

FRUTAROM INDUSTRIES LTD.
INTERIM FINANCIAL INFORMATION

(Unaudited)

31 MARCH 2011

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Report on Review of Interim Financial Information to the shareholders of Frutarom Industries LTD.

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 31 March, 2011 and the related condensed consolidated statement of income, comprehensive income, changes in shareholders' equity and cash flows for the three-month period 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 11.89% of total consolidated assets as of 31 March, 2011 and whose revenues included in consolidation constitute approximately 11.78% of total consolidated revenues for the three-month period ended on that date. 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
May 23, 2011

Kesselman & Kesselman
Certified Public Accountants (lsr.)
A member firm of PricewaterhouseCoopers International Limited

FRUTAROM INDUSTRIES LTD.

CONDESED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 MARCH 2011

	<u>31 March</u>		<u>31 December</u>
	<u>2011</u>	<u>2010</u>	<u>2010</u>
	<u>(Unaudited)</u>		<u>(Audited)</u>
	<u>U.S. dollars in thousands</u>		
A s s e t s			
CURRENT ASSETS:			
Cash and cash equivalents	33,665	36,805	44,389
Accounts receivable:			
Trade	85,106	74,031	69,820
Other	11,494	12,960	10,836
Prepaid expenses and advances to suppliers	5,163	5,433	2,736
Inventories	101,113	77,546	86,485
	<u>236,541</u>	<u>206,775</u>	<u>214,266</u>
NON-CURRENT ASSETS:			
Property, plant and equipment	130,694	121,814	126,122
Intangible assets	189,682	179,067	177,136
Deferred income tax assets	1,594	3,883	1,362
Prepaid expenses in respect of operating lease	167	123	163
	<u>322,137</u>	<u>304,887</u>	<u>304,783</u>
Total assets	<u><u>558,678</u></u>	<u><u>511,662</u></u>	<u><u>519,049</u></u>

Dr. John Farber)
Chairman of the Board)

Ori Yehudai)
President and CEO)

Alon Granot)
Executive Vice)
President and CFO)

Date of approval of the interim financial information by the board of directors: May 23, 2011

	31 March		31 December
	2011	2010	2010
	(Unaudited)		(Audited)
	U.S. dollars in thousands		

Liabilities and equity

CURRENT LIABILITIES:

Short-term bank credit and loans and current maturities of
long-term loans

Accounts payable:

Trade

Other

Provisions

Dividend payable

41,031

43,827

32,302

39,961

29,675

30,380

33,118

27,803

31,231

205

398

207

3,290

2,777

-

117,605

104,480

94,120

NON-CURRENT LIABILITIES:

Long-term loans, net of current maturities

Retirement benefit obligations

Deferred income tax liabilities

26,052

56,597

32,028

11,916

10,710

11,242

23,032

23,243

21,867

61,000

90,550

65,137

Total liabilities

178,605

195,030

159,257

EQUITY:

Ordinary shares

Other capital surplus

Translation differences

Retained earnings

Less - cost of company shares held by subsidiary

16,597

16,597

16,597

96,825

97,191

96,630

28,074

7,653

17,611

241,456

198,571

231,615

(2,879)

(3,380)

(2,661)

Total equity

380,073

316,632

359,792

Total equity and liabilities

558,678

511,662

519,049

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

FRUTAROM INDUSTRIES LTD.
CONDESED CONSOLIDATED STATEMENT OF INCOME
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2011

	3 months ended		Year ended
	31 March		31 December
	2011	2010	2010
	(Unaudited)		(Audited)
	U.S. dollars in thousands,		
	except for income per share data		
SALES	121,033	113,470	451,066
COST OF SALES	75,370	69,996	276,242
GROSS PROFIT	45,663	43,474	174,824
Selling, marketing, research and development expenses- net	20,099	18,709	77,061
General and administrative expenses	8,887	8,270	35,099
Other expenses (income) - net	49	(62)	(318)
INCOME FROM OPERATIONS	16,628	16,557	62,982
FINANCIAL EXPENSES (INCOME) – net	(874)	1,257	3,196
INCOME BEFORE TAXES ON INCOME	17,502	15,300	59,786
TAXES ON INCOME	4,371	4,189	15,675
INCOME FOR THE PERIOD	<u>13,131</u>	<u>11,111</u>	<u>44,111</u>
EARNINGS PER SHARE:			
Basic	0.23	0.19	0.77
Fully diluted	<u>0.23</u>	<u>0.19</u>	<u>0.77</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2011

