1	36.2	47.2	57.6	86.1
	%	33.6%	38.1%	42.8%	49.8%	54.7%	61.0%	66.3%	65.7%	71.7%
Fine Ingredients Division	**Sales**	11.6	15.1	14.7	20.3	22.1	22.7	23.9	28.1	31.1
	%	59.0%	57.2%	53.4%	48.0%	43.0%	38.2%	33.6%	32.0%	25.9%
Trade & Marketing	**Sales**	1.7	1.5	1.5	1.6	1.8	1.6	1.8	3.3	3.8
	%	8.8%	5.6%	5.4%	3.7%	3.5%	2.8%	2.5%	3.7%	3.2%
Inter Division	**Sales**	-0.3	-0.2	-0.5	-0.6	-0.6	-1.1	-1.7	-1.3	-1.0
	%	-1.4%	-0.8%	-1.6%	-1.5%	-1.2%	-2.0%	-2.4%	-1.4%	-0.9%
Total Sales		**19.6**	**26.4**	**27.5**	**42.4**	**51.4**	**59.4**	**71.3**	**87.7**	**120.0**

Gross Profit

During the third quarter of 2008, gross profit grew by 43.6% and totaled US$ 45.3 million compared to US$ 31.5 million during the same quarter in 2007. During the same period, gross margin grew by 37.7% compared to 36.0% during the same period in 2007. Frutarom will continue to determinedly act toward achieving further high organic growth and improve margins.

Selling, Marketing, Research and Development, Administration, General and Other Expenses

During the third quarter of 2008, selling, marketing, research and development, administration, general and other expenses totaled US$ 30.3 million (25.3% of sales) compared to US$ 23.2 million (26.5% of sales) during the same period in 2007. The increase in expenses is due to the addition of activities and companies acquired and the growth in core activities.

Operating Profit

During the third quarter of 2008, operating profit grew by 79.6% and totaled US$ 15.0 million compared to US$ 8.3 million during the same period last year. Operating margin grew and reached 12.5% compared to 9.5% during the same period in 2007.

Finance Expenses / Income

During the second quarter of 2008, finance expenses totaled US$ 2.5 million (2.1% of sales) compared to US$ 1.7 million (2.0% of sales) during the same period last year. Most of the finance expenses are the interest payments on loans which were received to finance the seven acquisitions carried out by the Company in 2007.

Profit before Tax

During the third quarter of 2008, profit before tax grew sharply by 88.0% and totaled US$ 12.4 million (10.3% of sales) compared to US$ 6.6 million (7.5% of sales) during the same period last year.

Taxes on Income

During the third quarter of 2008, taxes on income totaled US$ 3.0 million (24.0% of profit before tax) compared to US$ 0.7 million (11.1% of profit before tax) during the same period in 2007, where a decrease on taxes on income was applied as a result of a reduction of the tax rate in Germany, which caused the decline in deferred taxes and the registration of a non-recurring tax benefit of approximately US$ 0.7 million.

Net Profit

During the third quarter of 2008, net profit grew by 60.7% and totaled US$ 9.4 million compared to US$ 5.9 million during the third quarter in 2007. Net margin grew to reach 7.9% compared to 6.7% during the same quarter last year.

Below is a summary of quarterly profit and loss (US$ millions):

	Q1 2007	**Q2 2007**	**Q3 2007**	**Q4 2007**	**Q1 2008**	**Q2 2008**	**Q3 2008**
Sales	80.5	91.7	87.7	108.4	122.0	132.6	120.0
Gross profit	29.8	32.8	31.5	36.6	44.8	49.7	45.3
R&D, Selling, Administration, General and Other income	19.4	24.3	23.2	29.3	29.4	31.9	30.3
Operating profit	10.4	8.5	8.3	7.3	15.3	17.9	15.0
EBITDA	13.3	11.9	11.5	12.0	20.2	23.8	20.0
Finance expenses	0.2	-0.1	1.7	1.0	2.8	2.2	2.5
Profit before tax	10.1	8.6	6.6	6.3	12.5	15.7	12.4
Net Profit	**7.6**	**5.9**	**5.9**	**4.8**	**9.7**	**12.0**	**9.4**

Frutarom’s business is characterized by seasonal fluctuations that are generally reflected in higher sales and profitability (due to product mix) in the first half of a given year. The impact of seasonality on the Company’s results has steadily decreased in recent years as the Company has increased its sales of products such as savory, following the acquisition of Nesse and Gewurzmuller, natural functional food ingredients and natural pharma/nutraceutical extracts, which are intended for the pharma/nutraceutical industries and generally have lower seasonality in demand.

Results of Activity during the first nine months of 2008

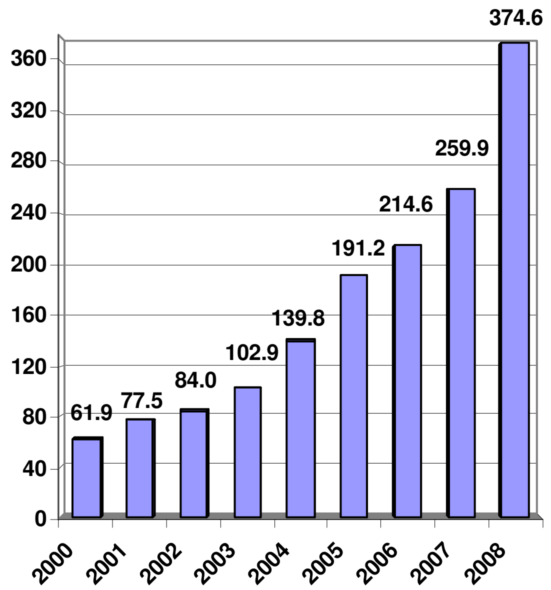
The following is a summary of the profit and loss report for the first nine months of the year (US$ millions):

	2008	2007	Change (%)
Sales	374.6	260.0	44.1%
Gross profit	139.8	94.2	48.5%
R&D, Selling, Administration, General expenses	91.6	66.9	36.9%
Operating profit	48.2	27.2	77.0%
EBITDA	63.9	36.6	74.9%
Profit before tax	40.7	25.3	60.6%
Net profit	31.2	19.4	60.8%

Sales

During the first nine months of 2008, Frutarom's sales totaled US$ 374.6 million, an increase of 44.1% compared to the first nine months of 2007. Excluding the effect of the strengthening of European currencies (in which most of Frutarom's sales are carried out) against the US dollar, there was a 36.4% increase in sales.

Sales Development in the First nine months of 2000–2008 (US$ millions)



The following factors were the major contributors to the increase in sales:

A. Internal growth in sales of flavors produced and sold by the Flavors Division.

B. Internal growth in sales of unique ingredients, mainly natural, produced and sold by the Fine Ingredients Division.

C. Acquisition of the seven companies in 2007 and their integration with Frutarom's global activities.

D. Utilization of the synergy and cross selling opportunities between Frutarom's Divisions, existing customers and products and those added through the acquisitions made in recent years.

