

## PRESS RELEASE

### **Frutarom Acquires Acatris Health**

**Acatris Health is a well recognized innovative developer and supplier of natural botanical health ingredients for the dietary supplement, functional food and cosmetic industries**

### **Frutarom continues to implement its rapid growth strategy**

**Haifa, Israel – October 3, 2006, Frutarom Industries Ltd. (LSE: FRUTq, TASE: FRUT, OTC: FRUTF)** announced today that it signed an agreement for the acquisition of 100% of the share capital of multinational Acatris Health in consideration for a cash payment of Euro 10.5 million.

Acatris Health, a global health ingredients company in Belgium and the Netherlands, is a member of the Dutch Royal Schouten Group N.V. Acatris Health is engaged in the development, production, sale and marketing of unique and innovative botanical ingredients for the dietary supplement and functional food markets. Acatris Health's LifeLine product range includes Linumlife, Fenulife, and Soylyfe, which are strong reputable product brands and enjoy both licenses and patents that effectively promote and protect the sales of these clinically-proven natural health ingredients. Acatris Health sells its products to over 450 leading companies in the food supplement, functional food and cosmetic markets, largely in Western Europe and the United States.

With its staff of 38, Acatris Health has achieved sales of \$14.7 million (Euro 11.6 million) in 2005 with margins similar to that of Frutarom's Fine Ingredients Division. Frutarom expects that Acatris Health's activities will grow in the coming years at an above-industry rate largely due to increased sales of its unique, branded proprietary patented products that enjoy above average profitability.

According to **Frutarom's President and CEO, Ori Yehudai**, "Acquiring Acatris Health is an important strategic acquisition that represents another step in the implementation of Frutarom's rapid growth strategy and the fulfillment of its vision "To be the Preferred Partner for Tasty and Healthy Success." The acquisition of Acatris Health will significantly strengthen our unique, natural product portfolio that we offer our customers, particularly in the dietary supplement and functional food markets that are enjoying rapid growth, and strengthen Frutarom's leadership position in these markets." **Yehudai** added that "thanks to Frutarom's proven experience in implementing effectively mergers and acquisitions, and leverage of all possible cross-selling synergies, we are convinced that this acquisition will also contribute to Frutarom's continuing rapid growth and profitability, and will create high value for our customers, our employees, and our shareholders"

Mr. Piëst, CEO of Royal Schouten Group ("RSG"), which was represented by JBR Corporate Finance in the sale process of Acatris Health, commented that RSG and Acatris Health's management are pleased with the sale of Acatris Health to Frutarom, which RSG sees as a leading global player in the industry. "Our longstanding and

special relationship with the Frutarom Group, with whom we have cooperated for years with great success, together with Frutarom's advantageous global position, assures that the integration of the two companies' activities will contribute both to Acatris Health's devoted and superb staff and customers, as well as those of Frutarom."

A high degree of synergy exists between the current activities of Acatris Health and Frutarom, which Frutarom will work diligently to realize. Acatris Health's activity will be merged within the global structure of Frutarom's Fine Ingredients Division, and also be combined with the successful activity of Flachsmann Switzerland, acquired by Frutarom in 2003. Acatris Health's experienced and effective management, R&D, marketing and sales teams will contribute significantly to the Frutarom Group's existing human resources, and Frutarom's R&D community will benefit from significant new expertise in the arena of natural products with the addition of Acatris Health's R&D capabilities and its pipeline of future products and applications. Acatris Health's excellent marketing and sales organization, recognized as a leading provider of natural products, particularly in the USA and Western Europe, and its customers will join those of Frutarom, thereby creating new and varied cross-selling opportunities that Frutarom will be able to offer to its widened customer base, and Acatris Health's and Frutarom's combined sales and marketing network will promote Acatris Health's unique products in geographies such as Asia where they had a limited presence up until now. Manufacturing equipment that was acquired as part of the acquisition will be integrated into Frutarom's manufacturing facilities, and Acatris Health's logistics center in Belgium, also acquired as part of the transaction, will be integrated as well strengthening Frutarom's European supply chain.

Frutarom is a global company listed on the TASE and the LSE. It engages in the development, manufacture, and marketing of flavor extracts and fine ingredients used in the manufacture of food, beverages, pharmaceuticals, nutraceuticals, functional food, and cosmetics. Frutarom manufactures, markets, and sells over 15,000 products to over 5,000 customers in more than 100 countries.

Frutarom's 2005 sales totaled \$243.8 million (a 24% increase from 2004), and its net profits totaled \$28 million (a 50% increase from 2004). Frutarom's sales from the first half of 2006 totaled \$143.3 million, up 8.7% from the first half of 2004. Its net profits from the first half of 2006 grew by 14.4%, totaling \$17.4 million. Frutarom's activities are carried out in two divisions:

- Flavors Division which engages in the development, manufacture, and sales of flavors, compounds and food systems.
- Fine Ingredients Division, which engages in the development, manufacture, and sales of natural flavor extracts, natural functional food ingredients, natural pharma / nutraceutical extracts, essential oils, unique citrus products, and aroma chemicals

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