FRUTAROM INDUSTRIES LTD.

INTERIM FINANCIAL INFORMATION

(Unaudited)

30 JUNE 2011

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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 June 2011 and the related condensed consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the six 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 12.13% of total consolidated assets as of 30 June 2011 and whose revenues included in consolidation constitute approximately 12.22% and 12.62% of total consolidated revenues for the six 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
August 17, 2011	Certified Public Accountants (lsr.)
	A member firm of PricewaterhouseCoopers International Limited

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FRUTAROM INDUSTRIES LTD.

CONDESED CONSOLDIATED STATEMENT OF FINANCIAL POSITION

30 JUNE 2011

	30 June		31 December
	2011	**2010**	**2010**
	(Unaudited)		**(Audited)**
	U.S. dollars in thousands		
A s s e t s			
CURRENT ASSETS:			
Cash and cash equivalents	33,907	41,218	44,389
Accounts receivable:			
Trade	88,946	72,201	69,820
Other	8,184	9,565	10,836
Prepaid expenses and advances to suppliers	5,358	5,106	2,736
Inventory	105,520	77,733	86,485
	241,915	205,823	214,266
NON-CURRENT ASSETS:			
Property, plant and equipment	134,926	117,503	126,122
Intangible assets	191,608	167,410	177,136
Deferred income tax assets	1,408	1,637	1,362
Prepaid expenses in respect of operating lease	136	142	163
	328,078	286,692	304,783
Total assets	569,993	492,515	519,049

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: August 17, 2011

	30 June 2011	30 June 2010	31 December 2010
	(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	52,623	33,013	32,302
Accounts payable:			
Trade	39,831	34,030	30,380
Other	29,717	31,082	31,231
Provisions	192	215	207
	122,363	98,340	94,120
NON-CURRENT LIABILITIES:			
Long-term loans, net of current maturities	8,896	45,173	32,028
Retirement benefit obligations, net	12,451	9,867	11,242
Deferred income tax liabilities	24,114	19,376	21,867
	45,461	74,416	65,137
Total liabilities	167,824	172,756	159,257
EQUITY:			
Ordinary shares	16,597	16,597	16,597
Capital surplus	96,949	96,931	96,630
Translation differences	37,693	(2,032)	17,611
Retained earnings	253,677	211,640	231,615
Less - cost of company shares held by subsidiary	(2,747)	(3,377)	(2,661)
Total equity	402,169	319,759	359,792
Total equity and liabilities	569,993	492,515	519,049

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

FRUTAROM INDUSTRIES LTD.

CONDESED CONSOLIDATED STATEMENT OF INCOME

FOR THE SIX AND THREE-MONTH PERIOD ENDED 30 JUNE 2011

	6 months ended 30 June		3 months ended 30 June		Year ended 31 December
	2011	**2010**	**2011**	**2010**	**2010**
		(Unaudited)			**(Audited)**
		U.S. dollars in thousands			
		(except for income per share data)			
SALES	251,618	227,735	130,585	114,265	451,066
COST OF SALES	157,477	137,367	82,107	67,371	276,242
GROSS PROFIT	94,141	90,368	48,478	46,894	174,824
Selling, marketing, research and development expenses – net	41,839	37,959	21,740	19,250	77,061
General and administrative expenses	18,533	16,784	9,646	8,514	35,099
Other expenses (income) - net	133	(331)	84	(269)	(318)
INCOME FROM OPERATIONS	33,636	35,956	17,008	19,399	62,982
FINANCIAL EXPENSES (INCOME) - net	(63)	3,574	811	2,317	3,196
INCOME BEFORE TAX ON INCOME	33,699	32,382	16,197	17,082	59,786
INCOME TAX	8,257	8,246	3,886	4,057	15,675
INCOME FOR THE PERIOD	25,442	24,136	12,311	13,025	44,111
EARNINGS PER SHARE:					
Basic	0.44	0.42	0.21	0.23	0.77
Fully diluted	0.44	0.42	0.21	0.23	0.77

