FRUTAROM INDUSTRIES LTD.
DIRECTORS' REPORT OF THE COMPANY'S STATE OF AFFAIRS
FOR THE PERIOD ENDING MARCH 31, 2014

BOARD OF DIRECTORS' DISCUSSIONS OF THE COMPANY'S STATE OF BUSINESS

A. REVIEW OF ACTIVITY

Frutarom Industries Ltd. (the **"Company"**) is a global company established in Israel in 1933. Frutarom became a public company in 1996 upon registration of its shares for trade on the Tel Aviv Stock Exchange. In February 2005, the Company's Global Depository Receipts were also listed on the London Stock Exchange Official List. The Company itself and its subsidiaries ("**Frutarom**" or the **"Group**") develop, produce and market flavors and fine ingredients used in the manufacture of food, beverages, flavors, fragrances, pharmaceuticals/ nutraceuticals, cosmetics and personal care products. Frutarom operates production facilities in Europe, North America, Latin America, Israel, Asia and Africa, marketing and selling over 31,000 products to more than 15,500 customers in over 145 countries and employing 2,700 people throughout the world.

Frutarom has two main areas of activity that constitute its core operations: its Flavors activity and its Specialty Fine Ingredients activity ("**core business**").

- **The Flavors Activity -** Frutarom develops, produces, markets and sells solutions for sweet and savory flavorings, including flavor concentrates and products also containing fruit, vegetable, or other natural ingredients ("food systems"), used mainly in the manufacture of foods, beverages and other consumer products. Frutarom develops thousands of different flavors, mostly customized to the needs of individual customers. Frutarom also develops new products to meet changing consumer preferences and future customer needs. Having undergone rapid and profitable growth both organically and through acquisitions, the Flavors activity now accounts for over 70% of Frutarom's total sales (compared to 33% in 2000).

  This rapid growth comes from focusing on the fast-growing field of natural flavors, developing unique innovative solutions combining taste and health for the large multi-national market segment, and working with mid-size and local customers in emerging and developed market, with particular attention to private labels. It has also been achieved thanks to an emphasis placed on providing customized service which includes technological and marketing support, assistance in the development of products and the offer of customized products and services as normally provided to large multinationals. A key factor for growth has also been Frutarom's strategic acquisitions which have been, and continue to be, successfully incorporated into Frutarom's global activities.

- **The Specialty Fine Ingredients Activity -** Frutarom develops, produces, markets and sells natural flavor extracts, natural functional food ingredients, natural pharmaceutical/nutraceutical extracts, natural algae-based biotechnical products, aromatic chemicals, essential oils, unique citrus products, natural gums and stabilizers. Specialty Fine Ingredients products are sold primarily to the food, beverage, flavor, fragrance, pharmaceutical/nutraceutical, cosmetics and personal care industries.

  In its Specialty Fine Ingredients activities, Frutarom focuses on maintaining a product portfolio with high added value which gives it a competitive edge over its rivals. Most of its specialty fine ingredients in the areas of taste and health are natural products which are characterized by higher growth on average than for non-natural products. In recent years Frutarom has strived to expand the portfolio of natural products offered to customers, with particular emphasis on the area of natural, functional and healthy foods.

- **Trade and Marketing Operations** – In addition to its core business, Frutarom also engages in importing and marketing various raw materials not manufactured in-house in order to provide comprehensive solutions for its customers' needs. The trade and marketing activity is synergetic in supporting Frutarom's core business, leveraging its global sales organization, supply chain, global management and purchasing systems by allowing Frutarom to offer a wider range of products, solutions and added value to its customers, mainly those that are medium sized and locally based, and to strengthen the partnership with these customers. This activity, which grew following the acquisitions of Etol and PTI, is centered mainly in Central and Eastern Europe and Israel., Sales from Trade and Marketing activity accounted for 8.3% of Frutarom's overall sales during the first quarter of 2014.

Rapid growth strategy – profitable organic growth and strategic acquisitions

Frutarom continues to act determinedly towards implementing its rapid and profitable growth strategy with the reinforcement of its research and development, supply chain and manufacturing, marketing and sales infrastructures along with continued assessment of additional strategic acquisitions.

- **Increasing the Share of the Flavors Activity** - The successful implementation of its rapid and profitable growth strategy has allowed Frutarom to significantly boost the share of its Flavors activity, the more profitable among its operations, achieving growth at a quicker pace than that of the markets in which it operates. Sales in this field now constitute 71% of Frutarom's total sales (compared to 33% in 2000). The Company expects that the rapid growth trend for its Flavors activity will continue even under today's challenging market conditions.

- **Development of New Products and Solutions Combining Taste and Health** - Frutarom develops innovative flavor and health solutions addressing customers' requirements and their future needs. These solutions are in line with the major trends in the global food market and with consumer demand, including the combining of taste and health, nutraceutical supplements, anti-aging products and food products targeting specific populations and age groups. The added value offered by Frutarom and the Company's unique abilities in combining taste solutions with raw materials that have health benefits give it a critical competitive edge among customers in both developed and emerging markets. Most of these new products generate higher profit margins and therefore contribute not only to a growth in sales but also to an improvement in Frutarom's product mix and profitability.

