FRUTAROM INDUSTRIES LTD.

INTERIM FINANCIAL INFORMATION

(Unaudited)

30 SEPTEMBER 2013

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Review Report of Interim Financial Information

Introduction

We have reviewed the accompanying financial information of Frutarom Industries Ltd. and its subsidiaries (hereafter - the group), which includes the condensed consolidated statement of financial position as of 30 September 2013 and the related condensed consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the nine and three-month periods then ended. The Board of Directors and management are responsible for preparation and presentation of the financial information for this reporting period in accordance with IAS 34 – "Interim Financial Reporting"; our responsibility is to express a conclusion of the financial data for this interim period based on our review.

We did not review the condensed interim financial information of certain consolidated companies, whose assets included in consolidation constitute approximately 27% of total consolidated assets as of 30 September 2013 and whose revenues included in consolidation constitute approximately 27% and 27% of total consolidated revenues for the nine and three-month periods ended on that date, respectively. The condensed financial information of these companies was reviewed by other auditors, whose review reports have been furnished to us; and our conclusion, insofar as it relates to the financial information included for these companies, is based on review reports of the other auditors.

Scope of review

Our review was performed in accordance with Standard No. 1 on Review Engagements of the Institute of Certified Public Accountants in Israel - "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". Review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Auditing Standards generally accepted in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review and the review reports of the other auditors, nothing came to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Haifa, Israel	Kesselman & Kesselman
November 26, 2013	Certified Public Accountants (lsr.)

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FRUTAROM INDUSTRIES LTD.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 SEPTEMBER 2013

	30 September		31 December
	2013	2012	2012
	(Unaudited)		(Audited)
	U.S. dollars in thousands		
A s s e t s			
CURRENT ASSETS:			
Cash and cash equivalents	61,087	44,255	53,933
Accounts receivable:			
Trade	123,703	117,410	106,754
Other	7,681	5,487	*10,847
Prepaid expenses and advances to suppliers	9,572	9,822	6,966
Inventory	129,541	122,943	122,433
	331,584	299,917	300,933
NON-CURRENT ASSETS:			
Property, plant and equipment	191,396	187,405	188,824
Intangible assets	277,763	277,507	279,198
Deferred income tax assets	3,365	2,940	3,075
Other	162	342	379
	472,686	468,194	471,476
Total assets	804,270	768,111	772,409

*Restated, see note 3b.

____________________	) Chairman of the Board
Dr. John Farber	)
____________________	) President and CEO
Ori Yehudai	)
____________________	) Executive Vice
Alon Granot	) President and CFO

Date of approval of the interim financial information by the board of directors: November 26, 2013.

	30 September 2013	30 September 2012	31 December 2012
	(Unaudited)	(Unaudited)	(Audited)
	U.S. dollars in thousands		
Liabilities and shareholders' equity			
CURRENT LIABILITIES:			
Short-term bank credit and loans and current maturities of long-term loans	96,599	53,627	52,196
Accounts payable:			
Trade	46,196	44,667	48,237
Other	47,333	50,948	39,269
	190,128	149,242	139,702
NON-CURRENT LIABILITIES:			
Long-term loans, net of current maturities	67,637	142,845	137,836
Retirement benefit obligations, net	25,264	*18,286	*24,329
Deferred income tax liabilities	23,744	*25,535	*24,420
Other	1,167	1,074	892
	117,812	187,740	187,477
Total liabilities	307,940	336,982	327,179
EQUITY:			
Equity attributable to owners of the parent:			
Ordinary shares	16,759	16,600	16,713
Capital surplus	103,437	98,209	102,099
Translation differences	20,806	12,808	16,749
Retained earnings	354,844	*304,775	*310,477
Less - cost of company shares held by the company and by subsidiary	(2,219)	(3,416)	(3,043)
	493,627	428,976	442,995
Non-controlling interests	2,703	2,153	2,235
Total equity	496,330	431,129	445,230
Total equity and liabilities	804,270	768,111	772,409

*Restated, see note 3b.

The accompanying notes are an integral part of these financial statements.

FRUTAROM INDUSTRIES LTD.