E. The strengthening of the European currencies (in which most of Frutarom's sales are made) against the US dollar.

F. Growth in the Trade & Marketing activities of Frutarom Israel.

Sales Breakdown by Fields of Activity during the First nine months of 2000-2008 (US$ millions and %)

		2000	2001	2002	2003	2004	2005	2006	2007	2008
Flavors Division	**Sales**	19.9	30.0	34.9	49.7	70.8	119.6	141.5	169.2	268.6
	%	32.2%	38.7%	41.6%	48.3%	50.6%	62.5%	65.9%	65.1%	71.7%
Fine Ingredients Division	**Sales**	38.0	44.1	45.6	49.8	65.6	69.8	72.0	86.1	98.9
	%	61.3%	56.9%	54.3%	48.4%	46.9%	36.5%	33.5%	33.1%	26.4%
Trade & Marketing	**Sales**	5.1	4.4	4.7	5.1	5.3	5.0	4.7	7.9	10.4
	%	8.2%	5.6%	5.6%	5.0%	3.8%	2.6%	2.2%	3.1%	2.8%
Inter Division	**Sales**	-1.1	-1.0	-1.2	-1.7	-1.9	-3.2	-3.5	-3.4	-3.3
	%	-1.7%	-1.3%	-1.5%	-1.7%	-1.4%	-1.6%	-1.6%	-1.3%	-0.9%
Total Sales		**61.9**	**77.5**	**84.0**	**102.9**	**139.8**	**191.2**	**214.6**	**260.0**	**374.6**

Gross Profit

During the first nine months of 2008, gross profit grew by 48.5% and totaled US$ 139.8 million compared to US$ 94.2 million during the first nine months in 2007. During the period, gross margin was 37.3% compared to 36.2% during the same period in 2007. The improvement in gross profit and gross margin arises from the actions taken by Frutarom to adjust the selling prices of its products to the increase in the prices of the raw materials used for production. Completion of most of the merger process of the companies and activities acquired during 2007, mainly in Israel and England, also contributed to the improvement in margin.

Selling, Marketing, Research and Development, Administration, General and Other Expenses

During the first nine months of 2008, selling, marketing, research and development, administration and general expenses totaled US$ 91.6 million (24.5% of sales) compared to US$ 66.9 million (25.8% of sales) during the same period in 2007.

Operating Profit

During the first nine months of 2008, operating profit grew sharply by 77.0% and totaled US$ 48.2 million compared to US$ 27.2 million during the first nine months of 2007. During the period, operating margin grew and reached 12.9% compared to 10.5% during the same period in 2007.

Finance Expenses / Income

During the first nine months of 2008, finance expenses totaled US$ 7.5 million (2.0% of sales) compared to US$ 1.9 million (0.7% of sales) during the same period in 2007. The increase results from the loans, mostly long-term, received by the Company to finance the acquisitions made during 2007. In addition, finance expenses were also affected by the translation differences resulting from the strengthening of the Israeli shekel and the European currencies.

Profit before Tax

During the first nine months of 2008, profit before tax grew by 60.6% and totaled US$ 40.7 million (10.9% of sales) compared to US$ 25.3 million (9.7% of sales) during the same period in 2007.

Taxes on Income

During the first half of 2008, taxes on income totaled US$ 9.5 million (23.3% of profit before tax) compared to US$ 5.9 million (23.4% of profit before tax) during the same period in 2007.

Net Profit

During the first nine months of 2008, net profit grew by 60.8% and totaled US$ 31.2 million compared to US$ 19.4 million during the same period in 2007. Net margin grew and reached 8.3% compared to 7.5% during the first nine months of 2007.

Financial Status

As at September 30, 2008, total assets were US$ 548.4 million compared to US$ 389.7 million on September 30, 2007 and US$ 548.7 million on December 31, 2007.

The Company's current assets totaled US$ 236.5 million compared to US$ 178.3 million on September 30, 2007 and US$ 217.3 million on December 31, 2007.

As at September 30, 2008, fixed assets less accumulated depreciation and other assets, net totaled US$ 307.2 million compared to US$ 205.0 million at the end of the third quarter last year and US$ 325.8 million on December 31, 2007.

The increase in assets results mainly from the addition of assets and activities of companies acquired during 2007, from the increase in core activities and from the change in the dollar's exchange rate compared to other currencies which are used as the main functional currency of the autonomic subsidiaries.

Liquidity

During the third quarter of 2008, Frutarom generated a positive cash flow of US$ 12.6 million from current activities compared to US$ 5.3 million during the third quarter of 2007. During the first nine months of 2008, Frutarom generated a positive cash flow of US$ 21.2 million from current activities compared to US$ 6.0 million during the same period in 2007. The increase in cash flow from current activities resulted mainly from the increase in profit during the period.

Sources of Finance

Sources of the Company's Shareholders' Equity

As at September 30, 2008, the Company's shareholders' equity totaled US$ 278.9 million (50.8% of the balance sheet total) compared to US$ 242.6 million (62.3% of the balance sheet total) as at September 30, 2007. Most of the increase in shareholders' equity resulted from the net profit achieved during the period.

Long-Term Loans Including Current Maturities of Long-Term Loans (Average)

During the third quarter of 2008, the Company received long-term credit from banks which totaled US$ 169.1 million. The long-term credit was used to finance acquisitions carried out by the Company in 2007. The Company did not require any long-term credit during the same period in 2007.

Short-Term Loans Excluding Current Maturities of Long-Term Loans (Average)

Short-term credit from banks during the third quarter of 2008 totaled US$ 0.8 million (US$ 33.7 million during the same period in 2007). The decrease in short-term credit is the result of converting the loans and credit used to finance the 2007 acquisitions into long-term loans.

Banks borrowings and their expected repayment (amount in US$ 000):

Due within	Principal				Interest
	NIS	Euro	US$	Others*	
One year	12,687	28,902	2,001	2,187	7,913
Two years	1,169	28,760	6,542	6,361	5,707
Three years	780	28,395	875	3,510	3,583
Four years	-	25,597	875	11,064	1,767
Five years	-	-	3,728	-	77
Total	**14,636**	**111,654**	**14,021**	**23,122**	**19,047**

* CHF, GBP

The Company's cash balance as at 30 September, 2008 was US$ 29.919 million.

Payables and Receivables Credit (Average)

During the third quarter of 2008, the average credit from suppliers and other creditors was US$ 76.6 million (compared to US$ 66.0 million during the same quarter in 2007). During the third quarter of 2008, the Company granted average credit of US$ 89.3 million to its customers (compared to US$ 68.0 million during the same quarter in 2007). Most of the increase in suppliers' and customers' credit, results primarily from the acquisitions, the growth in activity, and the change in the US dollar exchange rate against other currencies that are the main activity currency for the autonomous subsidiaries.

Disclosures with respect to Market Risk

During the third quarter of 2008 and up to the date of this report, there were no significant changes to market risk and its management as relates to the statements made in the Directors Report as at December 31, 2007. With regard to most of the Company's activity, a policy of internal hedging is implemented by correlating expenses and income in the various currencies in which the Company operates. Moreover, the Company does not implement any strategies to reduce the exposure to currency risk and/or risk resulting from sharp fluctuations in the prices of goods and raw materials.

Most of the non dollar monetary balances derive from the local activity of the subsidiaries in Europe. The functional currency of these companies is the local currency, and therefore the currency translations differences of these balances do not affect the Company's finance expenses and are directly attributed to a currency translation differences capital fund.

