

**TET.L**  
**10 April 2008**

**TREATT PLC**  
**(“Treatt”)**  
**TRADING UPDATE – YEAR ENDING 30 SEPTEMBER 2008**  
**AND**  
**ACQUISITION OF REMAINING 50% OF EARTHOIL**

**Trading Update**

Treatt PLC (the ‘Group’), the manufacturer and supplier of conventional, organic and ethically-traded ingredients for the flavour, fragrance and cosmetic industries today provides an update on trading for the year ending 30 September 2008.

The Group’s two main operating subsidiaries, R.C. Treatt & Co. Limited and Treatt USA Inc have performed well in the first half of the financial year, with both companies respectively achieving record sales in February and March 2008. Whilst margins have remained under pressure, this has been more than compensated for by significant sales growth across the broad range of products.

With respect to the Group’s joint venture in Earthoil, the results for the first six months have been disappointing. Treatt’s share of Earthoil’s pre tax losses for the five months ended 29 February 2008 totalled £235,000. As is explained below, the Group has now arranged to take full control of Earthoil.

Prospects for the second half of the financial year are good, with Group order books at an all-time high with R.C. Treatt’s order book up 65% year on year, whilst Treatt USA has seen an increase of 60% year on year in their order book.

The Group therefore remains on course to meet the Board’s expectations for the year ended 30 September 2008. However, in accordance with IFRS, the Group is required to carry out a fair value impairment review of Earthoil, and it should be noted that this statement excludes the potentially material impact of such a review.

**Acquisition of remaining 50% of organic and fair trade joint venture partners, Earthoil**

Treatt plc, one of the world’s leading independent ingredients suppliers to the flavour and fragrance industries, also announces today that it has acquired the remaining 50% of the issued share capital of each of Earthoil Plantations Limited and Earthoil Kenya Proprietary EPZ Limited (together known as “Earthoil”). In February 2007, Treatt acquired 50% of Earthoil in order to enter into the organic and fair trade markets for essential and vegetable

oils for the flavour and fragrance market where Treatt already has a significant presence, as well as for the cosmetics industry. The organic market represents a new area for Treatt with high growth potential. The entire consideration for the remaining 50% is contingent on the future profitability of the Earthoil business and is payable in 2012, and will be subject to shareholder approval if required.

## **Financial Information on Earthoil**

Previously, under the terms of the February 2007 joint venture, Treatt had an option to acquire the remaining 50% of Earthoil in 2012. However, the Board has decided to review its position following disappointing results since establishment of the joint venture. In the five months ended 29 February 2008, Treatt's share of Earthoil losses totalled £235,000. Under the previous joint venture, the Treatt Board was only able to exercise 'non-executive' and strategic direction over Earthoil with no involvement in the day to day running of the business. The Board believes that by gaining full control and ownership of the Earthoil companies, it will be better able to ensure that Earthoil achieves its potential, both in terms of sales and profitability.

The total aggregated gross assets of the Earthoil companies as at 31 December 2007 were £2.8 million (unaudited). The aggregate (unaudited) losses of the Earthoil companies for the financial year ended 31 December 2007 were £459,000.

## **Details on the consideration**

The consideration for the acquisition of the remaining 50% of Earthoil is an earn-out equal to 50% of eleven times the average audited pre-tax profits of the Earthoil businesses of the two years ending 31 December 2011, capped at £5 million, and subject, if required, to shareholder consent. An advance on the earn-out of £250,000 is being paid by Treatt on completion which is either recoverable against the earn-out or, if that is not sufficient, against the loan stock payable to the original Earthoil shareholders in 2015.

### **About Treatt plc**

Treatt is a global supplier of ingredients to the flavour and fragrance industries. These ingredients are mainly based on essential oils, which are distilled or blended. Aroma chemicals and a range of Treattarome™ natural distillates, manufactured from the named food, are also supplied. Typical products including a Treatt ingredient could range from air fresheners, cosmetics, shampoos and soaps to soft drinks, confectionery and basic pharmaceutical products. Treatt is a world leader in the supply of essential oils for these uses.

There are hundreds of different essential oils extracted from many different organic materials. Some examples of common oils are peppermint, lime, lavender, orange and eucalyptus. Essential oils have been used as flavour, fragrance and cosmetic ingredients for centuries.

### **About Earthoil**

Established in 2001 and with its headquarters in Lichfield, Staffordshire, Earthoil is a specialist in its field, growing, manufacturing, sourcing and trading high quality, organically certified essential oils and vegetables oils (also known as "nut" or "seed" oils) as well as other natural extracts. All Earthoil's organic products are certified by the Soil Association and other bodies

approved by IFOAM, (the International Federation of Organic Agriculture Movements), the worldwide body for organic agriculture.

Earthoil grows its own products in plantations in southern Africa and has a network of well-established relationships with organic farmer groups throughout the world from whom it purchases products at fair and sustainable prices. Earthoil is therefore able to offer a broad range of organic essential oils and vegetable oils, including: tea tree oil, peppermint oil, lemon oil, apricot kernel oil, sweet almond oil, rosehip oil, cocoa butter and papaya seed oil. It has operating facilities in both the UK and Kenya, with its manufacturing base located just outside Nairobi within an Export Processing Zone, which offers favourable trading terms, including certain tax exemptions.

Earthoil has established a strong, reputable brand name and distributes to customers requiring 100% organic products in the UK, Europe, the US, Australia and Asia. Customers include The Body Shop, Aveda and Neal's Yard Remedies. Currently, its products are principally used by the cosmetics industry.

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