TREATT PLC

TREATT PLC
INTERIM RESULTS ANNOUNCEMENT
SIX MONTHS ENDED 31 MARCH 2008

Treatt PLC, the manufacturer and supplier of conventional, organic and ethically-traded ingredients for the flavour, fragrance and cosmetic industries announces today its interim results for the six months ended 31 March 2008.

SUMMARY

- Group revenue up by 13% to £21,662,000 (2007: £19,230,000)
- EBITDA decreased by 5% to £1,963,000 (2007: £2,073,000)
- Profit before tax for the period down by 8% to £1,317,000 (2007: £1,439,000)
- Group order books up more than 60% year on year
- Treatt USA profits more than doubled, with Q3 continuing strong performance
- Interim dividend raised by 3% to 3.6p (2007: 3.5p)
- Share of Earthoil joint venture losses totalling £232,000 (2007: £23,000).

Edward Dawnay, Chairman commented:

"Both R.C. Treatt and Treatt USA performed well in the first half and with Group order books up by more than 60% year on year, we expect this to continue for the remainder of the year."

CHAIRMAN'S STATEMENT

"Group revenue has increased year on year by 13% and order books are up by more than 60%"

The Group's results for the six months to 31 March 2008, reflect a quiet first quarter and pressure on margins, but a strong performance in the second quarter, with Group revenue growing by 13% to £21,662,000 (2007: £19,230,000). Gross margins were lower than last year and this resulted in EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) decreasing by 5% to £1,963,000 (2007: £2,073,000) and profit before tax falling by 8% to £1,317,000 (2007: £1,439,000). Earnings per share have consequently reduced to 9.3 pence per share (2007: 9.8 pence per share).

The Board has declared an increase in the interim dividend of 2.9% to 3.6 pence per share (2007: 3.5 pence per share) which will be payable on 3 October 2008 to all shareholders on the register at close of business on 29 August 2008.

The Group's first quarter performance was in line with expectations, but the second quarter has been very strong across the existing Treatt Group (excluding Earthoil) in terms of sales, albeit with slightly lower margins. During the period, orange oil prices remained stable whilst other flavour and fragrance raw material prices have increased as energy costs remain high. The Group's orange oil product sales increased in volume by 44% partially as a result of investment in capacity which will be paid back within 2 years and new business being won for both the UK and US facilities where volumes are at record levels despite stable prices. Sales of aroma chemicals and Treattarome™ natural distillates have continued to perform well.

Following a disappointing year last year, Treatt USA is now exceeding expectations having obtained some important new business in citrus oils. Compared to the same period last year, sales have increased by 31% with profits having more than doubled. Treatt USA is now performing well in its' main sector of flavour ingredients and sales are at all time highs, with Treattarome™ natural distillates showing 20% growth in various sectors and products.

R.C. Treatt, the Group's UK operating subsidiary, also had a good first six months with sales growing by 9%, despite the weak US Dollar continuing to exert significant downward pressure on margins. Within the period, the contrast between the first and second quarters was again significant, with sales and contribution in quarter two being almost 40% up on quarter one. The increased capacity, following last year's investment, has resulted in a 60% increase in orange product sales with contribution up by 40%. Following several years of continued growth, aroma chemical sales have remained at a similar level as compared to last year, and margins remain firm. Sales to both the Middle and Far East remain strong and are above the levels for last year.

Earthoil

Shortly after the period end the Group acquired the remaining 50% of Earthoil Plantations Limited and Earthoil Kenya Pty EPZ Ltd (collectively referred to as '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 decided to review its position following disappointing results since establishment of the joint venture. In the six months to 31 March Treatt's share of Earthoil losses totalled £232,000 (2007: £23,000). Under the joint venture arrangements, 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 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 for 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 was paid 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.

The Board believes that by gaining full control and ownership of Earthoil, it will be better able to ensure that Earthoil achieves its potential, both in terms of sales and profitability. Having acquired 100% of Earthoil we are now in a strong position to direct and control its growth. Many large FMCG companies continue to look at organic products and we are well placed to gain from this, especially in the field of specialty vegetable and seed oils (primarily for cosmetic use) processed at the Kenyan facility.. Since taking full control we are pleased by the positive response and the inquiries we are receiving through Treatt global sales outlets.