Sensitivity to Changes in the US Dollar-New Israeli Shekel Exchange Rate

	Profit (Loss) from changes		Fair value	Profit (Loss) from changes	
% of change	**+10%**	**+5%**	**--**	**-5%**	**-10%**
Exchange rate	**3.763**	**3.592**	**3.421**	**3.250**	**3.079**
			US$ 000		
Cash and Equivalents	-	-	-	-	-
Customers	(1,347)	(674)	13,471	674	1,347
Other Debtors	(163)	(81)	1,629	81	163
	(1,510)	**(755)**	**15,100**	**755**	**1,510**
Bank Loans	1,464	732	14,635	(732)	(1,464)
Suppliers and Service providers	339	170	3,392	(170)	(339)
Other creditors	764	382	7,641	(382)	(764)
	2,567	**1,283**	**25,668**	**(1,283)**	**(2,567)**
Total exposure, net	**1,057**	**528**	**(10,568)**	**(528)**	**(1,057)**

Sensitivity to Changes in the US Dollar-Pound Sterling Exchange Rate

	Profit (Loss) from changes		Fair value	Profit (Loss) from changes	
% of change	**+10%**	**+5%**	**--**	**-5%**	**-10%**
Exchange rate	**0.599**	**0.571**	**0.544**	**0.517**	**0.490**
			US$ 000		
Cash and Equivalents	(147)	(74)	1,473	74	147
Customers	(678)	(339)	6,777	339	678
Other Debtors	(31)	(15)	309	15	31
	(856)	**(428)**	**8,559**	**428**	**856**
Bank Loans	2,027	1,014	20,272	(1,014)	(2,027)
Suppliers and Service providers	327	164	3,273	(164)	(327)
Other creditors	526	263	5,259	(263)	(526)
	2,880	**1,440**	**28,805**	**(1,440)**	**(2,880)**
Total exposure, net	**2,025**	**1,012**	**(20,246)**	**(1,012)**	**(2,025)**

Sensitivity to Changes in the US Dollar-Euro Exchange Rate

	Profit (Loss) from changes		Fair value	Profit (Loss) from changes	
% of change	**+10%**	**+5%**	**--**	**-5%**	**-10%**
Exchange rate	**0.753**	**0.718**	**0.684**	**0.650**	**0.616**
			US$ 000		
Cash and Equivalents	(1,167)	(583)	11,669	583	1,167
Short term investments	(56)	(28)	555	28	56
Customers	(2,894)	(1,447)	28,938	1,447	2,894
Other Debtors	(637)	(319)	6,375	319	637
	(4,754)	**(2,377)**	**47,536**	**2,377**	**4,754**
Credit from banks	11,166	5,583	111,664	(5,583)	(11,166)
Suppliers and Service providers	1,307	653	13,066	(653)	(1,307)
Other creditors	1,516	758	15,161	(758)	(1,516)
Employee retirement rights liabilities	1,007	503	10,068	(503)	(1,007)
	14,996	**7,498**	**149,959**	**(7,498)**	**(14,996)**
Total exposure, net	**10,242**	**5,121**	**(102,422)**	**(5,121)**	**(10,242)**

Sensitivity to Changes in the US Dollar-Swiss Franc Exchange Rate

	Profit (Loss) from changes		Fair value	Profit (Loss) from changes	
% of change	**+10%**	**+5%**	**--**	**-5%**	**-10%**
Exchange rate	**1.196**	**1.142**	**1.087**	**1.033**	**0.979**
			US$ 000		
Cash and Equivalents	(412)	(206)	4,123	206	412
Customers	(889)	(444)	8,889	444	889
Other Debtors	(512)	(256)	5,117	256	512
	(1,813)	**(906)**	**18,129**	**906**	**1,813**
Credit from Banks	285	143	2,851	(143)	(285)
Suppliers and Service providers	372	186	3,722	(186)	(372)
Other creditors	766	383	7,659	(383)	(766)
Employee retirement rights liabilities	79	39	789	(39)	(79)
	1,502	**751**	**15,021**	**(751)**	**(1,502)**
Total exposure, net	**(311)**	**(155)**	**3,109**	**155**	**311**

Sensitivity to Changes in the US Dollar-Other Currencies Exchange Rate

	Profit (Loss) from changes		Fair value	Profit (Loss) from changes	
% of change	**+10%**	**+5%**	**--**	**-5%**	**-10%**
			US$ 000		
Cash and Equivalents	(317)	(159)	3,171	159	317
Customers	(580)	(290)	5,797	290	580
Other Debtors	(28)	(14)	278	14	28
	(925)	**(462)**	**9,246**	**462**	**925**
Credit from Banks	1	1	11	(1)	(1)
Suppliers and Service providers	67	34	675	(34)	(67)
Other creditors	81	41	811	(41)	(81)
Employee retirement rights liabilities	7	4	70	(4)	(7)
	157	**78**	**1,567**	**(78)**	**(157)**
Total exposure, net	**(768)**	**(384)**	**7,679**	**384**	**768**

Sensitivity to Changes in Interest Rate on Fixed Rate Loans – Fair Value Risk

	Profit (Loss) from changes		Fair value	Profit (Loss) from changes	
% of change	**+10%**	**+5%**	**--**	**-5%**	**-10%**
			US$ 000		
Long Term Loans (Euro)	46	23	5,320	(23)	(46)
Long Term Loans (CHF)	23	12	2,791	(12)	(25)
Total exposure, net	**69**	**35**	**8,111**	**(35)**	**(71)**

Critical Accounting Estimations

Preparation of the financial reports of the Company in accordance with IFRS demands the use of critical accounting estimates, which obliges the management of the Company to use its judgment in the process of implementing the general accounting policies of the Company, to prepare estimates and make assumptions that influence the amounts presented in the attached financial reports.

Below are the critical accounting estimations used in preparing the financial reports of the Company; during their implementation, management was required to make assumptions regarding circumstances and events involving significant uncertainty. In using its judgment to determine these estimates, the management of the Company based itself upon past experience, various facts and on reasonable assumptions in accordance with the suitable circumstances for each estimate. The actual results may be different from management's estimates.

Taxes on Income and Deferred Taxes

The Company is assessed for tax purposes in numerous jurisdictions; accordingly, the Company's management is required to exercise judgment in order to determine the overall provision in respect of taxes on income. The Company makes many transactions for which the final tax determination is uncertain. The Company records provisions in its books based on its estimates of whether additional taxes will be due on these transactions. Where the final tax outcome of these matters as determined by the tax authorities is different from the amounts that were initially recorded, such differences will be carried to income and loss in the period in which the final tax assessment is determined by the tax authorities.

The Company also records deferred tax assets and liabilities based on the differences between the book value of its assets and liabilities and the amounts taken into account for tax purposes. The Company regularly reviews its deferred tax assets for recoverability based on historical taxable income, projected future taxable income, the expected timing of the reversals of existing temporary differences and the implementation of tax planning strategies. If the Company is unable to generate sufficient future taxable income, or if there is a material change in the actual effective tax rates or time period within which the underlying temporary differences become taxable or deductible, the Company could be required to eliminate a portion of the deferred tax asset resulting in an increase in its effective tax rate and an adverse impact on the Company's operating results.

Severance Pay

The present value of the Company's liabilities in respect of severance pay is dependent on several factors that are determined on an actuarial basis in accordance with various assumptions. The assumptions used in the calculation of the net cost (income) in respect of severance pay include the long term yield rate on the related severance pay funds and the rate of discount. Changes in those assumptions will influence the carrying amount of the assets and liabilities in respect of severance pay. The assumption regarding the expected yield on severance pay funds is determined uniformly in accordance with long term historical yields.

The assumption regarding the required rate of discount is determined by the Company at the end of each year. This rate of discount shall be used in determining the estimated updated value of the future cash flows that would be required to cover the severance pay liabilities. The market of high quality corporate bonds is not sufficiently liquid to serve as the basis for determining the discount rate. Therefore, in determining this rate the Company uses interest rates applicable to governmental bonds denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related liability.

Other key assumptions relating to pension liabilities, such as future payroll raises, are based on existing rates of payroll inflation.

Provision for Contingent Liabilities

Provisions for contingent liabilities are recorded in the books in accordance with the judgment of the Company's management and based on the legal advice of its legal counsel regarding the likelihood that the cash flows will be used to meet the liabilities, and on the basis of the estimate determined by the management regarding the present value of the expected cash flows that would be required to meet the existing liabilities.

