

FRUTAROM ACQUIRES RAYCHAN FOOD INDUSTRIES

FRUTAROM CONTINUES IMPLEMENTING RAPID GROWTH STRATEGY

RAYCHAN SALES FOR 2006 REACHED ABOUT US\$ 5.5 MILLION

RAYCHAN DEVELOPS, PRODUCES AND MARKETS FLAVOR COMPOUNDS AND FUNCTIONAL INGREDIENTS FOR THE FOOD INDUSTRY

Haifa, Israel – June 5, 2007, Frutarom Industries Ltd. (LSE: FRUTq, TASE: FRUT, OTC: FRUTF) announced today that it has signed an agreement to acquire 100% of the share capital of the Israeli company Raychan Food Industries Ltd. ("Raychan") in consideration for US\$ 1.05 million and the assumption of Raychan's debt (minus working capital) in the amount of US\$ 1.23 million. Raychan's sales for 2006 reached about US\$ 5.5 million, mostly in Israel. Completion of the transaction is subject to the final approval of the Israeli Anti Trust Commissioner.

Raychan develops, produces and markets flavor compounds and markets ingredients for the food industry. Raychan's activity is highly synergetic with Frutarom's activity in Israel and that of the Nesse company, which was acquired at the beginning of 2006. Raychan's activity is expected to broaden Frutarom's product offering in the fields of savory and functional products and solutions to its customers in Israel and worldwide. Raychan's products will be integrated into the product range produced by Frutarom's Flavors Division, which is the most profitable of Frutarom's activities. Frutarom intends to utilize the many cross selling opportunities inherent in the acquisition and to sell Raychan's products to Frutarom's existing customers in markets where Raychan was less active to date (such as Eastern Europe and Turkey) in order to maximize the synergy between the companies' activities. The acquisition will strengthen Frutarom's technological capabilities and its research and development infrastructure, especially in the field of savory flavor compounds. The acquisition will improve the service and quality Frutarom provides to its customers in this field, in Israel or elsewhere.

According to **Ori Yehudai, President and Chief Executive Officer of the Frutarom Group**, "The acquisition of Raychan is the third by Frutarom this year, following the acquisitions of the English companies Belmay and Jupiter, and continues the implementation of the Frutarom

Group's rapid growth strategy. The acquisition further supports Frutarom's strength and position; Frutarom is already one of the ten largest companies in the world in the field of flavors and fragrances. Frutarom intends to continue acting to realize and utilize the considerable synergy—both commercial and operational—existing between Frutarom and Raychan's activities in order to achieve optimal use of the cross selling opportunities and the greatest saving in expenses." **Yehudai** added, "Thanks to Frutarom's proven experience in making acquisitions and in realizing synergy, we are convinced that this acquisition will benefit Frutarom's continued profitable fast growth and will create added value for our customers, our employees and our investors."

Frutarom's personnel will benefit from the significant addition of experienced and skilled employees. Raychan's management will be integrated into Frutarom's management in Israel and contribute its experience.

The acquisition's completion is subject to receiving the final approval of the Israeli Anti Trust Commissioner, following the Commissioner's conditional approval of the merger, received yesterday, subject to certain conditions that, in the Commissioner's opinion, will remove competitive fears. Frutarom estimates that the Commissioner's final approval of the merger will be received within three months.

According to **Yehudai**, Frutarom continues to implement its rapid growth strategy, which combines organic growth in core activities (at rates higher than the average for the industry in which Frutarom operates) with strategic acquisitions. Frutarom continues acting to locate and complete additional strategic acquisitions of activities and knowhow in Frutarom's fields of activity.

About Frutarom:

Frutarom is a multinational company operating in the global flavor extracts and fine ingredients markets. Frutarom has significant manufacturing and development centers on three continents and markets its products to more than 5,000 customers in over 120 countries on 5 continents. Frutarom's products are intended for the food and beverage, flavor and fragrance, pharmaceutical, nutraceutical, health food, functional food, food supplement and cosmetic industries.

Frutarom operates two main divisions:

- The Flavors Division develops, manufactures and markets flavor compounds and food systems.

- The Fine Ingredients Division develops, manufactures and markets natural flavor extracts, natural functional food ingredients, natural pharma/nutraceutical extracts, essential oils and unique citrus products and aromatic chemicals.

Frutarom's products are produced at its facilities in the US, the UK, Switzerland, Germany, Israel, Denmark, China, and Turkey. The company's global marketing network includes marketing departments in Israel, the US, the UK, Switzerland, Germany, Belgium, Holland, Denmark, France, Hungary, Romania, Russia, the Ukraine, Kazakhstan, Belarus, Turkey, Brazil, Mexico, China, Japan, Hong Kong, India, and Indonesia. The Company also has agents and local distributors throughout the world. Frutarom employs 1,150 employees worldwide.