CONDESED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX AND THREE-MONTH PERIOD ENDED 30 JUNE 2011

			U.S. dollars in thousands		
INCOME FOR THE PERIOD	25,442	24,136	12,311	13,025	44,111
OTHER COMPREHENSIVE INCOME - translation differences	20,082	(20,095)	9,619	(9,685)	(452)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	45,524	4,041	21,930	3,340	43,659

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

FRUTAROM INDUSTRIES LTD.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX AND THREE-MONTH PERIOD ENDED 30 JUNE 2011

	Ordinary shares	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 6 MONTH PERIOD ENDED 30 JUNE 2011 (unaudited):						
Comprehensive income:						
Income for the period	-	-	-	25,442	-	25,442
Other comprehensive income -						
Translation differences	-	-	20,082	-	-	20,082
Total comprehensive income for the period	**-**	**-**	20,082	25,442	**-**	45,524
Plans for allotment of company shares to employees of subsidiary:						
Acquisition of company shares by subsidiary	**-**	-	**-**	**-**	(444)	(444)
Receipts in respect of allotment of company shares to employees	-	(239)	-	-	358	119
Allotment of shares and options to senior employees -						
Recognition of compensation related to employee stock and options grants	-	558	-	-	-	558
Dividend paid, including erosion	**-**	**-**	**-**	(3,380)	-	(3,380)
	-	319	-	(3,380)	(86)	(3,147)
BALANCE AT 30 JUNE 2011 (unaudited)	16,597	96,949	37,693	253,677	(2,747)	402,169

FRUTAROM INDUSTRIES LTD.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX AND THREE-MONTH PERIOD ENDED 30 JUNE 2011

	Ordinary shares	Capital Surplus	Translation differences	Retained earnings	Cost of company shares held by subsidiary	Total
	U.S. dollars in thousands					
BALANCE AT 1 APRIL 2011 (unaudited)	16,597	96,825	28,074	241,456	(2,879)	380,073
CHANGES DURING THE 3 MONTH PERIOD ENDED 30 JUNE 2011 (unaudited):						
Comprehensive income:						
Income for the period	-	-	-	12,311	-	12,311
Other comprehensive income -						
Translation differences	-	-	9,619	-	-	9,619
Total comprehensive income for the period	-	-	9,619	12,311	-	21,930
Plans for allotment of company shares to employees of subsidiary:						
Acquisition of company shares by subsidiary	-	-	-	-	(94)	(94)
Receipts in respect of allotment of company shares to employees	-	(151)	-	-	226	75
Allotment of shares and options to senior employees -						
Recognition of compensation related to employee stock and options grants	-	275	-	-	-	275
Erosion of dividend paid	-	-	-	(90)	-	(90)
	-	124	-	(90)	132	166
BALANCE AT 30 JUNE 2011 (unaudited):	16,597	96,949	37,693	253,677	(2,747)	402,169

FRUTAROM INDUSTRIES LTD.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX AND THREE-MONTH PERIOD ENDED 30 JUNE 2011

	Ordinary shares	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 6 MONTH PERIOD ENDED 30 JUNE 2010 (unaudited):						
Comprehensive income:						
Income for the period	-	-	-	24,136	-	24,136
Other comprehensive income -						
Translation differences	-	-	(20,095)	-	-	(20,095)
Total comprehensive income for the period	-	-	(20,095)	24,136	-	4,041
Plans for allotment of company shares to employees of subsidiary:						
Acquisition of company shares by subsidiary	-	-	-	-	(703)	(703)
Receipts in respect of allotment of company shares to employees	-	(495)	-	-	743	248
Allotment of shares and options to senior employees -						
Recognition of compensation related to employee stock and options grants	-	431	-	-	-	431
Dividend paid, including erosion.	-	-	-	(2,733)	-	(2,733)
	-	(64)	-	(2,733)	40	(2,757)
BALANCE AT 30 JUNE 2010 (unaudited)	16,597	96,931	(2,032)	211,640	(3,377)	319,759