	U.S. dollars in thousands		
INCOME FOR THE PERIOD			
OTHER COMPREHENSIVE INCOME -	13,131	11,111	44,111
translation differences	10,463	(10,410)	(452)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>23,594</u>	<u>701</u>	<u>43,659</u>

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

FRUTAROM INDUSTRIES LTD.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2011

	Ordinary shares	Other capital surplus	Translation differences	Retained earnings	Cost of company shares held by subsidiary	Total
	U.S. dollars in thousands					
BALANCE AT 1 JANUARY 2011 (audited)	16,597	96,630	17,611	231,615	(2,661)	359,792
CHANGES DURING THE 3 MONTHS ENDED 31 MARCH 2011 (unaudited):						
Comprehensive income -						
income for the period	-	-	-	13,131	-	13,131
Other comprehensive income -						
translation differences	-	-	10,463	-	-	10,463
Total comprehensive income for the period	-	-	10,463	13,131	-	23,594
Plans for allotment of company shares to employees of subsidiary:						
Acquisition of the Company shares by subsidiary	-	-	-	-	(350)	(350)
Receipts in respect of allotment of company shares to employees	-	(88)	-	-	132	44
Allotment of shares and options to senior employees- recognition of compensation related to employee stock and options grants	-	283	-	-	-	283
Dividend including erosion (note 6)	-	-	-	(3,290)	-	(3,290)
	-	195	-	(3,290)	(218)	(3,313)
BALANCE AT 31 MARCH 2011 (unaudited)	16,597	96,825	28,074	241,456	(2,879)	380,073

FRUTAROM INDUSTRIES LTD.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2011

	Ordinary shares	Other capital surplus	Translation differences	Retained earnings	Cost of company shares held by subsidiary	Total
	U.S. dollars in thousands					
BALANCE AT 1 JANUARY 2010 (audited)	16,597	96,995	18,063	190,237	(3,417)	318,475
CHANGES DURING THE 3 MONTHS ENDED 31 MARCH 2010 (unaudited):						
Comprehensive income - income for the period	-	-	-	11,111	-	11,111
Other comprehensive income - translation differences	-	-	(10,410)	-	-	(10,410)
Total comprehensive income for the period	-	-	(10,410)	11,111	-	701
 Plans for allotment of company shares to employees of subsidiary - receipts in respect of allotment of company shares to employees	-	-	-	-	37	37
Allotment of shares and options to senior employees- recognition of compensation related to employee stock and options grants	-	196	-	-	-	196
Dividend including erosion	-	-	-	(2,777)	-	(2,777)
	-	196	-	(2,777)	37	(2,544)
BALANCE AT 31 MARCH 2010 (unaudited)	<u>16,597</u>	<u>97,191</u>	<u>7,653</u>	<u>198,571</u>	<u>(3,380)</u>	<u>316,632</u>

FRUTAROM INDUSTRIES LTD.
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2011

	Ordinary shares	Other capital surplus	Translation differences	Retained earnings	Cost of company shares held by subsidiary	Total
	U.S. dollars in thousands					
BALANCE AT 1 JANUARY 2010 (audited)	16,597	96,995	18,063	190,237	(3,417)	318,475
CHANGES DURING THE YEAR ENDED						
DECEMBER 2010 (unaudited):						
Comprehensive income -						
income for the period	-	-	-	44,111	-	44,111
Other comprehensive income -						
translation differences	-	-	(452)	-	-	(452)
Total comprehensive income for the year	-	-	(452)	44,111	-	43,659
Plans for allotment of company shares to employees of subsidiary:						
Acquisition of company shares by subsidiary	-	-	-	-	(1,261)	(1,261)
Receipts in respect of allotment of company shares to employees	-	(1,344)	-	-	2,017	673
Allotment of shares and options to senior employees - recognition of compensation related to employee stock and options grants	-	979	-	-	-	979
Dividend paid, including erosion	-	-	-	(2,733)	-	(2,733)
	-	(365)	-	(2,733)	756	(2,342)
BALANCE AT 31 DECEMBER 2010 (unaudited)	<u>16,597</u>	<u>96,630</u>	<u>17,611</u>	<u>231,615</u>	<u>(2,661)</u>	<u>359,792</u>

FRUTAROM INDUSTRIES LTD.
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2011