Risks and uncertainties

The operation of a public company involves a series of risks and uncertainties across a range of strategic, commercial, operational and financial areas. The principal risks and uncertainties that could have a material impact on the Group's performance over the remaining six months of this financial year (for example, causing actual results to differ materially from expected or from those experienced previously) are detailed below:

- foreign exchange risk, particularly with regard to the US Dollar, as the Group trades with approximately one hundred countries around the globe. This is controlled through the implementation of a foreign exchange hedging policy;
- credit risk in ensuring payments from customers are received in full and on a timely basis. Appropriate payment terms are agreed with customers including, where necessary, payment in advance or by securing payment through bank letters of credit;
- legislative and regulatory risk as new requirements are being imposed on business and the industries with which the Group are involved, for example the new European REACH (Registration, Evaluation and Authorisation of Chemicals) legislation. The Group take a pro-active and leading role in ensuring the Group's systems and procedures are adapted to ensure compliance with new or changing legislative or regulatory requirements;
- movements in commodity and essential oil prices often caused by unpredictable weather patterns or other sudden changes in supply or demand, for example the impact of the 2004 Florida hurricanes on grapefruit oil prices. This is managed by ensuring that Group purchases of raw materials are based upon a well researched understanding of the risks involved and ensuring that appropriate inventory balances are held in order to meet future demand, whilst not holding excessive levels which may expose the Group to unnecessary levels of risk.

Group risk is regularly reviewed at Board level to ensure that risk management is being implemented and monitored effectively.

Cash flow

During the period there was a net cash outflow for the Group of £2.1m. Although debtors have increased by £2.5m, this is a short term outflow which is expected to reverse in the second half. Inventories, having increased by £0.3m in the period, are however expected to increase further in order to ensure that appropriate levels of inventory are held in relation to the substantially increased order book, particularly with regard to long term contracts.

Prospects

The Board believe that Treatt USA and R.C. Treatt, with Group order books up by more than 60% albeit at lower margins due to the product mix, will continue to perform well in the second half of the year, and that there will be a gradual improvement in the results from Earthoil. We believe that the potential for further growth in both Treattarome™ and traditional citrus oil sales is still good, although the world shortage of lemons will have unpredictable effects on the Group's results over the next twelve to eighteen months.

Edward Dawnay
Chairman
26 May 2008

TREATT PLC

TREATT PLC
UNAUDITED INTERIM STATEMENT
For the six months ended 31 March 2008

GROUP INCOME STATEMENT

		Six months ended		Year ended
		31 March	31 March	30 September
		2008	2007	2007
		(Unaudited)	(Unaudited)	(Audited)
	Notes	**£'000**	£'000	£'000
Revenue	3	**21,662**	19,230	38,066
Cost of sales		**(16,153)**	(14,186)	(27,858)
Gross profit		**5,509**	5,044	10,208
Administrative expenses		**(3,767)**	(3,394)	(6,874)
Share of results of joint ventures		**(232)**	(23)	(70)
Operating profit		**1,510**	1,627	3,264
Finance revenue		**159**	41	136
Finance costs		**(352)**	(229)	(572)
Profit before taxation		**1,317**	1,439	2,828
Taxation	4	**(364)**	(454)	(801)
Profit for the period attributable to equity shareholders		**953**	985	2,027
Earnings per share				
- Basic	5	**9.4p**	9.8p	20.0p
- Diluted	5	**9.4p**	9.7p	19.9p

All amounts relate to continuing operations
The notes on pages 10 to 14 form part of this interim statement

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GROUP STATEMENT OF RECOGNISED INCOME AND EXPENSE

	Six months ended 31 March 2008 (Unaudited) £'000	Six months ended 31 March 2007 (Unaudited) £'000	Year ended 30 September 2007 (Audited) £'000
Profit for the period	**953**	985	2,027
Currency translation differences on foreign currency net investments	**157**	(267)	(509)
Actuarial (loss)/gain on defined benefit pension scheme	**(413)**	-	1,900
Deferred tax on actuarial (loss)/gain	**116**	-	(532)
Total recognised net income for the period	**813**	718	2,886

GROUP STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Notes	Six months ended 31 March 2008 (Unaudited) £'000	Six months ended 31 March 2007 (Unaudited) £'000	Year ended 30 September 2007 (Audited) £'000
Total recognised net income for the period		**813**	718	2,886
Dividends	6	**(1,100)**	(1,053)	(1,053)
Share-based payments		**16**	12	21
Increase in share capital		**-**	633	633
Movement in own shares in share trust		**(59)**	2	(197)
Gain/(loss) on release of shares in share trust		**-**	1	(34)
Increase in shareholders' equity		**(330)**	313	2,256
Opening shareholders' equity		**20,397**	18,141	18,141
Closing shareholders' equity		**20,067**	18,454	20,397