FRUTAROM INDUSTRIES LTD.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX AND THREE-MONTH PERIOD ENDED 30 JUNE 2011

	Ordinary shares	Capital Surplus	Translation differences	Retained earnings	Cost of Company shares held by subsidiary	Total
	U.S. dollars in thousands					
BALANCE AT 1 APRIL 2010 (unaudited)	16,597	97,191	7,653	198,571	(3,380)	316,632
CHANGES DURING THE 3 MONTH PERIOD ENDED 30 JUNE 2010 (unaudited):						
Comprehensive income:						
Income for the period	-	-	-	13,025	-	13,025
Other comprehensive income -						
Translation differences	-	-	(9,685)	-	-	(9,685)
Total comprehensive income for the period	-	-	(9,685)	13,025	-	3,340
Plans for allotment of company shares to employees of subsidiary:						
Acquisition of company shares by subsidiary					(703)	(703)
Receipts in respect of allotment of company shares to employees.	-	(495)	-	-	706	211
Allotment of shares and options to senior employees - Recognition of compensation related to employee stock and options grants	-	235	-	-	-	235
Erosion of dividend paid	-	-	-	44	-	44
	-	(260)	-	44	3	(213)
BALANCE AT 30 JUNE 2010 (unaudited):	16,597	96,931	(2,032)	211,640	(3,377)	319,759

FRUTAROM INDUSTRIES LTD.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX AND THREE-MONTH PERIOD ENDED 30 JUNE 2011

	Ordinary shares	Capital Surplus	Translation differences	Retained earnings	Cost of company shares held by subsidiary	Total
	U.S. dollars in thousands (audited)					
BALANCE AT 1 JANUARY 2010	16,597	96,995	18,063	190,237	(3,417)	318,475
CHANGES DURING THE YEAR ENDED 31 DECEBMBER 2010:						
Comprehensive income:						
Income for the year	-	-	-	44,111	-	44,111
Other comprehensive income -						
Translation differences	-	-	(452)	-	-	(452)
Total comprehensive income for the period	-	-	(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	16,597	96,630	17,611	231,615	(2,661)	359,792

FRUTAROM INDUSTRIES LTD.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX AND THREE-MONTH PERIOD ENDED 30 JUNE 2011

	6 months ended 30 June		3 months ended 30 June		Year ended 31 December
	2011	**2010**	**2011**	**2010**	**2010**
	U.S. dollars in thousands				
	(Unaudited)		**(Unaudited)**		**(Audited)**
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash generated from operations (see appendix)	24,850	33,039	17,836	25,255	69,692
Income tax received (paid)	(8,913)	(2,449)	(4,698)	93	(7,626)
Net cash provided by operating activities	15,937	30,590	13,138	25,348	62,066
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of property, plant and equipment	(3,278)	(3,890)	(1,536)	(2,015)	(8,465)
Purchase of intangibles	(1,391)	(611)	(833)	(430)	(2,326)
Interest received	155	300	35	253	163
Acquisition of operations (notes 4 and 5)	(9,113)	-	-	-	-
Proceeds from sale of property, plant and equipment	188	686	141	575	807
Net cash used in investing activities	(13,439)	(3,515)	(2,193)	(1,617)	(9,821)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Interest paid	(817)	(1,004)	(453)	(463)	(1,884)
Repayment of long-term bank loans	(17,099)	(24,980)	(9,428)	(13,723)	(43,697)
Receipt (discharge) of short-term bank credit and loans – net	10,107	(1,924)	3,151	(2,912)	(2,147)
Purchase of company shares by subsidiary – net of receipts in respect of the shares	(325)	(455)	(19)	(492)	(588)
Dividend paid	(3,380)	(2,733)	(3,380)	(2,733)	(2,733)
Net cash used in financing activities	(11,514)	(31,096)	(10,129)	(20,323)	(51,049)
INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND BANK CREDIT	(9,016)	(4,021)	816	3,408	1,196
Balance of cash and cash equivalents and bank credit at beginning of period	44,389	42,940	33,665	36,805	42,940
Profits (losses) from exchange differences on cash, cash equivalents and bank credit	(1,466)	2,299	(574)	1,005	253
BALANCE OF CASH, CASH EQUIVALENTS AND BANK CREDIT AT END OF PERIOD	33,907	41,218	33,907	41,218	44,389