Provision for Impairment in Respect of Goodwill and Intangibles

Once a year, the Company reviews the need to provide for impairment of goodwill and intangibles. The need to make such a provision is assessed in relation to the recoverable value of the cash generating units of the Company. The recoverable amount of a cash generating unit is determined in accordance with the assumptions and calculations made by management.

Directors with Accounting and Financial Expertise

The Company's Board of Directors has determined that the minimum number of directors with accounting and financial expertise will be set at two. This number takes into account the character of the Company's activity, its complexity and size. The Board believes that this minimum number will enable it to meet its obligations according to law and the Company's Articles of Association, and especially relating to its responsibility to check the Company's financial status and to prepare and approve the financial reports.

The directors who have accounting and financial expertise are: Dr. John Farber, Mr. John Oram, Mr. Hans Abderhalden, Mr. Yacov Elinav, Mr. Isaac Angel and Mr. Yair Seroussi.

Peer Review of the Auditors' Work

In accordance with the instructions of the Israeli Securities Authority of July 28, 2005, regarding the disclosure of consent to perform a peer review whose goal, according to the stated instructions, is to put in place a process of control on the audit work performed by the auditor, which will contribute to the existence of an advanced equity market, the Company agreed to the transfer of the information required to perform a sampling related to the peer review. The Company's consent was given subject to obtaining the auditor's commitment according to which before beginning a review of the material relating to the Company, the Company's auditor will certify that the accountants performing the review commit to maintaining all material transferred to them as part of the peer review procedure in confidence and to avoid any situation of conflict of interests.

Disclosure Regarding the Approval Process for the Financial Reports

The Company's financial reports are submitted for approval by the Board of Directors, the body in charge of the Company's ultimate supervision. The Board of the Company has seven members, of whom six have accounting and financial expertise. The members of the Board receive the draft financial reports, the directors' report and the managerial report of the Company's management several days before the date of the Board meeting at which the reports are brought for their approval. The Company's auditors and members of the Company's senior management, including the president and CEO and executive vice presidents and CFO, are also invited to attend the meeting. The internal auditor of the Company is also present at this meeting. During the meeting, the president and CEO and the executive vice president and CFO present the financial results of the Company for the relevant period, in comparison to previous periods and with emphasis on special events that occurred during the period. During the presentation of the financial results of the Company, the Company's management answers questions and receives the directors' comments. In addition, the Company's management gives a comprehensive review regarding the status of the business and developments that occurred during the relevant period. Following presentation of the Company's financial results and the management's review, the Company's auditors answer any questions the directors may have. Finally, the Board votes on whether or not to approve the financial reports and the directors report and submit them to the securities authorities and stock exchanges. All the members of the Board of Directors participated at the Board meeting held on November 19, 2008, when the reports were approved. All of the directors voted in favor of approving the reports.

Allocation of Shares

On July 3, 2008 and July 24, 2008, the Company allocated additional 29,213 and 10,787 ordinary shares of par value NIS 1.00 each, respectively, as a result of the exercise of options granted to a senior officer in the Company in 2005. The exercise price totaled US$ 0.125 million. Subsequent to the exercise of the options, the Company's issued and paid-up share capital was NIS 57,786,357.

Events Following the Balance Sheet Date

There were no special events after the balance sheet date.

The Company's Board of Directors held one meeting during the third quarter of 2008.

The Board of Directors thanks Frutarom's employees and management for the Company's achievements.

Dr. John J. Farber
Chairman of the Board

Ori Yehudai
President & CEO

November 19, 2008

FRUTAROM INDUSTRIES LTD.

INTERIM REPORT

(Unaudited)

30 SEPTEMBER 2008

FRUTAROM INDUSTRIES LTD.

INTERIM REPORT

(Unaudited)

30 SEPTEMBER 2008

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PRICEWATERHOUSECOOPERS

Kesselman & Kesselman
Certified Public Accountants
1 Nathanson Street
Telephone +972-4-8605000
Facsimile +972-4-8605001

19 November 2008

The Board of Directors
Frutarom Industries Ltd.
Haifa.

Re: Review of unaudited interim consolidated financial
statements for the nine- and three-month periods ended 30 September 2008

At your request, we have reviewed the accompanying consolidated condensed balance sheet of Frutarom Industries Ltd. (hereafter - the company) and its subsidiaries as of 30 September 2008 and the related condensed consolidated statements of income, changes in shareholders' equity and cash flows for the nine- and three-month periods then ended.

Our review was performed in accordance with the procedures prescribed by the Institute of Certified Public Accountants in Israel. Inter alia, these procedures included: reading of the aforementioned financial statements, reading of minutes of meetings of shareholders, the Board of Directors and its committees, and making inquiries of company officers responsible for financial and accounting matters.

We were furnished with the reports of other certified public accountants on their review of the interim financial statements as of 30 September 2008 of consolidated subsidiaries, whose assets constitute approximately 2.91% of the consolidated totals, and whose revenues for the nine and three-month periods ended 30 September 2008 constitute approximately 5.56% and 6.59% of total consolidated revenues for the periods, respectively.

Since our review was limited in scope and did not constitute an audit in accordance with generally accepted auditing standards, we do not express an opinion on the abovementioned consolidated condensed interim financial statements.

During our review, including reading the reports of other auditors, as above, nothing came to our attention that indicated that any material modifications should be made in the said interim condensed consolidated financial statements in order for them to be in conformity with International Financial Reporting Standard No. 4 (IAS 34) –"Interim Financial Reporting" - and with the Securities (Periodic and Immediate Reports) Regulations, 1970.

Sincerely,

Kesselman & Kesselman

FRUTAROM INDUSTRIES LTD.

CONSOLIDATED BALANCE SHEET

30 SEPTEMBER 2008

	30 September		31 December
	2008	**2007**	**2007**
	U.S. dollars in thousands		
	(Unaudited)		**(Audited)**
A s s e t s			
CURRENT ASSETS:			
Cash and cash equivalents	29,919	17,229	31,942
Short-term investments	555	525	1,279
Accounts receivable:			
Trade	88,326	70,138	78,006
Other	14,919	6,899	11,995
Prepaid expenses and advances to suppliers	2,804	6,521	3,637
Inventories	100,011	76,992	90,452
T o t a l current assets	236,534	178,304	217,311
NON-CURRENT ASSETS:			
Property, plant and equipment - net	130,640	114,437	135,607
Intangible assets - net	176,579	90,608	190,150
Deferred income tax assets	2,765	4,419	3,745
Other non-current assets	1,868	1,908	1,898
T o t a l non-current assets	311,852	211,372	331,400
T o t a l assets	548,386	389,676	548,711

) Chairman of the Board

Dr. John Farber

) President and CEO

Ori Yehudai)

) Executive Vice

Alon Granot) President and CFO

Date of approval of the financial statements: 19 November 2008

	30 September 2008	30 September 2007	31 December 2007
	U.S. dollars in thousands		
	(Unaudited)		(Audited)
Liabilities and shareholders' equity			
CURRENT LIABILITIES:			
Bank credit and loans (including current maturities)	36,703	36,445	44,221
Accounts payable:			
Trade	33,370	29,641	38,797
Other	38,130	35,531	96,412
Provisions	365	377	440
T o t a l current liabilities	108,568	101,994	179,870
NON-CURRENT LIABILITIES:			
Bank credit and loans, net of current maturities	126,730		82,579
Retirement benefit obligations	11,379	7,918	11,518
Deferred income tax liabilities	21,385	12,248	22,209
Other liabilities	1,420	24,906	1,420
T o t a l non-current liabilities	160,914	45,072	117,726
T o t a l liabilities	269,482	147,066	297,596
SHAREHOLDERS' EQUITY:			
Share capital	16,490	16,466	16,466
Capital surplus	95,502	94,092	94,392
Currency translation differences	16,413	13,595	17,638
Retained earnings	153,461	120,477	125,279
Less - cost of company shares held by subsidiary	(2,962)	(2,020)	(2,660)
T o t a l shareholders' equity	278,904	242,610	251,115
Total shareholders' equity and liabilities	548,386	389,676	548,711

The accompanying notes are an integral part of these condensed financial statements.

