

**FRUTAROM SIGNS AGREEMENT FOR EXCLUSIVE GLOBAL LICENSE TO
PRODUCE AND MARKET A UNIQUE PLANT EXTRACT
TO REDUCE AND STABILIZE GLUCOSE LEVELS
IN BLOOD OF DIABETES AND PRE-DIABETES PATIENTS**

**NUMBER OF DIABETICS IN USA ALONE ESTIMATED AT 20 MILLION
AND RISING SHARPLY
40% OF SUFFERERS IN THE USA USE NUTRACEUTICAL PRODUCTS
IN ADDITION TO CONVENTIONAL DRUG TREATMENT**

Frutarom has signed an exclusive global licensing agreement with D-Herb, of the NGT technological incubator in Nazareth, Israel, to produce and globally market a unique herbal extract for the reduction and stabilization of glucose levels in diabetes and pre-diabetes patients. Frutarom intends to market and sell this unique extract, whose activity is supported by clinical trials that yielded excellent results, to the nutraceutical, pharmaceutical, functional food and health food industries as part of its unique natural product portfolio.

Type II diabetes has reached epidemic proportions and will continue to escalate due to a rise in obesity and an ageing population.

The number of diabetics in the world is estimated at 190 million, of which 20 million are in the USA. Forty percent of American diabetics use nutraceutical products in addition to conventional drug treatment. The American Diabetes Association estimates that an additional 41 million Americans suffer from pre-diabetes and recommends the use of nutraceuticals and food additives to reduce glucose levels in order to help prevent or postpone the onset of the disease. The US market for natural anti-diabetes products is estimated at US\$ 50 million and last year grew 30%. This unique extract is the only clinically proven, natural product that reduces HbA1c levels in Type 2 diabetes patients (the most reliable test when measuring diabetes).

Ori Yehudai, President and Chief Executive Officer of Frutarom said, “Adding this unique, innovative product to Frutarom’s natural extracts product portfolio aligns with Frutarom’s strategy for rapid growth, with an emphasis on natural products for the fields of functional and health foods, as well as nutraceuticals and pharmaceuticals. Frutarom specializes in extracting active ingredients from botanicals and has a broad range of customers worldwide, including leading pharmaceutical, nutraceutical and food manufacturers. Frutarom is adding the product to its portfolio of unique and innovative products and will begin marketing within several months.”

Frutarom invests significant resources and considerable efforts to expand the range of natural products it produces and markets, with a special emphasis on functional food ingredients (food products combining unique ingredients adding health and dietary value), a market that delivers annual growth rates exceeding 10%.

Yehudai added that the cooperation with D-Herb is part of the company's broad strategy aimed at strengthening Frutarom's position as a leading supplier of natural products and functional food ingredients. As part of this strategy, Frutarom invests and cooperates with start-up companies, research institutes and universities that develop innovative and unique products and technologies associated with Frutarom's core activities. This activity supports and strengthens the ongoing in-house research and development activities conducted by the company's 21 R&D labs throughout the world.

According to **Yehudai**, "Frutarom is actively seeking new sources for breakthroughs and innovation and is involved in additional collaborations that will boost its research and development activity and significantly strengthen its product portfolio. Frutarom's partners can potentially benefit from the company's global presence and from its widespread sales and marketing network that includes offices in over 40 countries. Frutarom's partners will gain access to Frutarom's over 5,000 global and local customers in more than 100 countries, including market leaders in the food, nutraceutical, pharmaceutical and cosmetic industries. They can also profit from the company's extensive experience in industrial production, including in scaling up production processes and bringing products from the lab phase to commercial scale at Frutarom's 16 production facilities throughout the world."

Frutarom has a proven track record and exceptional capabilities in the field of botanical extracts from medicinal plants, along with a capacity for innovation in producing and marketing advanced raw materials based on scientific research. Together with the company's excellent access and long term acquaintance with the global food and nutraceuticals industries, and its extensive familiarity with their needs and requirements, these factors all provide the basis for Frutarom's advantages and for its positioning as a preferred partner for many of its customers worldwide in providing solutions combining superior health and taste.

Frutarom is a global public company traded on the Tel Aviv and London Stock Exchanges. The company develops, produces and markets flavors and ingredients used to produce food, beverages, pharmaceuticals, nutraceuticals, functional food and cosmetics. Frutarom produces and markets over 15,000 products to more than 5,000 customers in over 100 countries. Frutarom's sales totaled US\$ 243.8 million in 2005 (growing 24% from the previous year), and its net profit totaled US\$ 28 million (growing 50% from the previous year). Sales for the first half of 2006 totaled US\$ 143.3 million, up 8.7% compared with the first half last year. Net profit for the first half of 2006 rose 14.4% to total US\$ 17.4 million.

Frutarom operates through two Divisions:

- The Flavors Division, which develops, produces and markets flavor compounds and food systems.
- The Fine Ingredients Division, which develops, produces and markets natural flavor extracts, natural functional food ingredients, natural pharma/nutraceutical extracts, specialty essential oils and citrus products, and aroma chemicals.

Frutarom's Vision is ***To Be the Preferred Partner for Tasty and Healthy Success!***

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