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

FRUTAROM INDUSTRIES LTD.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX AND THREE-MONTH PERIOD ENDED 30 JUNE 2011

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

	6 months ended 30 June		3 months ended 30 June		Year ended 31 December
	2011	2010	2011	2010	2010
	(Unaudited)		(Unaudited)		(Audited)
	U.S. dollars in thousands				
Income before tax	33,699	32, 382	16,197	17,082	59,786
Adjustments required to reflect the cash flows from operating activities:					
Depreciation and amortization	9,517	8,923	4,947	4,354	18,081
Recognition of compensation related to employee stock and option grants	558	431	275	235	979
Liability for employee rights upon retirement – net	197	(190)	168	(17)	221
Loss (gain) from sale of fixed assets	4	(479)	15	(424)	(508)
Decrease in provisions – net	(15)	(192)	(13)	(183)	(200)
Erosion of loans	275	(181)	129	(308)	(142)
Interest paid - net	662	704	418	210	1,721
	11,198	9,016	5,939	3,867	20,152
Operating changes in working capital:					
Decrease (increase) in accounts receivable:					
Trade	(14,177)	(11,940)	(2,258)	(348)	(5,272)
Other	700	1,096	3,528	3,489	2,723
Increase (decrease) in accounts payable:					
Trade	7,260	7,233	(823)	5,028	2,388
Other	(2,022)	(208)	(2,835)	(1,024)	(2,444)
Increase in inventory	(11,808)	(4,540)	(1,912)	(2,839)	(7,641)
	(20,047)	(8,359)	(4,300)	4,306	(10,246)
Cash flows from operating activities	24,850	33,039	17,836	25,255	69,692

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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

a. The interim condensed consolidated financial information of the group as of 30 June 2011 and for the 6 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, 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 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.

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 and June 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).
- IAS 1-"Presentation of financial statements" (hereinafter – IAS 1 Amendment).
- IAS 19-" Employee Benefit" (hereinafter – IAS 19 Amendment).

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.
Company's management estimate that first time adoption of this standard is not expected to have a material effect.

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

NOTE 3 - PRINCIPAL ACCOUNTING POLICIES (continued):

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, 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.
Company's management estimate that first time adoption of this standard is not expected to have a material effect.

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.
Company's management estimate that first time adoption of this standard is not expected to have a material effect.

4) Amendment to IAS 1

The amendment to IAS 1 changes the manner of disclosure of other comprehensive income items (hereafter – OCI) as part of the statement of comprehensive income.
Set forth below is a summary of the main amendments made to IAS 1:

- Items presented as part of the OCI should be separated into two groups based on whether the items can be recycled in the future into profit or loss or not. Accordingly, items that cannot be reclassified into profit or loss in the future would be presented separately from items that can be recycled in the future into future or loss.

NOTE 3 - PRINCIPAL ACCOUNTING POLICIES (continued):

- Entities electing to present OCI items before the tax associated with these items will be required to present the tax effect separately for each of the two groups of the OCI items.

- The name of the statement of comprehensive income was changed to "statement of profit or loss and other comprehensive income". Nevertheless, IAS 1 allows entities to use other names.

The amendment to IAS 1 will be applied to annual reporting periods commencing July 1, 2012 or thereafter, with full retrospective application. Early adoption is allowed.
Company's management estimate that first time adoption of this standard is not expected to have a material effect.

5) Amendment to IAS 19

The amendment to IAS 19 makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefit and to the disclosures for all employee benefits. Set forth below is a summary of the key changes:

- "Actuarial gains and losses" are renamed "remeasurements" and will be recognized immediately in OCI. Actuarial gains and losses will no longer be deferred using the corridor approach or recognized in profit or loss.
- Past-service costs will be recognized immediately in the period of a plan amendment; unvested benefits will no longer be spread over a future-service period.
- Annual expense for a funded benefit plan will include net interest expense or income, calculated by applying the discount rate to the net defined benefit asset or liability. This will replace the "finance charge" and "expected return on plan assets" currently applied under IAS 19.
- The distinction between short-and long-term benefits for measurement purposes shall be 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.
- There are additional disclosure requirements compared with IAS 19 in its present version.