	3 months ended		Year ended
	31 March		31 December,
	2011	2010	2010
	U.S. dollars in thousands		
	(Unaudited)		(Audited)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash generated from operations (see appendix)	7,014	7,784	69,692
Income tax paid	(4,215)	(2,542)	(7,626)
Net cash provided by operating activities	<u>2,799</u>	<u>5,242</u>	<u>62,066</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment	(1,742)	(1,875)	(8,465)
Purchase of intangibles	(558)	(181)	(2,326)
Interest received	120	47	163
Acquisition of operations (notes 4 and 5)	(9,113)	-	-
Proceeds from sale of property, plant and equipment	47	111	807
Net cash used in investing activities	<u>(11,246)</u>	<u>(1,898)</u>	<u>(9,821)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Interest paid	(364)	(541)	(1,884)
Repayment of long-term bank loans	(7,671)	(11,257)	(43,697)
Receipt of (discharge of) short-term bank credit and loans – net	6,956	988	(2,147)
Purchase of company shares by subsidiary – net of receipts in respect of the shares	(306)	37	(588)
Dividend paid	-	-	(2,733)
Net cash used in financing activities	<u>(1,385)</u>	<u>(10,773)</u>	<u>(51,049)</u>
INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND BANK CREDIT	(9,832)	(7,429)	1,196
BALANCE OF CASH AND CASH EQUIVALENTS AND BANK CREDIT AT BEGINNING OF PERIOD	44,389	42,940	42,940
PROFITS (LOSSES) FROM EXCHANGE DIFFERENCES ON CASH, CASH EQUIVALENTS AND BANK CREDIT	(892)	1,294	253
BALANCE OF CASH, CASH EQUIVALENTS AND BANK CREDIT AT END OF PERIOD	<u>33,665</u>	<u>36,805</u>	<u>44,389</u>

FRUTAROM INDUSTRIES LTD.
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2011

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

	3 months ended		Year ended
	31 March		31 December,
	2011	2010	2010
	U.S. dollars in thousands		
	(Unaudited)		(Audited)
Income before taxes on income	17,502	15,300	59,786
Adjustments required to reflect the cash flows from operating activities:			
Depreciation and amortization	4,570	4,569	18,081
Recognition of compensation related to employee stock and options grants	283	196	979
Liability for employee rights upon retirement – net	29	(173)	221
Loss (income) on from sale of fixed assets	(11)	(55)	(508)
Increase (decrease) in provisions – net	(2)	(9)	(200)
Erosion of loans	146	127	(142)
Interest paid – net	244	494	1,721
	<u>5,259</u>	<u>5,149</u>	<u>20,152</u>
Operating changes in working capital:			
Increase in accounts receivable:			
Trade	(11,919)	(11,592)	(5,272)
Other	(2,828)	(2,393)	2,723
Increase (decrease) in accounts payable and accruals:			
Trade	8,083	2,205	2,388
Other	813	816	(2,444)
Increase in inventory	(9,896)	(1,701)	(7,641)
	<u>(15,747)</u>	<u>(12,665)</u>	<u>(10,246)</u>
Net cash flow from operating activities	<u>7,014</u>	<u>7,784</u>	<u>69,692</u>

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

FRUTAROM INDUSTRIES LTD.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

31 MARCH 2011

(UNAUDITED)

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, and 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 CONDESED CONSOLIDATED FINANCIAL STATEMENTS

- a. The interim condensed consolidated financial information of the group as of 31 March , 2011 and for the 3 month period 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, 2010 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, 2010.

NOTE 3 - PRINCIPAL ACCOUNTING POLICIES:

- a. The accounting policies used in preparation of the interim financial information are consistent with the 2010 annual financial statements, except as described below:
Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

FRUTAROM INDUSTRIES LTD.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

31 MARCH 2011

(UNAUDITED)

NOTE 3 - PRINCIPAL ACCOUNTING POLICIES (continued):

- b. As specified in the annual financial statements of the group for the year 2010, standards, amendments and interpretations to existing standards came into effect and are effective for reporting period commencing on January 1, 2011, but first time implementation of these standards and interpretations had no material effect on the financial information for the interim period (including comparative figures) of the Group.
- c. Additional new standards and amendments to existing standards that are not yet in effect and that the company elected not to early adopt are listed in the group's 2010 annual financial statements. In addition to these standards and amendments, the following standards were issued in May 2011, which are not yet effective and the group has not elected to early adopt them:
- IFRS 10 - "Consolidated Financial Statements" (hereinafter - IFRS 10)
 - IAS 27 (Amendment) - "Separate Financial Statements" (hereinafter - IAS 27 Amendment)
 - IFRS 12 - "Disclosures of Interests in Other Entities" (hereinafter - IFRS 12);
 - IFRS 13 - "Fair Value Measurement" (hereinafter - IFRS 13).

At this stage, the group is evaluating the impact and timing of implementing these standards.