CONDENSED CONSOLIDATED STATEMENT OF INCOME

FOR THE NINE AND THREE-MONTH PERIOD ENDED 30 SEPTEMBER 2013

	9 months ended 30 September		3 months ended 30 September		Year ended 31 December
	2013	**2012**	**2013**	**2012**	**2012**
	(Unaudited)				**(Audited)**
	U.S. dollars in thousands				
	(except for income per share data)				
SALES	481,859	473,121	161,046	157,108	618,001
COST OF SALES	295,271	298,362	98,484	99,051	391,742
GROSS PROFIT	186,588	174,759	62,562	58,057	226,259
Selling, marketing, research and development expenses – net	80,332	78,958	27,423	26,221	104,932
General and administrative expenses	37,829	37,387	12,544	12,257	49,197
Other expenses (income) - net	2,020	(717)	25	70	(718)
INCOME FROM OPERATIONS	66,407	59,131	22,570	19,509	72,848
FINANCIAL EXPENSES - net	5,004	5,828	1,294	592	7,240
INCOME BEFORE TAX ON INCOME	61,403	53,303	21,276	18,917	65,608
TAX ON INCOME	12,737	11,863	4,250	4,526	13,628
INCOME FOR THE PERIOD	48,666	41,440	17,026	14,391	51,980
PROFIT ATTRIBUTABLE TO:					
OWNERS OF THE PARENT	48,259	41,112	16,854	14,281	51,570
NON-CONTROLLING INTERESTS	407	328	172	110	410
TOTAL INCOME	48,666	41,440	17,026	14,391	51,980
EARNINGS PER SHARE:					
Basic	0.83	0.72	0.29	0.25	0.9
Fully diluted	0.82	0.71	0.29	0.25	0.9

The accompanying notes are an integral part of these condensed financial statements.

FRUTAROM INDUSTRIES LTD.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE NINE AND THREE-MONTH PERIOD ENDED 30 SEPTEMBER 2013

	9 months ended 30 September		3 months ended 30 September		Year ended 31 December
	2013	**2012**	**2013**	**2012**	**2012**
	(Unaudited)		**(Unaudited)**		**(Audited)**
	U.S. dollars in thousands				
INCOME FOR THE PERIOD	48,666	41,440	17,026	14,391	51,980
Other Comprehensive Income:					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of net defined benefit liability*	-	-	-	-	(4,756)
Items that could be reclassified subsequently to profit or loss:					
Translation differences	4,117	452	11,212	7,743	4,393
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	52,783	41,892	28,238	22,134	51,617
OTHER COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
OWNERS OF THE PARENT	52,316	41,564	28,048	22,024	51,207
NON-CONTROLLING INTERESTS	467	328	190	110	410
TOTAL INCOME	52,783	41,892	28,238	22,134	51,617

*Restated, see note 3b.

The accompanying notes are an integral part of these condensed financial statements.

FRUTAROM INDUSTRIES LTD.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE AND THREE-MONTH PERIODS ENDED 30 SEPTEMBER 2013

	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT							
	Ordinary shares	**Other capital surplus**	**Translation differences**	**Retained earnings**	**Cost of company shares held by the company**	**Total attributed to owners parent company**	**Non-controlling interests**	**Total**
	U.S. dollars in thousands							
BALANCE AT 1 JANUARY 2013 (audited)	16,713	102,099	16,749	*310,477	(3,043)	442,995	2,235	445,230
CHANGES DURING THE 9 MONTH PERIOD ENDED 30 SEPTEMBER 2013 (unaudited):								
Comprehensive income:								
Income for the period	-	-	-	48,259	-	48,259	407	48,666
Other comprehensive income:								
Translation differences	-	-	4,057	-	-	4,057	60	4,117
Total comprehensive income for the period	-	-	4,057	48,259	-	52,316	467	52,783
Plans for allotment of company shares to employees of subsidiary:								
Acquisition of company shares by subsidiary	-	-	-	-	(851)	(851)	-	(851)
Receipts in respect of allotment of company shares to employees	-	(1,117)	-	-	1,675	558	-	558
Allotment of shares and options to senior employees:								
Recognition of compensation related to employee stock and options grants	-	1,137	-	-	-	1,137	-	1,137
Proceeds from issuance of shares to senior employees	46	1,318	-	-	-	1,364	-	1,364
Dividend paid to the non-controlling interests in subsidiary	-	-	-	-	-	-	(97)	(97)
Dividend paid, including erosion	-	-	-	(3,892)	-	(3,892)	-	(3,892)
	46	1,338	-	(3,892)	824	(1,684)	(97)	(1,781)
Non-controlling interest arising on business combination	-	-	-	-	-	-	98	98
BALANCE AT 30 SEPTEMBER 2013 (unaudited)	16,759	103,437	20,806	354,844	(2,219)	493,627	2,703	496,330

*Restated, see note 3b.