FRUTAROM INDUSTRIES LTD.

CONSOLIDATED STATEMENTS OF INCOME

FOR THE NINE AND THREE-MONTH PERIODS ENDED 30 SEPTEMBER 2008

	9 months ended 30 September		3 months ended 30 September		Year ended 31 December
	2008	2007	2008	2007	2007
	U.S. dollars in thousands				
	(Unaudited)		(Unaudited)		(Audited)
SALES	374,625	259,897	120,022	87,692	368,261
COST OF SALES	234,808	165,738	74,724	56,152	237,506
GROSS PROFIT	139,817	94,159	45,298	31,540	130,755
SELLING, MARKETING, RESEARCH AND DEVELOPMENT, GENERAL AND ADMINISTRATIVE EXPENSES:					
Selling, marketing, research and development - net	65,412	46,205	21,350	16,299	66,898
General and administrative	27,120	21,045	8,714	7,324	29,525
OTHER EXPENSES (INCOME) - net	(893)	(303)	271	(412)	(194)
OPERATING PROFIT	48,178	27,212	14,963	8,329	34,526
FINANCIAL EXPENSES - net	7,520	1,889	2,545	1,723	2,923
PROFIT BEFORE TAXES ON INCOME	40,658	25,323	12,418	6,606	31,603
TAXES ON INCOME	9,470	5,932	2,982	733	7,410
NET INCOME FOR THE PERIOD	31,188	19,391	9,436	5,873	24,193

	U.S. Dollars				
EARNINGS PER SHARE:					
BASIC	0.55	0.34	0.17	0.10	0.42
FULLY DILUTED	0.54	0.34	0.16	0.10	0.41

The accompanying notes are an integral part of these condensed financial statements.

FRUTAROM INDUSTRIES LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE NINE AND THREE-MONTH PERIODS ENDED 30 SEPTEMBER 2008

	Share Capital	**Capital Surplus**	**Currency translation differences**	**Retained earnings**	**Cost of company shares held by subsidiary**	**Total**
	U.S. dollars in thousands					
BALANCE AT 1 JANUARY 2008 (audited)	16,466	94,392	17,638	125,279	(2,660)	251,115
CHANGES DURING THE 9 MONTHS ENDED 30 SEPTEMBER 2008 (unaudited):						
Net income not recognized in the net profit - changes in currency translation			(1,225)			(1,225)
Net income				31,188		31,188
Total recognized income for 9 months ended 30 September 2008						29,963
Plans for allotment of company shares to employees of subsidiary:						
Acquisition of company shares by subsidiary					(741)	(741)
Receipts in respect of allotment of company shares to employees					439	439
Allotment of shares and options to senior employees:						
Allotment of share capital to senior employees	24	237				261
Recognition of compensation related to employee stock and options grants		873				873
Dividend paid including erosion (note 2)				(3,006)		(3,006)
BALANCE AT 30 SEPTEMBER 2008 (unaudited)	16,490	95,502	16,413	153,461	(2,962)	278,904

FRUTAROM INDUSTRIES LTD.

CONOSLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (continued)

FOR THE NINE AND THREE-MONTH PERIODS ENDED 30 SEPTEMBER 2008

	Share capital	Capital surplus	Currency translation differences	Retained earnings	Cost of company shares held by subsidiary	Total
	U.S. dollars in thousands					
BALANCE AT 1 JULY 2008 (unaudited)	16,478	95,083	28,927	144,025	(2,840)	281,673
CHANGES DURING THE 3 MONTHS ENDED 30 SEPTEMBER 2008 (unaudited):						
Net income not recognized in the net profit - changes in currency translation			(12,514)			(12,514)
Net income				9,436		9,436
Total recognized income for 3 months ended 30 September 2008						(3,078)
Plans for allotment of company shares to employees of subsidiary:						
Acquisition of company shares by subsidiary					(171)	(171)
Receipts in respect of allotment of company shares to employees					49	49
Allotment of shares and options to senior employees:						
Allotment of share capital to senior employees	12	119				131
Recognition of compensation related to employee stock and options grants		300				300
BALANCE AT 30 SEPTEMBER 2008 (unaudited)	16,490	95,502	16,413	153,461	2,962	278,904

FRUTAROM INDUSTRIES LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (continued)

FOR THE NINE AND THREE-MONTH PERIODS ENDED 30 SEPTEMBER 2008

	Share Capital	Capital Surplus	Currency translation differences	Retained earnings	Cost of company shares held by subsidiary	Total
	U.S. dollars in thousands					
BALANCE AT 1 JANUARY 2007 (audited)	16,434	93,116	5,716	103,658	(1,791)	217,133
CHANGES DURING THE 9 MONTHS ENDED 30 SEPTEMBER 2007 (unaudited):						
Net income not recognized in the net profit - changes in currency translation			7,879			7,879
Net income				19,391		19,391
Total recognised income for 9 months ended 30 September 2007						27,270
Plans for allotment of company shares to employees of subsidiary:						
Purchase of company shares by subsidiary					(554)	(554)
Receipts in respect of allotment of company shares to employees					234	234
Recognition of compensation related to the plan					91	91
Allotment of shares and options to senior employees:						
Allotment of share capital to senior employees	32	167				199
Recognition of compensation related to employee stock and option grants		809				809
Dividend paid, including erosion				(2,572)		(2,572)
BALANCE AT 30 SEPTEMBER 2007 (unaudited)	16,466	94,092	13,595	120,477	(2,020)	242,610

FRUTAROM INDUSTRIES LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (continued)

FOR THE NINE AND THREE-MONTH PERIODS ENDED 30 SEPTEMBER 2008

	Share capital	**Capital Surplus**	**Currency translation differences**	**Retained earnings**	**Cost of company shares held by subsidiary**	**Total**
	U.S. dollars in thousands					
BALANCE AT 1 JULY 2007 (unaudited)	16,466	93,814	5,984	114,604	(1,488)	229,380
CHANGES DURING THE 3 MONTHS ENDED 30 SEPTEMBER 2007 (unaudited):						
Net income not recognized in the net profit - changes in currency translation			7,611			7,611
Net income				5,873		5,873
Total recognized income for 9 months ended 30 September 2007						13,484
Plans for allotment of company shares to employees of subsidiary:						
Purchase of company shares by subsidiary					(554)	(554)
Receipts in respect of allotment of company shares to employees						
Recognition of compensation related to the plan					22	22
Allotment of shares and options to senior employees:						
Allotment of share capital to senior employees						
Recognition of compensation related to employee stock and options grants		278				278
Dividend paid, including erosion						
BALANCE AT 30 SEPTEMBER 2007 (unaudited)	16,466	94,092	13,595	120,477	(2,020)	242,610

FRUTAROM INDUSTRIES LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (continued)