The amendment is effective for periods beginning on or after 1 January 2013. Earlier application is permitted. The amendment should be applied retrospectively in accordance with IAS 8 - "Accounting policies, changes in accounting estimates and errors", except for:

a) An entity needs not to adjust the carrying amount of assets outside the scope of IAS 19 (2011) for changes in employee benefits costs that were included in the carrying amount before the date of initial application of the amendment.

b) Comparative information for the disclosures required in the amendment to IAS 19 about the sensitivity of the defined benefit obligation will not needed in financial statements for periods beginning before 1 January 2014.

The Group is studying the expected effect on Amendment to IAS 19 on its financial statements and the timing of its adoption.

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 finanical statements amounts to 24,540 thousands Norwegian Krones ($ 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 falue 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.
The intangible assets that were recognized include: product formulas in the total amount of 2,137 Norwegian Krones ($ 373 thousands), customer relations in the total amount of 2,097 thousands Norwegian Krones ($ 366 thousands) and goodwill in the total amount of 20,306 thousands Norwegian Krones ($ 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 $ 2,985 thousands and net income (after acquisition costs) of $ 193 thousands for the period from the acquisition date through June 30, 2011.

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

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

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.

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

Assets and liabilities of EAFI at date of acquisition:

	Fair value	Value of acquired operations in EAFI's books of accounts
	U.S. dollars in thousands	
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)	-
	4,834	4,238

The acquired operations generated revenue of $ 3,913 thousands and net income (after acquisition costs) of $ 199 thousands, for the period from the acquisition date through June 30, 2011.

NOTE 6 – 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				
6 months ended 30 June 2011:					
(unaudited):					
Revenues	172,889	76,300	3,944	(1,515)	251,618
Segment results	24,681	8,591	300	64	33,636
6 months ended 30 June 2010					
(unaudited):					
Revenues	152,842	73,783	2,323	(1,213)	227,735
Segment results	25,190	11,028	56	(318)	35,956
3 months ended 30 June 2011					
(unaudited):					
Revenues	92,678	37,163	1,550	(806)	130,585
Segment results	13,477	3,140	109	282	17,008
3 months ended 30 June 2010					
(unaudited):					
Revenues	77,396	36,171	1,113	(415)	114,265
Segment results	13,480	6,076	35	(192)	19,399
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:

	6 months ended 30 June		3 months ended 30 June		Year ended 31 December
	2011	**2010**	**2011**	**2010**	**2010**
	U.S. dollars in thousands				
	(Unaudited)		(Unaudited)		(Audited)
Reported segment income	33,636	35,956	17,008	19,399	62,982
Financing expenses	(63)	3,574	811	2,317	3,196
Profit before taxes on income	33,699	32,382	16,197	17,082	59,786

NOTE 7 – 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 $ 3,380 thousands was paid to the shareholders.

NOTE 8 – SUBSEQUENT EVENTS

On 26 May, 2011, Frutarom signed (through an Italian subsidiary) on an agreement for the acquisition of the assets and savory operations of Christian Hansen Italia (hereafter – "Chr. Hansen"), in consideration for € 25 million (app. $ 35.7 million). The acquisition was financed using short-term bank credit extended at Libor+1.6%; the credit shall be replaced by a long-term loan, the terms of which have not yet been agreed upon with the lending entity.

The savory operations of Chr. Hansen include the development, manufacture and marketing of savory flavors, seasoning compounds and functional ingredients for the food industry, with a focus on processed meat and convenience food applications. Chr. Hansen has a state of the art high capacity production plant located in Parma Italy and innovative R&D laboratories as well as a wide customer base mainly with leading Italian meat processors, and also in France, Poland, Czech Republic, Russia and Ukraine.

The acquired activity is highly synergetic with Frutarom's current savory competencies; Frutarom works to merge the purchased marketing, development and procurement operations with those of Frutarom.

The sales turnover of Chr. Hansen's operations in 2010 amounted to € 18.3 million (app. $ 24.3 million).

On July 29, 2011, Frutarom completed the transaction for acquisition of the said operations.