FRUTAROM INDUSTRIES LTD.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE AND THREE-MONTH PERIODS ENDED 30 SEPTEMBER 2013

	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT							
	Ordinary shares	**Other capital Surplus**	**Translation differences**	**Retained earnings**	**Cost of company shares held by the company**	**Total attributed to owners parent company**	**Non-controlling interests**	**Total**
	U.S. dollars in thousands							
BALANCE AT 1 JULY 2013 (unaudited)	16,728	102,980	9,612	337,990	(2,873)	464,437	2,513	466,950
CHANGES DURING THE 3 MONTH PERIOD ENDED 30 JUNE 2013 (unaudited):								
Comprehensive income:	-	-	-	16,854	-	16,854	172	17,026
Income for the period								
Other comprehensive income:								
Translation differences	-	-	11,194	-	-	11,194	18	11,212
Total comprehensive income for the period	-	-	11,194	16,854	-	28,048	190	28,238
Plans for allotment of company shares to employees of subsidiary:								
Acquisition of company shares by subsidiary	-	-	-	-	(525)	(525)	-	(525)
Receipts in respect of allotment of company shares to employees	-	(785)	-	-	1,179	394	-	394
Allotment of shares and options to senior employees:								
Recognition of compensation related to employee stock and options grants	-	360	-	-	-	360	-	360
Proceeds from issuance of shares to senior employees	31	882	-	-	-	913	-	913
BALANCE AT 30 SEPTEMBER 2013 (unaudited)	16,759	103,437	20,806	354,844	(2,219)	493,627	2,703	496,330

FRUTAROM INDUSTRIES LTD.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE AND THREE-MONTH PERIODS ENDED 30 SEPTEMBER 2013

	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT							
	Ordinary shares	**Other capital Surplus**	**Translation differences**	**Retained earnings**	**Cost of company shares held by the company**	**Total attributed to owners parent company**	**Non-controlling interests**	**Total**
	U.S. dollars in thousands							
BALANCE AT 1 JANUARY 2012 (audited)	16,597	97,356	12,356	*266,692	(2,981)	*390,020	-	390,020
CHANGES DURING THE 9 MONTH PERIOD ENDED 30 SEPTEMBER 2012 (unaudited):								
Comprehensive income -								
Income for the period	-	-	-	41,112	-	41,112	328	41,440
Other comprehensive income -								
Translation differences	-	-	452	-	-	452	-	452
Total comprehensive income for the period	-	-	452	41,112		41,564	328	41,892
Plans for allotment of company shares to employees of subsidiary:								
Acquisition of company shares by subsidiary	-	-	-	-	(1,330)	(1,330)	-	(1,330)
Receipts in respect of allotment of company shares to employees	-	(414)	-	-	895	481	-	481
Allotment of shares and options to senior employees -								
Recognition of compensation related to employee stock and options grants	-	1,168	-	-	-	1,168	-	1,168
Receipts in respect of allotment of company shares to senior Employees	3	99	-	-	-	102	-	102
Dividend paid, including erosion (note 5)	-	-	-	(3,029)	-	(3,029)	-	(3,029)
	3	853	-	(3,029)	(435)	(2,608)	-	(2,608)
Non-controlling interest arising on business combination	-	-	-	-	-	-	1,825	1,825
BALANCE AT 30 SEPTEMBER 2012 (unaudited)	16,600	98,209	12,808	304,775	(3,416)	428,976	2,153	431,129

*Restated, see note 3b.