FOR THE NINE AND THREE-MONTH PERIODS ENDED 30 SEPTEMBER 2008

	Share capital	Capital surplus	Currency translation differences	Retained earnings	Cost of company shares held by subsidiary	Total
	U.S. dollars in thousands (audited)					
BALANCE AT 1 JANUARY 2007	16,434	93,116	5,716	103,658	(1,791)	217,133
CHANGES IN 2007:						
Net income not recognized in the net profit - changes in currency translation			11,922			11,922
Net income				24,193		24,193
Total recognized income for 2007						36,115
Plan for allotment of Company shares to employees of subsidiary:						
Purchase of Company shares by subsidiary					(1,194)	(1,194)
Receipts in respect of allotment of Company shares to employees					234	234
Recognition of compensation related to the plan					91	91
Allotment of shares and options to senior employees:						
Allotment of share capital to senior employees	32	167				199
Recognition of compensation related to employee stock and option grants		1,109				1,109
Dividend				(2,572)		(2,572)
BALANCE AT 31 DECEMBER 2007	16,466	94,392	17,638	125,279	(2,660)	251,115

FRUTAROM INDUSTRIES LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE AND THREE-MONTH PERIODS ENDED 30 SEPTEMBER 2008

	9 months ended 30 September		3 months ended 30 September		Year ended 31 December
	2008	2007	2008	2007	2007
	U.S. dollars in thousands				
	(Unaudited)		(Unaudited)		(Audited)
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash generated from operations (Note 5)	28,956	11,819	17,849	6,697	24,032
Income tax paid	(7,733)	(5,848)	(5,206)	(1,427)	(8,908)
Net cash provided by operating activities	21,223	5,971	12,643	5,270	15,124
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of property, plant and equipment	(8,673)	(10,035)	(2,845)	(3,012)	(14,685)
Purchase of other assets	(37)	(2,611)	(25)	(771)	(2,820)
Interest received*					867
Acquisition of subsidiary – net of cash acquired	(51,761)	(22,209)	(22,562)	(1,972)	(91,108)
Acquisition of operations – net of cash acquired		(8,427)		(8,427)	(8,427)
Reimbursement in respect of acquisition of operations		2,389		2,389	2,389
Proceeds from sale of property, plant and equipment	3,958	566	64	286	708
Short-term marketable securities – net	722	2,829	42	34	2,199
Net cash used in investing activities	(55,791)	(37,498)	(25,326)	(11,473)	(110,877)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Receipts from senior employees in respect of allotment of shares	261	199	131		199
Interest paid*	(5,063)	(200)	(1,932)	(71)	
Receipt (repayment) of short-term bank credit and loans	(2,470)	32,744	68	9,507	20,521
Receipt of long-term bank credit and loans	63,176		23,785		89,483
Repayment of long-term bank loans and credit	(16,430)		(6,263)		(2,166)
Purchase of company shares by subsidiary – net of receipts in respect of the shares	(302)	(320)	(122)	(554)	(960)
Dividend paid	(3,006)	(2,572)			(2,572)
Net cash provided by financing activities	36,166	29,851	15,667	8,882	104,505
NET EFFECT OF CURRENCY TRANSLATION ON CASH AND CASH EQUIVALENTS	76	571	1,407	430	1,681
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,674	(1,105)	4,391	3,109	10,433
BALANCE OF CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	28,177	17,744	25,460	13,530	17,744
BALANCE OF CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 4)	29,851	16,639	29,851	16,639	28,177

* Reclassified.

The accompanying notes are an integral part of these condensed financial statements.

FRUTAROM INDUSTRIES LTD.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

30 SEPTEMBER 2008

(UNAUDITED)

1. General:

a) The interim consolidated financial statements of the group as of March 31, 2008 (hereinafter - the interim financial statements) and for the 9 and 3-month periods ended on that date (hereafter – the interim financial statements) have been prepared in accordance with International Accounting Standard 34 - "Interim Financial Reporting" (hereinafter - IAS 34) and the Israeli Securities Regulations (Periodic and Immediate Reports), 1970.

b) The principal accounting policies set out below have been consistently applied to all the periods presented, except for the matter described in 1c below and the classification of interest paid or received in the statement of cash flows from operating activities in accordance with IAS 7.

The interim financial statements have been prepared under the historical cost convention, as modified by the revaluation of amounts funded in respect of employee retirement obligations, financial assets and financial liabilities at fair value through profit or, that are presented at their fair value.

Costs incurred unevenly during the year are anticipated or deferred for interim reporting purposes if, and only if, it is appropriate to anticipate or defer such costs at the end of the reported year.

Income tax for interim periods is included based on the best management's estimate of the weighted average annual income tax rate expected for the full financial year.

c) Basis of preparation

1) Interpretation that came into effect during the 2008:

(a) IFRIC 14 to IAS 19 – "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" (hereafter – IFRIC 14). IFRIC 14 provides general guidance on how to assess the limit in IAS 19 Employee Benefits on the amount of the surplus that can be recognized as an asset in a defined benefit plan. It also explains how the pension asset or liability of a defined benefit plan may be affected when there is a statutory or contractual minimum funding requirement. The implementation of the interpretation did not have a material effect on the group's financial statements.

(b) IFRIC 11 to IFRS 2 – "Group and Treasury Shares Transactions" – provides guidance whether share-based transactions involving treasury shares or involving group entities (for example, options, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This implementation of the interpretation did not have a material impact on the group's financial statements

1. **General** (Continued):

2) Standards and Interpretations for existing Standards that are not yet effective and that the group has not opted for their early adoption –

(a) IAS 27 (Revised) – "Consolidated and Separate Financial Statements" (hereafter – IAS 27R) (in effect commencing July 1, 2009).
IAS27R requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gain and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognized in profit or loss. The group will apply IAS 27 (Revised) prospectively to transactions with non-controlling interests from 1 January 2010. It is expected that the implementation of the standard would not have a material effect on the financial statements.

(b) International Financial Reporting Standard No. 3 (Revised) – "Business Combinations" (hereafter – IFRS3R) (in effect commencing July 1, 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition –by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The group will apply IFRS 3 (Revised) prospectively to all business combinations from 1 January 2010. Group's management examines the potential impact of implementation of IFRS3R on its financial statements in futures reporting periods.

(c) International Accounting Standard No. 1 (Revised) – "Presentation of Financial Statements" (hereafter – IAS1R) (in effect commencing January 1, 2009). IAS1R sets overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content. Inter alia, IAS1R prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring "non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition tot the current requirement to present balance sheets at the end of the current period and comparative period. The group will apply IAS 1 (Revised) from 1 January 2009, but it is unlikely that the implementation of this standard would have a material impact on its financial statements.

(d) International Financial Reporting Standard No. 8 – "Operating Segments" – (hereafter IFRS8) (in effect commencing January 1, 2009). IFRS 8 replaces IAS 14 "Segment Reporting". The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply IFRS 8 from 1 January 2009. The expected impact is still being assessed in detail by management; it appears likely that the number of reportable segments would not change, nor will the manner in which the segments are reported.

1. **General** (Continued)**:**

(e) IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The group will apply IAS 23 (Amended) from 1 January 2009 but it is not expected that the implementation thereof would have a material effect on its financial statements.

(f) IFRIC 16 issued by the International Financial Reporting Interpretation Committee – "Hedges of a Net Investment in a Foreign Operation" (effective for annual periods beginning on or after 1 October 2008; hereafter – IFRIC 16). IFRIC 16 clarifies the accounting treatment in respect of net investment hedging. This includes the fact that net investment hedging relates to differences in functional currency not presentation currency, and hedging instruments may be held anywhere in the group. The requirements in IAS 21, "The Effects of Changes in Foreign Exchange Rates", do apply to the hedged item. The Group would apply IFRIC 16 from 1 January 2009 but it is not expected that the implementation thereof would have a material impact on its financial statements.