The notes on pages 10 to 14 form part of this interim statement

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GROUP BALANCE SHEET

	As at 31 March 2008 (Unaudited) £'000	As at 31 March 2007 (Unaudited) £'000	As at 30 September 2007 (Audited) £'000
ASSETS			
Non-current assets			
Property, plant and equipment	**8,606**	8,418	8,456
Intangible assets	**376**	493	455
Post-employment benefits	**-**	-	70
Interest in joint ventures	**2,382**	2,644	2,613
Deferred tax assets	**-**	168	-
Redeemable loan notes receivable	**1,350**	1,350	1,350
	12,714	13,073	12,944
Current assets			
Inventories	**16,523**	15,501	16,238
Trade and other receivables	**9,258**	8,041	6,785
Corporation tax receivable	**53**	-	52
Cash and cash equivalents	**41**	-	-
	25,875	23,542	23,075
Total assets	**38,589**	36,615	36,016
LIABILITIES			
Current liabilities			
Bank loans and overdrafts	**(10,570)**	(9,151)	(8,382)
Trade and other payables	**(4,756)**	(4,512)	(4,412)
Corporation tax payable	**(258)**	(28)	(37)
	(15,584)	(13,691)	(12,831)
Net current assets	**10,291**	9,851	10,244
Non-current liabilities			
Bank loans	**(1,683)**	(1,835)	(1,642)
Post-employment benefits	**(167)**	(1,960)	-
Deferred tax liabilities	**(413)**	-	(474)
Redeemable loan notes payable	**(675)**	(675)	(675)
	(2,938)	(4,470)	(2,791)
Total liabilities	**(18,522)**	(18,161)	(15,622)
Net assets	**20,067**	18,454	20,397

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GROUP BALANCE SHEET (continued)

	As at 31 March 2008 (Unaudited) £'000	As at 31 March 2007 (Unaudited) £'000	As at 30 September 2007 (Audited) £'000
SHAREHOLDERS' EQUITY			
Called up share capital	**1,048**	1,048	1,048
Share premium account	**2,757**	2,757	2,757
Own shares in share trust	**(802)**	(544)	(743)
Employee share option reserve	**45**	46	29
Foreign exchange reserve	**(1,344)**	(1,259)	(1,501)
Profit and loss account	**18,363**	16,406	18,807
Shareholders' equity	**20,067**	18,454	20,397

The notes on pages 10 to 14 form part of this interim statement

GROUP CASH FLOW STATEMENT

	Six months ended		Year ended
	31 March	31 March	30 September
	2008	2007	2007
	(Unaudited)	(Unaudited)	(Audited)
	£'000	£'000	£'000
Cash flow from operating activities			
Profit before taxation	**1,317**	1,439	2,828
Adjusted for:			
Foreign exchange gain	**115**	(188)	(373)
Depreciation of property, plant and equipment	**365**	357	733
Amortisation of intangible assets	**88**	89	176
Loss on disposal of property, plant and equipment	**1**	3	3
Net interest payable	**305**	218	512
Share-based payments	**16**	12	21
Share of results of joint ventures	**232**	23	70
Decrease in post-employment benefit obligation excluding special pension contribution	**(176)**	(95)	(225)
	2,263	1,858	3,745
Special post-employment benefit contribution	**-**	(1,035)	(1,035)
Changes in working capital:			
Increase in inventories	**(285)**	(1,543)	(2,280)
Increase in trade and other receivables	**(2,473)**	(1,652)	(395)
Increase in trade and other payables	**344**	722	622
Cash generated from operations	**(151)**	(1,650)	657
Taxation paid	**(89)**	(348)	(628)
Net cash flow from operating activities	**(240)**	(1,998)	29
Cash flow from investing activities			
Acquisition of investments in joint ventures	**-**	(1,359)	(1,375)
Purchase of property, plant and equipment	**(432)**	(472)	(1,017)
Purchase of intangible assets	**(8)**	-	(50)
Purchase of redeemable loan notes	**-**	(1,350)	(1,350)
Interest receivable	**47**	5	60
	(393)	(3,176)	(3,732)

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GROUP CASH FLOW STATEMENT (continued)