Following are summaries of key provisions in IFRS that are relevant to operations of the group:

1) IFRS 10

IFRS 10 replaces all existing provisions relating to control and financial statements consolidation currently within IAS 27 "Consolidated and Separate Financial Statements" and SIC 12 - "Consolidation - Special Purpose Entities". IFRS 10 redefines "control". The new definition focuses on the requirement to have power over the investee and to have exposure, or rights, to variable returns from its involvement with the investee. Power is defined as existing rights that give the current ability to direct the relevant activities. IFRS 10 also includes provisions relating to the distinction between participating rights and protective rights and provisions relevant to cases in which an investor is acting on behalf of another entity or group of entities (agent/principal relationships). The core principle by which a consolidated entity presents a parent and its subsidiaries as if they are a single entity is maintained, as well as the consolidation technique. Early implementation is possible. An entity electing early implementation will be required to disclose this fact and to also early adopt IFRS 11, IFRS 12, IAS 27 Amendment and IAS 28R on that date.

2) IFRS 12

IFRS 12 sets disclosure requirements for accounting matters covered by IFRS 10 and IFRS 11 and replaces the disclosure requirements in IAS 28. IFRS 12 requires an entity to disclose information to enable users of the financial statements to evaluate the nature of, and changes in, the risks associated with its interests in consolidated structured entities. These disclosure requirements in IFRS 12 that have to do with these matters: critical judgments and assumptions, interest in subsidiaries, interest in joint arrangements and associates and interest in consolidated structured entities. IFRS 12 will be implemented for annual periods commencing on January 1,

FRUTAROM INDUSTRIES LTD.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

31 MARCH 2011

(UNAUDITED)

NOTE 3 - PRINCIPAL ACCOUNTING POLICIES (continued):

2013 and thereafter. Early implementation is permitted. An entity can provide some or all disclosure requirements in IFRS 12 in periods prior to its first-time implementation, without being required to fully implement IFRS 12 on that date, or IFRS 10, IFRS 11, IAS 27 Amendment and IAS 28R.

3) IFRS 13

IFRS 13 provides guidance for measuring fair value and contains relevant disclosure provisions. However, it does not state when or what financial statement items require measurement at fair value. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). Fair value measurement assumes a transaction taking place in the principal market for the asset or liability, or in the absence of a principal market, the most advantageous market for the asset or liability. Fair value will be measured using assumptions that market participants would use when pricing the asset or liability. IFRS 13 includes many detailed provisions relating to the use of techniques for fair value hierarchy, based on the types of data used in the fair value measurement method and prioritization of fair value measurements. IFRS 13 also includes guidance on bid-ask spreads in measuring fair value and using bid prices for asset positions and ask prices for liability positions is permitted but not mandatory. The disclosure requirements of IFRS 13 expand the level of disclosure currently existing in IFRSs relating to fair value measurements. IFRS 13 is mandatory for annual periods commencing on 1 January 2013 or thereafter. Early implementation is permitted along with appropriate disclosure of this fact. IFRS 13 will be implemented retrospectively commencing on the annual period in which it will be implemented for the first time. The disclosure requirements in IFRS 13 are not mandatory for implementation on comparative information relating to periods prior to first-time implementation.

NOTE 4 – ACQUISITION OF THE OPERATIONS OF RIEBER & SON ASA:

On February 1, 2011 the Group acquired via a Norwegian subsidiary the industrial savory business of Rieber & Son ASA (hereafter – Rieber).

The Rieber operations include developing, producing and marketing savory flavoring solutions, including flavoring extracts, spice blends and other functional raw materials for the food industry, especially for the meat and seafood industry and the convenience food market. The Rieber operations has a development, production and marketing site in Norway and a broad customer base, including some leading food producers, especially in Scandinavia.

The cost of acquisition presented in the financial statements amounts to 24,540 Norwegian Kroner (\$ 4,279 thousands); the acquisition was financed by self funds.

The cost of acquisition was fully allocated to intangible assets which were acquired based on their fair value at the time of the acquisition. Determination of the fair value of the acquired assets is subject to final allocation of the consideration of the purchase to the fair value of assets, Allocation which is performed by the Company.

FRUTAROM INDUSTRIES LTD.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

31 MARCH 2011

(UNAUDITED)

NOTE 4 – ACQUISITION OF THE OPERATIONS OF RIEBER & SON ASA (continued):

The intangible assets that were recognized include: product formulas in the total amount of 2,137 Norwegian Kroner (\$ 373 thousands), customer relations in the total amount of 2,097 Norwegian Kroner (\$ 366 thousands) and goodwill in the total amount of 20,306 Norwegian Kroner (\$ 3,540 thousands).