FRUTAROM INDUSTRIES LTD.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE AND THREE-MONTH PERIODS ENDED 30 SEPTEMBER 2013

	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT							
	Ordinary shares	Other capital Surplus	Translation differences	Retained earnings	Cost of Company shares held by the company	Total company's shareholders' equity	Non-controlling interests	Total
	U.S. dollars in thousands							
BALANCE AT 1 JULY 2012 (unaudited)	16,597	97,823	5,065	290,494	(2,716)	407,263	2,043	409,306
CHANGES DURING THE 3 MONTH PERIOD ENDED 30 SEPTEMBER 2012 (unaudited):								
Comprehensive income:								
Income for the period	-	-	-	14,281	-	14,281	110	14,391
Other comprehensive income -								
Translation differences	-	-	7,743	-	-	7,743	-	7,743
Total comprehensive income for the period	-	-	7,743	14,281	-	22,024	110	22,134
Plans for allotment of company shares to employees of subsidiary:								
Acquisition of company shares by subsidiary	-	-	-	-	(751)	(751)	-	(751)
Receipts in respect of allotment of company shares to employees	-	(34)	-	-	51	17	-	17
Allotment of shares and options to senior employees -								
Recognition of compensation related to employee stock and options grants	-	321	-	-	-	321	-	321
Receipts in respect of allotment of company shares to senior Employees	3	99	-	-	-	102	-	102
	3	386	-	-	(700)	(311)	-	(311)
BALANCE AT 30 SEPTEMBER 2012 (unaudited)	16,600	98,209	12,808	304,775	(3,416)	428,976	2,153	431,129

FRUTAROM INDUSTRIES LTD.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE AND THREE-MONTH PERIODS ENDED 30 SEPTEMBER 2013

	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT							
	Ordinary shares	**Capital Surplus**	**Translation differences**	**Retained earnings**	**Cost of company shares held by the company**	**Total attributed to owners parent company**	**Non-controlling interests**	**Total**
	U.S. dollars in thousands (audited)							
BALANCE AT 1 JANUARY 2012 (audited)	16,597	97,356	12,356	*226,692	(2,981)	390,020	-	390,020
CHANGES DURING THE YEAR ENDED 31 DECEBMBER 2012:								
Comprehensive income:								
Income for the year	-	-	-	51,570	-	51,570	410	51,980
Other comprehensive income:								
*Remeasurement of net defined benefit liability	-	-	-	(4,756)	-	(4,756)	-	(4,756)
Translation differences	-	-	4,393	-	-	4,393	-	4,393
Total comprehensive income for the period	-	-	4,393	46,814	-	51,207	410	51,617
Plans for allotment of company shares to employees of subsidiary:								
Acquisition of company shares by subsidiary	-	-	-	-	(1,330)	(1,330)	-	(1,330)
Receipts in respect of allotment of company shares to employees	-	(846)	-	-	1,268	422	-	422
Allotment of shares and options to senior employees -								
Recognition of compensation related to employee stock and options grants	-	1,553	-	-	-	1,553	-	1,553
Proceeds from issuance of shares to senior employees	116	4,036	-	-	-	4,152	-	4,152
Dividend paid, including erosion	-	-	-	(3,029)	-	(3,029)	-	(3,029)
	16,713	102,099	16,749	310,477	(3,043)	442,995	410	443,405
Non-controlling interest arising on business combination	-	-	-	-	-	-	1,825	1,825
BALANCE AT 31 DECEMBER 2012	16,713	102,099	16,749	310,477	(3,043)	442,995	2,235	445,230

*Restated, see note 3b.

The accompanying notes are an integral part of these condensed financial statements.

FRUTAROM INDUSTRIES LTD.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE NINE AND THREE-MONTH PERIODS ENDED 30 SEPTEMBER 2013