	Six months ended 31 March 2008 (Unaudited) £'000	Six months ended 31 March 2007 (Unaudited) £'000	Year ended 30 September 2007 (Audited) £'000
Cash flow from financing activities			
Repayment of bank loans	**-**	-	(125)
Interest payable	**(352)**	(223)	(572)
Dividends paid	**(1,100)**	(1,053)	(1,053)
Net (purchase)/sale of own shares by share trust	**(59)**	2	(231)
	(1,511)	(1,274)	(1,981)
Net decrease in cash and cash equivalents	**(2,144)**	(6,448)	(5,684)
Cash and cash equivalents at beginning of period	**(8,257)**	(2,573)	(2,573)
Cash and cash equivalents at end of period	**(10,401)**	(9,021)	(8,257)
Cash and cash equivalents comprise:			
Cash and cash equivalents	**41**	-	-
Bank overdrafts	**(10,442)**	(9,021)	(8,257)
	(10,401)	(9,021)	(8,257)

The notes on pages 10 to 14 form part of this interim statement

Responsibility statement
We confirm that to the best of our knowledge:

(a) the interim statement for the six months ended 31 March 2008 'the interim statement' has been prepared in accordance with IAS 34;
(b) the interim statement includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
(c) the interim statement includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

By order of the Board

Financial Director
R.A. Hope
26 May 2008

NOTES TO THE UNAUDITED INTERIM STATEMENT

1. Basis of preparation

The Group is required to prepare its interim statement in accordance with accounting standards adopted for use in the European Union (International Financial Reporting Standards (IFRS)). The Group has adopted, for the first time, the reporting requirements of IAS 34 'Interim Financial Reporting'.

The consolidated interim statements are prepared on the basis of all International Accounting Standards (IAS) and IFRS published by the International Accounting Standards Board (IASB) that are currently in issue. New interpretations may be issued by the International Financial Reporting Interpretations Committee (IFRIC) on existing standards and best practice continues to evolve. It is therefore possible that the accounting policies set out below may be updated by the time the Group prepares its full set of financial statements under IFRS for the year ending 30 September 2008.

The information relating to the six months ended 31 March 2008 and 31 March 2007 is unaudited and does not constitute statutory accounts. The statutory accounts for the year ended 30 September 2007 have been reported on by the company's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985. These interim financial statements for the six months ended 31 March 2008 have neither been audited nor reviewed by the Group's auditors.

2. Accounting policies

The interim financial statements have been prepared on the basis of the accounting policies set out in the Group's 30 September 2007 annual report.

3. Segmental information

(a) Business segments

For management purposes the Group's primary operating segments are as follows:

Segment	Major product category
Manufacturing	Distilled, extracted, and other manufactured essential oils; natural distillates.
Aromatic chemicals & other products	Aroma and speciality chemicals, standardised essential oils, concretes, absolutes, oleoresins & isolates.

A significant proportion of the Group's resources, assets and liabilities are shared by both business segments and therefore, necessarily, the segment net income, assets and liabilities shown below include apportionments in relation to each segment's contribution to Group profits. This is considered the most reasonable basis upon which to present business segmental information.

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NOTES TO THE INTERIM STATEMENT (continued)

Segmental information – (a) business segments (continued)

				Six months ended 31 March 2008
	Manufacturing	**Aroma chemicals & other**	**Un-allocated**	**Total**
Revenue	9,880	11,782	-	21,662
Segment profit	905	837	-	1,742
Share of results of joint ventures			(232)	(232)
Operating profit	905	837	(232)	1,510
Net finance costs	-	-	(193)	(193)
Taxation	-	-	(364)	(364)
Net segment income	**904**	**837**	**(789)**	**953**
Segment assets	17,736	18,471	-	36,207
Segment liabilities	(12,374)	(5,981)	(167)	(18,522)
Net segment assets	**5,362**	**12,490**	**(167)**	**17,685**
Interests in joint ventures				2,382
Net assets				**20,067**
Segment capital expenditure	**228**	**212**	**-**	**440**
Segment depreciation and amortisation	**248**	**205**	**-**	**453**

				Six months ended 31 March 2007
	Manufacturing	**Aroma chemicals & other**	**Un-allocated**	**Total**
Revenue	8,093	11,137	-	19,230
Segment profit	756	894	-	1,650
Share of results of joint ventures	-	-	(23)	(23)
Operating profit	756	894	(23)	1,627
Net finance costs	-	-	(188)	(188)
Taxation	-	-	(454)	(454)
Net segment income	**756**	**894**	**(665)**	**985**
Segment assets	17,067	17,203	-	34,270
Segment liabilities	(11,846)	(4,654)	(1,960)	(18,460)
Net segment assets	**5,221**	**12,549**	**(1,960)**	**15,810**
Interests in joint ventures				**2,644**
Net assets				**18,454**
Segment capital expenditure	**209**	**267**	**-**	**476**
Segment depreciation and amortisation	**246**	**201**	**-**	**447**