Frutarom is working to merge the Rieber Activity with the Group's existing activities in Germany and Scandinavia and until this acquisition is completed, the activity's products are manufactured in accordance with a production agreement between Frutarom and Rieber.

The acquired operations generated revenue of \$ 1,171 thousands and net income of \$ 88 thousands for the period from the acquisition date through March 31, 2011.

Set forth below are the assets and liabilities of Rieber at date of acquisition:

	<u>Fair value</u>	<u>Value of acquired operations in Rieber's books of accounts</u>
	<u>U.S. dollars</u>	<u>in thousands</u>
Non-current assets:		
Intangible assets		
Goodwill	3,540	-
Product formulas	373	-
Customer relations	366	-
	<u>4,279</u>	<u>-</u>

The product formulas and customer relations are amortized over economic life of 20 years and 10 years respectively. The goodwill is not amortized but rather tested at least once a year for impairment.

FRUTAROM INDUSTRIES LTD.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

31 MARCH 2011

(UNAUDITED)

NOTE 5 – ACQUISITION OF THE EAST ANGLIAN FOOD INGREDIENTS LTD. OPERATIONS:

On January 31, 2011, the Group acquired via a UK subsidiary the operations of the UK company East Anglian Food Ingredients Ltd ("EAFI").

EAFI is engaged in development, production and marketing of savory flavoring, included flavoring extracts, spice blends and other functional raw materials for the food industry, with focus on the meat and seafood industry, convenience food, snacks and processed meat and fish. EAFI has a development, production and marketing site in the UK and a broad customer base.

The cost of acquisition presented in these financial statements amounts to \$ 4,834 thousands (£ 3,000); the acquisition was funded from self funds.

The cost of acquisition was fully allocated to acquire tangible assets, intangible assets and liabilities which were acquired based on their fair value at the time of the acquisition.

Determination of the fair value of the acquired assets is subject to final allocation of the consideration of the purchase to the fair value of assets and liabilities, Allocation which is performed by the Company.

The intangible assets that were recognized include: product formulas in the total amount of £ 146 thousands (\$ 235 thousands), amortized over economic life of 20 years.

FRUTAROM INDUSTRIES LTD.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

31 MARCH 2011

(UNAUDITED)

NOTE 5 – ACQUISITION OF THE EAST ANGLIAN FOOD INGREDIENTS LTD. OPERATIONS
(continued):

The acquired operations were merged to the existing operations of the subsidiary in U.K.

Assets and liabilities of EAFI at date of acquisition:

	<u>Fair value</u>	<u>Value of acquired operations in EAFI's books of accounts</u>
	<u>U.S. dollars</u>	<u>in thousands</u>
Current assets:		
Accounts receivable:		
Trade	1,072	1,152
Inventory	1,909	2,135
Non-current assets:		
Fixed assets	2,438	1,644
Intangible assets		
Product formulas	235	-
Current liabilities :		
Accounts payable and accruals - trade	(693)	(693)
Deferred income taxes	(127)	-
	<u>4,834</u>	<u>4,238</u>

The acquired operations generated revenue of \$ 1,597 thousands and net income of \$ 55 thousands, for the period from the acquisition date through March 31, 2011.

NOTE 6 – DIVIDEND

On 23, March 2011, the Company's Board of Directors declared the distribution of a dividend of NIS 0.2 per share, in the total amount of \$ 3,290 thousands. On 5 May, 2011, a dividend of \$ 3,365 thousands was paid to the shareholders.

FRUTAROM INDUSTRIES LTD.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

31 MARCH 2011

(UNAUDITED)

NOTE 7 – SEGMENT REPORTING

For management purposes, the Group is organized on a worldwide basis 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				
3 months ended 31 March 2011 (unaudited):					
Revenues	80,211	39,137	2,394	(709)	121,033
Segment results	11,204	5,451	191	(218)	16,628
3 months ended 31 March 2010 (unaudited):					
Revenues	75,446	37,612	1,210	(798)	113,470
Segment results	11,710	4,952	21	(126)	16,557
Year ended 31 December 2010 (audited):					
Revenues	306,374	141,540	5,425	(2,273)	451,066
Segment results	46,268	16,813	124	(223)	62,982

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

	3 months ended		Year ended
	31 March		31 December
	2011	2010	2010
	(Unaudited)		(Audited)
	U.S. dollars in thousands		
Reported segment profits	16,628	16,557	62,982
Financing expenses (income)	(874)	1,257	3,196
Profit before taxes on income	17,502	15,300	59,786