	9 months ended 30 September		**3 months ended 30 September**		**Year ended 31 December**
	2013	**2012**	**2013**	**2012**	**2012**
	U.S. dollars in thousands				
	(Unaudited)		**(Unaudited)**		**(Audited)**
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash generated from operations (See appendix)	65,005	70,321	35,041	27,247	104,774
Income tax received (paid)	(6,903)	(7,682)	2,263	(4,553)	(13,563)
Net cash provided by operating activities	58,102	62,639	37,304	22,694	91,211
CASH FLOWS USED IN INVESTING ACTIVITIES:					
Purchase of property, plant and equipment	(12,230)	(9,587)	(4,122)	(3,077)	(12,558)
Purchase of intangibles	(616)	(1,653)	(186)	(300)	(2,284)
Interest received	152	240	109	52	195
Acquisition of subsidiaries - net of cash acquired (note 4)	(5,822)	(65,280)	-	(192)	(75,280)
Proceeds from sale of property, plant and equipment	139	194	83	85	271
Net cash used in investing activities	(18,377)	(76,086)	(4,116)	(3,432)	(89,656)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:					
Dividend paid to the non-controlling interests in subsidiary	(97)	-	-	-	-
Receipts from senior employees in respect of allotment of shares	1,364	102	913	102	4,152
Interest paid	(2,858)	(4,910)	(959)	(1,335)	(5,553)
Receipt of long-term bank loans	22	81,237	-	-	131,231
Repayment of long-term bank loans	(30,117)	(59,118)	(5,398)	(11,570)	(116,802)
Receipt of short-term bank credit and loans – net	3,737	8,231	(5,592)	2,093	7,319
Purchase of company shares by subsidiary – net of receipts in respect of the shares	(293)	(849)	(131)	(734)	(908)
Dividend paid	(3,892)	(3,029)	-	-	(3,029)
Net cash used in financing activities	(32,134)	21,664	(11,167)	(11,444)	16,410
INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND BANK CREDIT	7,591	8,217	22,021	7,818	17,965
Balance of cash and cash equivalents and bank credit at beginning of period	53,933	36,472	40,241	37,221	36,472
Profits (losses) from exchange differences on cash, cash equivalents and bank credit	(437)	(434)	(1,175)	(784)	(504)
BALANCE OF CASH, CASH EQUIVALENTS AND BANK CREDIT AT END OF PERIOD	61,087	44,255	61,087	44,255	53,933

The accompanying notes are an integral part of these condensed financial statements.

FRUTAROM INDUSTRIES LTD.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE NINE AND THREE-MONTH PERIODS ENDED 30 SEPTEMBER 2013

Appendix for Condensed Consolidated Statement of Cash Flows – net cash generated from operations:

	9 months ended 30 September		3 months ended 30 September		Year ended 31 December
	2013	2012	2013	2012	2012
	(Unaudited)		(Unaudited)		(Audited)
	U.S. dollars in thousands				
Income before tax	61,403	53,303	21,276	18,917	65,608
Adjustments required to reflect the cash flows from operating activities:					
Depreciation and amortization	20,149	19,464	6,500	6,458	26,012
Recognition of compensation related to employee stock and option grants	1,137	1,168	360	321	1,553
Liability for employee rights upon retirement – net	334	(55)	160	(98)	(655)
Loss (gain) from sale and write-off of fixed assets and other assets	(94)	100	(71)	69	92
Erosion of loans	805	528	732	528	1,003
Interest paid - net	2,706	4,670	850	1,283	5,358
Loss from change in fair value of financial Instruments	-	350	-	145	289
Gain on a bargain purchase	-	(1,729)	-	-	(1,729)
	25,037	24,496	8,531	8,706	31,923
Operating changes in working capital:					
Decrease (increase) in accounts receivable:					
Trade	(14,993)	(12,959)	7,464	2,286	(1,712)
Other	(1,944)	2,326	(938)	(197)	(206)
Decrease (increase) in other long-term receivables	214	-	62	-	136
Increase (decrease) in accounts payable:					
Trade	(2,849)	(1,703)	(3,933)	(7,049)	1,506
Other	3,596	1,912	3,119	2,713	3,772
Increase (decrease) in other long-term Payables	215	-	249	-	(379)
Decrease (increase) in inventory	(5,674)	2,946	(789)	1,871	4,126
	(21,435)	(7,478)	5,234	(376)	7,243
Cash flows from operating activities	65,005	70,321	35,041	27,247	104,774

The accompanying notes are an integral part of these financial statements.

