

## **FRUTAROM COMPLETES ACQUISITION OF RAYCHAN FOOD INDUSTRIES**

### **CONTINUES IMPLEMENTING RAPID GROWTH STRATEGY**

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

**Haifa, Israel – August 28, 2007, Frutarom Industries Ltd. (LSE: FRUTq, TASE: FRUT, OTC: FRUTF)** announced that it has completed the acquisition of 100% of the share capital of the Israeli company Raychan Food Industries Ltd. ("Raychan") after the Israeli Anti Trust Commission granted final approval on August 15 for the merger. In consideration for Raychan's shares, Frutarom paid US\$ 1.05 million and assumed 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.

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 Nesse, which was acquired at the beginning of 2006. Raychan's activity broadens 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 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. Frutarom's manpower will benefit and be strengthened considerably by the addition of Raychan's experienced and skilled employees and Raychan's management will be integrated into Frutarom's management in Israeli and contribute its experience.

Frutarom is acting to complete the integration of Raychan's activities with its own at Frutarom's sites in Haifa and Acco within several months in order to maximize the expected operational savings.

According to **Ori Yehudai, President and Chief Executive Officer of the Frutarom Group**, "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."

**Yehudai** added, "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 1,300 employees worldwide.