(g) IFRS 2 (Amendment), "Share-based Payment" (effective from 2 January 2009). The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The group will apply IFRS 2 (Amendment) from 1 January 2009, but it is not expected that the application will have a material impact on the its financial statements.

(h) IAS 32 (Amendment), "Financial Instruments: Presentation" and IAS 1 (Amendment), "Presentation of Financial Statements" – "Puttable Financial Instruments and Obligations Arising on Liquidation" (effective from 1 January 2009). The amended standards require entities to classify the puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro-rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions. The group will apply the IAS 32 and IAS 1 (Amendment) from 1 January 2009, but it is not expected that the application will have a material impact on its financial statements.

(i) IFRS 5 (Amendment), "Non-Current Assets Held-for-Sale and Discontinued Operations" (and consequential amendment to IFRS 1, "First Time Adoption") (effective from July1, 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. A consequential amendment to IFRS 1 states that these amendments are applied prospectively from the date of transition to IFRSs. The group will apply the IFRS 5 (Amendment) from 1 January 2010.

1. General (Continued)**:**

(j) IAS 23 (Amendment) "Borrowing Costs" (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in IAS 39 "Financial Instruments: Recognition and Measurement". This eliminates the inconsistency of terms between IAS 39 and IAS 23. The group will apply the IAS 23 (Amendment) prospectively to the capitalization of borrowing costs on qualifying assets from 1 January 2009.

(k) IAS 28 (Amendment), "Investments in Associates" (and consequential amendments to IAS 32, "Financial Instruments: Presentation" and IFRS 7, "Financial Instruments: Disclosures") (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. An investment in associate is treated as a single asset for the purposes of impairment testing. Any impairment loss is not allocated to specific assets included within the investment, for example, goodwill. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases. The group will apply IAS 28 (Amendment) to impairment tests related to investments in subsidiaries and any related impairment losses from 1 January 2009.

(l) IAS 36 (Amendment), "Impairment of Assets" (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The group will apply the IAS 28 (Amendment) and provide the required disclosure where applicable for impairment tests from 1 January 2009.

(m) IAS 38 (Amendment), "Intangible Assets" (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. A prepayment may only be recognized in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. The group will apply IAS 38 (Amendment) from 1 January 2009.

(n) IAS 19 (Amendment), "Employee Benefits" (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008.

- The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service given rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.
- The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.
- The distinction between short-term and long-term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.

1. General (Continued)**:**

- IAS 37, "Provisions, Contingent Liabilities and Contingent Assets" requires contingent liabilities to be disclosed, not recognized. IAS 19 has been amended to be consistent.

The group will apply IAS 19 (Amendment) from 1 January 2009.

(o) IAS 39 (Amendment), "Financial Instruments: Recognition and Measurement" (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008.

- This amendment clarifies that it is possible for there to be movements into and out of the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge.
- The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading is also amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit-taking is including in such a portfolio on initial recognition.
- The current guidance on designating and documenting hedges states that a hedging instrument needs to involve a party external to the reporting entity and cites a segment as an example of a reporting entity. This means that in order for hedge accounting to be applied at segment level, the requirements for hedge accounting are currently required to be met by the applicable segment. The amendment removes the example of a segment so that the guidance is consistent with IFRS 8, "Operating Segments", which requires disclosure for segments to be based on information reported to the chief operating decision-maker. Currently, for segment reporting purposes, each subsidiary designates contracts with group treasury as fair value or cask flow hedges so that the hedges are reported in the segment to which the hedged items relate. This is consistent with the information viewed by the chief operating decision-maker. After the amendment is effective, the hedge will continue to be reflected in the segment to which the hedged items relate (and information provided to the chief operating decision-maker), but the group will not formally document and test this relationship.
- When remeasuring the carrying amount of a debt instrument on cessation of fair value hedge accounting, the amendment clarifies that a revised effective interest rate (calculated at the date fair value hedge accounting ceases) are used.

The group will apply IAS 39 (Amendment) from 1 January 2009.

(p) IAS 1 (Amendment), "Presentation of Financial Statements" (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with IAS 39, "Financial Instruments: Recognition and Measurement" are examples of current assets and liabilities, respectively. The group will apply IAS 1 (Amendment) from 1 January 2009.

1. General (Continued)**:**

(q) There are a number of minor amendments to IFRS 7, "Financial Instruments: Disclosures", IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors", IAS 10, "Events after Reporting Period", IAS 18, " "Revenue" and IAS 34, "Interim Financial Reporting", which are part of the IASB's annual improvements project published in May 2008 (not addressed above). These amendments are unlikely to have an impact on the group's financial statements.

3) Standards, amendments and interpretations effective as from 2008 but not relevant to group's activities.
The implementation of the following published standards, amendments and interpretations is obligatory for reporting period commencing January 1, 2008, but not relevant to group activities:

(a) IFRIC 12, "Service concession arrangements" (effective from 1 January 2008) (hereafter – IFRIC12). IFRIC 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. IFRIC 12 is not relevant to the group’s operations because none of the group’s companies provide for public sector services.

(b) IFRIC 13,"Customer loyalty programmes" (effective from 1 July 2008) (hereafter – IFRIC 13). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. IFRIC 13 is not relevant to the group’s operations because none of the group’s companies operate any loyalty programmes.

4) Interpretation to existing standards that is not yet effective and not relevant to Group's operations.
The interpretation to existing standards has been published and is mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods but is not relevant for the group operations:

(a) IAS 16 (Amendment), "Property, Plant and Equipment" (and consequential amendment to IAS 7, "Statement of Cash Flows" (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Entities whose ordinary activities comprise renting and subsequently selling assets present proceeds from the sale of those assets as revenue and should transfer the carrying amount of the asset to inventories when the asset becomes held for sale. A consequential amendment to IAS 7 states that cash flows arising from purchase, rental and sale of those assets are classified as cash flows from operating activities. The amendment will not have an impact on the group's operations because none of the group's company's ordinary activities comprise renting and subsequently selling assets.

1. General (Continued)**:**

(b) IAS 27 (Amendment), "Consolidated and Separate Financial Statements (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Where an investment in a subsidiary that is accounted for under IAS 39, "Financial Instruments: Recognition and Measurement", is classified as held for sale under IFRS 5, "Non-Current Assets Held-for-Sale and Discontinued Operations", IAS 39 would continue to be applied. The amendment will not have an impact on the group's operations because it is the group's policy for an investment in subsidiary to be recorded at cost in the standalone accounts of each entity.

(c) IAS 28 (Amendment), "Investments in Associates" (and consequential amendments to IAS 32, "Financial Instruments: Presentations" and IFRS 7, "Financial Instruments: Disclosures") (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Where an investment in associate is accounted for in accordance with IAS 39, "Financial Instruments: Recognition and Measurement", only certain rather than all disclosure requirements in IAS 28 need to be made in addition to disclosures required by IAS 32, "Financial Instruments: Presentation" and IFRS 7, "Financial Instruments: Disclosures". The amendment will not have an impact on the group's operations since there are no Investments in Associates in the group consolidated financial statements.

(d) IAS 29 (Amendment), "Financial Reporting in Hyperinflationary Economies (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The guidance has been amended to reflect the fact that a number of assets and liabilities are measured at fair value rather than historical cost. The amendment will not have an impact on the group's operations, as none of the group's subsidiaries or associates operate in hyperinflationary economies.

(e) IAS 31 (Amendment), "Interests in Joint Ventures" and consequential amendments to IAS 32 and IFRS 7 (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Where an investment in joint venture is accounted for in accordance with IAS 39, only certain rather than all disclosure requirements in IAS 31 need to be made in addition to disclosures required by IAS 32, "Financial Instruments: Presentation" and IFRS 7, "Financial Instruments: Disclosures". The amendment will not have an impact on the group's operations as there are no interests held in joint ventures.