NOTES TO THE INTERIM STATEMENT (continued)

Segmental information – (a) business segments (continued)

	Manufacturing	Aroma chemicals & other	Year ended 30 September 2007 Un-allocated	Total
Revenue	16,541	21,525	-	38,066
Segment profit	1,612	1,722	-	3,334
Share of results of joint ventures	-	-	(70)	(70)
Operating profit	1,612	1,722	(70)	3,264
Net finance costs	-	-	(436)	(436)
Taxation	-	-	(801)	(801)
Net segment income	**1,612**	**1,722**	**(1,307)**	**2,027**
Segment assets	16,793	16,543	70	33,406
Segment liabilities	(11,675)	(3,947)	-	(15,622)
Net segment assets	**5,118**	**12,596**	**70**	**17,784**
Interests in joint ventures				**2613**
Net assets				**20,397**
Segment capital expenditure	**479**	**588**	**-**	**1,067**
Segment depreciation and amortisation	**500**	**409**	**-**	**909**

(b) Geographical segments

The following table provides an analysis of the Group's revenue by geographical market, irrespective of the origin of the goods or services:

	Six months ended		Year ended
	31 March 2008	31 March 2007	30 September 2007
	(Unaudited)	(Unaudited)	(Audited)
	£'000	£'000	£'000
United Kingdom	**3,189**	3,412	6,576
Rest of Europe	**6,571**	6,018	11,694
The Americas	**5,884**	5,160	10,263
Rest of the World	**6,018**	4,640	9,533
	21,662	19,230	38,066

4. Taxation

Taxation has been provided at 27.6% (2007: 30.0%) which is the effective group rate currently anticipated for the financial year ending 30 September 2008.

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NOTES TO THE INTERIM STATEMENT (continued)

5. Earnings per share

(a) Basic earnings per share for the six months ended 31 March 2008 are based on the weighted average number of shares in issue and ranking for dividend in the period of 10,165,101 (2007: 10,045,298) and earnings of £952,870 (2007: £985,000) being the profit after taxation.

(b) Diluted earnings per share for the six months ended 31 March 2008 are based on the weighted average number of shares in issue in the period, adjusted for the effects of all dilutive potential ordinary shares of 10,179,459 (2007: 10,109,421) and the same earnings as above.

6. Dividends

	Six months ended		Year ended
	31 March 2008	31 March 2007	30 September 2007
	(Unaudited)	(Unaudited)	(Audited)
	£'000	£'000	£'000
Equity dividends on ordinary shares:			
Interim dividend for year ended 30 September 2006 - 3.4p	**-**	341	341
Final dividend for year ended 30 September 2006 - 7.1p	**-**	712	712
Interim dividend for year ended 30 September 2007 - 3.5p	**358**	-	-
Final dividend for year ended 30 September 2007 - 7.3p	**742**	-	-
	1,100	1,053	1,053

The declared interim dividend for the year ended 30 September 2008 of 3.6p was approved by the Board on 26 May 2008 and in accordance with IFRS has not been included as a deduction from equity at 31 March 2008. The dividend will be paid on 3 October 2008 to those shareholders on the register at 29 August 2008 and will, therefore, be accounted for in the results for the year ended 30 September 2009.

7. Business combinations

On 10 April 2008, the Group increased its holding in Earthoil Plantations Limited and Earthoil Kenya EPZ Pty Ltd (together known as 'Earthoil') from 50% to 100%.

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 was paid 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.

Since the consideration for the remaining 50% of Earthoil cannot currently be determined with any reasonable level of accuracy, details of net assets acquired and goodwill are as follows:

	As at 10 April 2008 (Unaudited) £'000
Purchase consideration:	
Contingent consideration	-
Direct costs relating to the acquisition	50
	50
Fair value of net assets acquired	(517)
Goodwill	567

The goodwill is attributable to the future profitability of the acquired Earthoil businesses and the synergies expected to arise with the Group's existing businesses.

The assets and liabilities, whose fair value and carrying amount are the same, arising from the acquisition are as follows:

Property, plant and equipment	215
Other non-current assets	21
Inventories	475
Trade debtors	266
Other debtors	43
Total assets	1,020
Trade creditors	(335)
Other creditors	(164)
Bank overdrafts	(169)
Long term loans	(869)
Total liabilities	(1,537)
Net assets acquired	(517)

As a result of increasing the Group's holding in Earthoil from 50% to 100%, further goodwill in relation to the first 50% totalling £2,900,000 will be recognised.