NOTE 1 - GENERAL:

a. Frutarom Industries Ltd. is a global company, founded in 1933. The Company operates through the consolidated company (hereafter - Frutarom Ltd.) and the companies under its control (hereafter – the Group). The Group has two main operations: the Flavours activity and the Fine Ingredients activity. The Group develops, manufactures, markets and sells flavours and fine ingredients used by producers of food and beverage, pharma-nutraceutical, flavours and fragrances, personal care and cosmetics products as well as other products.

b. The Company's activity is subject to seasonal fluctuations, with generally higher sales in the first half of a given year and lower sales in the second half of a given year (in particular in the fourth quarter).
Many of the Company's products are used by its customers in the manufacture of beverages and dairy products such as soft drinks, ice cream and yogurts, for which demand generally increases during the summer months. As a result, sales of certain flavors and fine ingredients produced by the Company are higher in the first half of the year than in the second half.

NOTE 2 - BASIS OF PREPARATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

a. The interim condensed consolidated financial information of the group as of 30 September 2013 and for the 9 and 3 month periods ended on that date (hereinafter - the interim financial information) was prepared in accordance with International Accounting Standard No. 34 - "Interim Financial Reporting" (hereafter – "IAS 34"). The interim financial information should be read in conjunction with the annual financial statements as of 31 December, 2012 and for the year ended on that date and with the notes thereto, which were all prepared in accordance with International Financial Reporting Standards (hereafter – "IFRS"). The interim financial information is reviewed and is not audited.

b. Estimates –

The preparation of interim financial statements requires management to exercise its judgment; it also requires the use of accounting estimates and assumptions that affect the application of the group's accounting policy and the amounts of reported assets, liabilities, income and expenses. Actual results may differ from those estimates.

In preparation of these condensed consolidated interim financial statements, the significant judgments that were exercised by the management in applying the group's accounting policy and the key sources of estimation uncertainty were similar to those applied in the consolidated annual financial statements for the year ended December 31, 2012.

NOTE 3 - PRINCIPAL ACCOUNTING POLICIES:

a. significant accounting policies and computation methods used in preparing the interim financial information are consistent with those used in preparing the 2012 annual financial statements, except for the following:

Income tax in interim periods is recognized based on management's best estimate of the weighted average annual income tax rate expected.

NOTE 3 - PRINCIPAL ACCOUNTING POLICIES (continued):

b. **First-time implementation of IFR**S

1. IAS 19

Beginning on 1 January 2013, the Group first-time implements IAS 19 Amendment. According to the standard, the first-time implementation is done retrospectively and therefore, financial information of previous periods is restated.

IAS 19 Amendment makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits covered by IAS 19. The following is a summary of the key changes in the amended standard:

- "Actuarial gains and losses" are renamed "Remeasurement of net defined benefit liability (asset); hereinafter - Remeasurement), including, in addition to actuarial gains and losses certain other components as defined in IAS 19 Amendment. Remeasurement are recognized in other comprehensive income. This eliminates the options to recognize actuarial gains and losses in profit or loss or to use the corridor approach.

- Past service cost is recognized immediately in the period of a plan amendment and is no longer spread over future-service period to vesting.

- In defined benefit plans with plan assets, net interest expenses/income on the balance of net employee benefit asset or liability using the discount rate used in IAS 19 in its current version to measure the defined benefit liability. This accounting treatment replaces the use of the "interest cost" and "expected return of plan assets" that existed in IAS 19 in its previous version.

- The distinction between short- and long-term benefits for measurement purposes is based on when payment is expected, not when payment can be demanded.

- Any benefit that has a future-service obligation is not a termination benefit. A liability for a termination benefit is recognized when the entity can no longer withdraw the offer of the termination benefit or recognizes any related restructuring costs.

- Disclosure requirements are broader than those existing in the previous version of IAS 19.

NOTE 3 - PRINCIPAL ACCOUNTING POLICIES (continued)**:**

Until the first-time implementation of IAS 19 Amendment, the accounting policy of the Company was to recognize actuarial gains and losses arising from changes in actuarial assumptions and resulting from differences between past assumptions and actual results if they are more than the greater of 10% of the present value of the define benefit obligation and 10% of the fair value of plan assets. Those actuarial gains or losses are recognized to profit or loss over the average expected work period of the employees. After the first-time implementation of IAS 19 Amendment, the Company is not deferring the recognition of "Remeasurement". Remeasurement as computed under the new guidance are fully recognized to other comprehensive income in the period they incurred.