(f) IAS 38 (Amendment), "Intangible Assets" (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment deletes the wording that states that there is "rarely, if ever" support for use of a method that results in a lower rate of amortization that the straight-line method. The amendment will not have an impact on the group's operations, as all intangible assets are amortised using the straight-line method.

1. General (Continued)**:**

(g) IAS 40 (Amendment), "Investment Property" (and consequential amendments to IAS 16) (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Property that is under construction or development for future use as investment property is within the scope of IAS 40. Where the fair value model is applied, such property is, therefore, measured at fair value. However, where fair value of investment property under construction is not reliably measureable, the property is
measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable. The amendment will not have an impact on the group's operations, as no investment properties are held by the group.

(h) IAS 41 (Amendment), "Agriculture" (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. It requires the use of a market-based discount rate where fair value calculations are based on discounted cash flows and the removal of the prohibition on taking into account biological transformation when calculating fair value. The amendment will not have an impact on the group's operations as no agricultural activities are undertaken.

(i) IAS 20 (Amendment), "Accounting for Government Grants and Disclosure of Government Assistance" (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The benefit of a below-market rate government loan is measured as the difference between the carrying amount in accordance with IAS 39, "Financial Instruments: Recognition and Measurement", and the proceeds received with the benefit accounted for in accordance with IAS 20. The amendment will not have an impact on the group's operations as there are no loans received from the government.

(j) Minor amendments have been made to IAS 20, "Accounting for Government Grants and Disclosure of Government Assistance", and IAS 29, "Financial Reporting in Hyperinflationary Economies", IAS 40, "Investment Property", and IAS 41, "Agriculture", which are part of the IASB's annual improvements project published in May 2008 (not addressed above). It is not expected that these amendments would have a material effect on the financial statements of the group.

(k) IFRIC 15 issued by the International Financial Reporting Interpretation Committee - "Agreements for the Construction of Real Estate" - (effective from 1 January 2009; hereafter – IFRIC 15); this IFRIC includes guidelines for determining from the point of view of the contractor when construction and sale of Real Estate falls within the scope of IAS 11 – "Construction Contracts" (hereafter – IAS 11)– and when such construction and sale falls within the scope of IAS 18 – "Revenue" (hereafter – IAS 18). It is likely to result in IAS 18 being applied to a wider range of transactions. IFRIC 15 also clarifies the proper timing for recognition of revenue arising from construction of Real Estate as above, in accordance with the requirements of each of the two relevant standards (IAS 11 and IAS 18). The Interpretation will not have an impact on the group's operations as there are no construction and sale of Real Estate.

FRUTAROM INDUSTRIES LTD.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

30 SEPTEMBER 2008

(UNAUDITED)

1. General (Continued)**:**

d) The Company's activity is subject to seasonal fluctuations, with generally higher sales in the first half of a given year and lower sales in the second half of a given year (in particular in the fourth quarter). Many of the Company's products are used by its customers in the manufacture of beverages and dairy products such as soft drinks, ice cream and yogurts, for which demand generally increases during the summer months. As a result, sales of certain flavors and fine ingredients produced by the Company are higher in the first half of the year than in the second half.

2. Dividend

On 17, March 2008, the Company's Board of Directors declared the distribution of a dividend of NIS 0.18 per share, in the total amount of $ 2,890 thousands. On 6 May, 2008, a dividend of $ 3,006 thousands was paid to the shareholders.

3. Business Segment Data:

	Flavors Division	Fine ingredients division	Trade and Marketing division	Eliminations	Consolidated
	U.S. dollars in thousands				
9 months ended 30 September 2008 (unaudited):					
Revenues	268,555	98,885	10,469	(3,284)	374,625
Segment results	39,545	7,258	690	685	48,178
9 months ended 30 September 2007 (unaudited):					
Revenues	169,223	86,127	7,938	(3,391)	259,897
Segment results	19,681	7,600	386	(455)	27,212
3 months ended 30 September 2008 (unaudited):					
Revenues	86,077	31,086	3,888	(1,029)	120,022
Segment results	12,666	1,802	349	146	14,963
3 months ended 30 September 2007 (unaudited):					
Revenues	57,601	28,091	3,260	(1,260)	87,692
Segment results	6,029	2,080	206	14	8,329
Year ended 31 December 2007 (audited):					
Revenues	247,672	114,951	10,501	(4,863)	368,261
Segment results	26,823	7,904	497	(698)	34,526

4. Cash and cash equivalents

Cash and bank overdrafts at the end of the reported periods; include the following for the purposes of the cash flow statement:

	30 September 2008	30 September 2007	31 December 2007
	U.S. dollars in thousands		
Cash and cash equivalents	29,919	17,229	31,942
Bank overdrafts	(68)	(590)	(3,765)
	29,851	16,639	28,177

5. Cash Flows from Operations:

	9 months ended 30 September 2008	9 months ended 30 September 2007	3 months ended 30 September 2008	3 months ended 30 September 2007	Year ended 31 December 2007
	U.S. dollars in thousands				
	(Unaudited)		(Unaudited)		(Audited)
Profit before taxes on income	40,658	25,323	12,418	6,606	31,603
Adjustments required to reflect the cash flows from operating activities:					
Depreciation and amortization	14,882	8,448	4,713	2,842	12,647
Recognition of compensation related to employee stock and option grants	873	900	300	300	1,200
Liability for employee rights upon retirement – net	(101)	(151)	46	(148)	(5,521)
Deferred income taxes – net	214	(1,620)	(637)	(1,820)	785
Loss (gain) from sale of fixed assets	(3,638)	(309)	(717)	(207)	42
Decrease in provisions – net	(75)	(569)	(3)		(545)
Interest paid (received)*	5,063	200	1,932	71	(867)
Erosion of long-term loans	1,470		(235)		550
Other		435		148	593
	18,688	7,334	5,399	1,186	8,884
Changes in working capital:					
Decrease (increase) in accounts receivable:					
Trade	(12,066)	(9,114)	3,986	5,074	(5,152)
Other	808	(1,482)	117	2,950	6,506
Increase (decrease) in accounts payable:					
Trade	(5,289)	(1,551)	(5,267)	(7,986)	3,832
Other*	(2,905)	3,617	1,113	2,625	(6,078)
Decrease (increase) in inventories	(10,938)	(12,308)	83	(3,758)	(15,563)
	(30,390)	(20,838)	32	(1,095)	(16,455)
Cash flows from operating activities	28,956	11,819	17,849	6,697	24,032
Non-cash transactions:					
Conversion of short term loans to long term	18,941				

* Reclassified.

6. Exercise of option for the purchase of Nesse

The company completed its exercise of the option for the purchase of the remaining 30% of Nesse's shares and the success fee payment in accordance with the payment mechanism based on the acquisition agreement and it holds 100% of the share capital of Nesse. Due to the above the company has paid on the 16th of April and the 9th of July 2008, a total of € 18,890,224 ($ 30,089,118), which was financed using long-term bank credit.

7. Payment of the future consideration for acquisition of Gewurzmuller group

On July 14, July 24 and September 8, 2008, the Company paid the balance of the consideration for the acquisition of the Gewurzmuller Group in accordance with the payment mechanism set in the acquisition agreement. The balance of the consideration paid aggregates € 13,868,285 (US$ 21,672,036), which was financed through long-term bank loans. Upon making the said payment, the final cost of purchase was settled with the sellers and thereby decreased by € 5,280,715 (US$ 8,052,562), and the amount of goodwill was changed accordingly.