The effect of first-time implementation on the statement of financial position:

	As previously reported	Effect of first-time implementation of IAS 19 Amendment	As reported in these financial statements
	U.S. dollars in thousands		
1) Statement of financial position for September 30, 2012 (unaudited):			
Retirement benefit obligation, net	13,502	4,784	18,286
Deferred tax liabilities	26,745	(1,210)	25,535
Retained earnings	308,349	(3,574)	304,775
2) Statement of financial position as of December 31, 2012 (audited)			
Accounts receivable	10,949	(102)	10,847
Retirement benefit obligation, net	13,229	11,100	24,329
Deferred tax liabilities	27,292	(2,872)	24,420
Retained earnings	318,807	(8,330)	310,477

2. Amendment to IAS 1 "Financial Statements Presentation" (hereinafter - IAS 1 Amendment)

IAS 1 Amendment changes the disclosure of other comprehensive income in the statement of comprehensive income. The key changes in the IAS 1 are as follows:

- The amendment requires entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. Items that will not be recycled will be presented separately from items that may be recycled in the future.

Entities that choose to present other comprehensive income items before tax will be required to show the amount of tax related to the two groups separately.

- The title used by IAS 1 for the statement of comprehensive income has changed to "statement of profit or loss and other comprehensive income. However, IAS 1 still permits entities to use other titles.

The Group first-time implemented IAS 1 Amendment beginning 1 January 2013 retrospectively for all reported periods.

As some other comprehensive income items of the Group (e.g. financial statements translation differences) may be recycled to profit or loss, while other items in other comprehensive income (e.g. remeasurements of defined benefit plans) may not be recycled to profit or loss, then following the implementation of the amendment, the Company presented each group separately in the statement of comprehensive income.

3. The first-time implementation of additional new IFRSs and amendments to existing standards which are yet to be effective and the group did not elect to early adopt are detailed in the 2012 financial statements of the group.

NOTE 4 – Acquisition of JannDeRee (Pty) Limited

On May 2, 2013 Frutarom signed, through a subsidiary, an agreement for the acquisition of 100% of the share capital of the South African company acquisition of JannDeRee (Pty) Limited (hereafter – “JannDeRee”) in consideration for $ 4,957 thousands (44,400 thousands Rand) in cash and 5% from the shares of Frutarom South Africa.

JannDeRee, founded in 1993, develops, manufactures, and markets flavors with an emphasis on savory flavors solutions. JannDeRee, has a research and development, production and marketing site in Johannesburg, South Africa, located adjacent to Frutarom's site in South Africa, and a wide customer base in South Africa and in other important emerging countries in the sub-Saharan region. JannDeRee’s activities are synergetic with Frutarom’s activities in South Africa in the field of flavors.

JannDeRee’s turnover in 2012 came to approximately USD 5 million.

In the third quarter, the merger into a single legal entity of JannDeRee and Frutarom South Africa was completed; the merged entity – Frutarom South Africa – operates in the same site under the same management and the R&D, marketing, sales, manufacture and finance departments were all merged into one system.

NOTE 4 – BUSINESS COMBINATIONS (continued):

The acquisition was financed through independent resources and was completed at the time of signing.

The cost of acquisition was allocated to tangible assets, intangible assets and liabilities which were acquired based on their fair value at the time of the acquisition. Determination of the fair falue of the acquired assets and liabilities is subject to final assessment of allocation of the consideration of the purchase to the fair value of assets and liabilities; this assessment is performed by the Company and has not yet been completed as of the date of approval of these financial statements.

Assets and liabilities of JannDeRee at date of acquisition:

	Fair value
	U.S. dollars in thousands
Current assets:	
Cash and cash equivalents	139
Accounts receivable:	
Trade	780
Inventory	336
Non-current assets:	
Fixed assets	369
Deferred income taxes	79
Intangible assets including Good Will	4,673
Current liabilities :	
Accounts payable and accruals-	
Trade	(357)
Others	(336)
Non-current liabilities -	
Others	(726)
	4,957

NOTE 5 – Dividend:

On 12, March 2013, the Company's Board of Directors declared the distribution of a dividend of NIS 0.24 per share, On 6 May, 2013, a dividend of $ 3,892 thousands was paid to the shareholders

NOTE 6 – Plan to increase efficiency of company's operations (continued)**:**

a. As part of the procedures designed to increase the efficiency of its operations, the Company completed during the period the transfer of production operations conducted in the Nesse site located in Germany to other Company sites. The Company recorded in the reported results of operations (under "other expense”) a one-off expense of $ 1,916 thousands in respect of provision for dismissal of employees, project costs and fixed assets depreciation.

b. In the course of the second quarter and as a result of better interest rate, a subsidiary reclassified a $50 million loan from non-current liabilities to current liabilities.

NOTE 7 - SEGMENT REPORTING

For management purposes, the Group is organized globally into two major operating activities: Flavour and Fine Ingredients. Another operating activity is Trade and Marketing.
Results of operation of the segments are being measured based on operating profit.
Segment data provided to the President and the CEO in respect of the reported segments is as follows:

	Flavors operations	Fine ingredients operations	Trade and marketing operations	Eliminations	Total consolidated
			U.S. dollars in thousands		
9 months ended 30 September 2013 (unaudited):					
Revenues	355,133	111,812	19,792	(4,878)	481,859
Segment results	51,520	14,533	515	(161)	66,407
9 months ended 30 September 2012 (unaudited):					
Revenues	345,599	111,230	18,031	(1,739)	473,121
Segment results	47,319	10,963	836	13	59,131
3 months ended 30 September 2013 (unaudited):					
Revenues	119,425	36,671	7,346	(2,396)	161,046
Segment results	17,801	4,748	138	(117)	22,570
3 months ended 30 September 2012 (unaudited):					
Revenues	114,164	37,238	6,346	(640)	157,108
Segment results	15,334	3,886	219	70	19,509
Year ended 31 December 2012 (audited):					
Revenues	457,341	140,763	22,342	(2,445)	618,001
Segment results	59,477	12,378	1,000	(7)	72,848

NOTE 7 – SEGMENT REPORTING (continued)**:**

The reconciliation of the reported profits and total profits before taxes for the reported periods is described below:

	9 months ended 30 September		3 months ended 30 September		Year ended 31 December
	2013	**2012**	**2013**	**2012**	**2012**
	U.S. dollars in thousands				
	(Unaudited)		**(Unaudited)**		**(Audited)**
Reported segment income	66,407	59,131	22,570	19,509	72,848
Financing expenses	5,004	5,828	1,294	592	7,240
Profit before taxes on income	61,403	53,303	21,276	18,917	65,608

NOTE 8 – Subsequent Events

A. On November 18, 2013 the company agreed the conditions for the acquisition of 75% of the share capital of the Cypriot company Vantodio Holdings Limited company ("**Vantodio**"), holder of the Russian Protein Technologies Group ("**PTI**") for a cash payment of US $ 50.3 million (based on company value of US $ 67 million), which were paid on 20, November 2013; The acquisition agreement sets out a call option for the company to purchase the remaining 25% of Vantodio's shares as well as a put option for the seller to sell those shares; both options are exercisable from the end of the third year through the end of the fifth year, on the basis of a multiplier of between six and seven on the average EBITDA achieved over the three years preceding exercise and other performance factors.
The acquisition was financed in full through bank credit.
For further details about the acquisition, see immediate report of the company published on 18, November and 20 of November, 2013.

B. On November 25, 2013 the company signed an agreement for purchase of the full share capital of the International Aroma Group, a Panamanian company, holder of the Guatemalan Aroma group (“**Aroma**”), in return for a net cash payment of US$12.5 million (US$13 million less Aroma’s cash balance and cash equivalents in the amount of US$0.5 million). The share purchase agreement contains a mechanism for payment of future consideration, under which an additional payment will be made at the rate of the EBITDA achieved above US$2.25 million over the years 2013 to 2015, and a price adjustment mechanism based on net assets as of November 30, 2013. The transaction was completed at the time of signing.
The acquisition was financed through the Company’s cash balance.
For further details about the acquisition, see immediate report of the company published on November 25, 2013.