- **Improvements in Specialty Fine Ingredients Product Mix** – Over the past few years Frutarom has also improved the product mix in its Specialty Fine Ingredients activity. Frutarom's R&D teams have successfully developed specialty state-of-the-art natural products targeting both the flavors and health markets. The successful penetration of these products contributes to both an increase in sales by the Specialty Fine Ingredients operations and to improved profitability. Frutarom anticipates continued improvement in results for its Specialty Fine Ingredients operations also from new and innovative products currently in the pipeline.

- **Strategic Change in the Geographic Mix** - The successful implementation of Frutarom's strategy in recent years, including a substantial increase in the scope of sales and market share in high-growth emerging markets and the United States, led to Frutarom's sales in 2013 (had acquisitions performed during the year been consolidated from the beginning of the year) tripling in developing markets and doubling in the United States (compared to 2010). Meanwhile the Flavors activity in the United States grew fourfold. The share of sales deriving from Western Europe consequently narrowed from 51% in 2010 to 34% in 2013.

  Frutarom aims at accelerating its growth and increasing the share of its sales from emerging markets and the United States and will continue investing a great deal of resources towards this end, including through focused reinforcement of its R&D, production, marketing and sales infrastructures in important target countries and continued strategic acquisitions.

  The five acquisitions executed by Frutarom in 2013 and at the beginning of 2014 (JannDeRee in South Africa, PTI in Russia, Aroma in Guatemala, Hagelin in the United States with significant sales in Africa and in Latin America, and the American CitraSource) will also contribute to Frutarom's accelerated growth and to an increase in market share in emerging markets and the United States in the coming years.

  At the same time Frutarom is continuing and will continue expanding operations in Western European markets. The major countries in Western Europe report signs of recession coming to an end and the beginning of slow expansion, a trend that if continued will contribute to an improvement in sales growth in these important markets.

- **Focus on providing quality service and product development for large multinational customers and for medium size and local customers –** Frutarom continues to expand the services it provides to its customers, and its product portfolio and solutions for both large multi-national customers and mid-size local customers, with special emphasis on the rapidly growing private label market.

  - In the large multinational food and beverage manufacturing sector, Frutarom will continue to focus on customized products and on expanding its natural flavor and health solutions portfolio.

  - In the mid-size and local customers segment, Frutarom offers the same high level of service and products and solutions adapted to specific customer requirements as generally provided to large multinational customers. Frutarom also offers mid-size, local, and private label customers - often more limited in resources than large and multinational customers - assistance in product development while providing market support and flexibility concerning minimal order quantities and delivery dates.

- **Mergers and acquisitions and their contribution towards achieving profitable growth** - Frutarom has extensive M&A experience, striving to integrate acquired companies and activities into its existing operations and realize commercial and operational synergies to make optimize use of the many cross-selling and cost savings opportunities towards the continued improvement in profit margins.

  After five strategic acquisitions in 2011 and three at the beginning of 2012, all of which were successfully integrated with its global activities and which have contributed to both growth in sales and improved margins, Frutarom continued applying its acquisition strategy with a focus on expanding its sales and market sector in emerging markets and in the United States. In 2013 it acquired JannDeRee of South Africa, PTI in Russia, Aroma in Guatemala and US-based Hagelin. In early 2014 Frutarom also purchased CitraSource located in the United States.

  - **Acquisition of PTI** - on November 20, 2013 Frutarom completed acquiring 75% of the share capital of the Cyprus-based Vantodio Holdings Limited ("Vantodio"), owner of Protein Technologies Ingredients ("PTI") located in Russia, for US$50.3 million.

    PTI, established in 1996, develops, manufactures and markets unique and innovative savory solutions including flavors, spice mixes and functional raw materials for the food industry (including specialty protein based raw materials it manufactures using advanced technology), with special emphasis on processed meat and convenience foods. PTI has two production sites near Moscow, a state-of-the-art R&D, marketing and sales center in Moscow which includes development and application labs, and 17 distribution centers throughout Russia and other countries in the region. PTI's results have been consolidated into Frutarom's financial statements since October 1, 2013.

Frutarom has begun integrating PTI's R&D, marketing and sales infrastructure in Russia and the Central and Eastern European markets where it operates in order to leverage and capitalize on the many cross-selling opportunities this acquisition generates by expanding the customer base and Frutarom's product portfolio. The integration of PTI's activities with Frutarom's in the countries where they both operate will contribute additional synergies and significant operational savings.

For further information regarding the acquisition of PTI, see the Company's immediate reports published on November 18 and 20, 2013.

- **Acquisition of Aroma S.A.** – on November 25, 2013 Frutarom acquired the International Aroma Group, a Panama company, holder of the Guatemalan Aroma group ("Aroma"), in return for a cash payment of US$13 million and a future performance-based payment. The company was consolidated into Frutarom's reports on December 1, 2013.

  Aroma, established in 1990, develops, manufactures and markets flavor solutions, mainly sweet flavors for beverages, dairy products, confectionary, snack foods and convenience foods. Aroma has a production, development and marketing site in Guatemala City and a wide customer base which includes leading international food and beverage manufacturers as well as local food and beverage manufacturers in Guatemala, Honduras, Costa Rica, El Salvador and other developing countries located mainly in Central America.

  The acquisition of the Guatemalan Aroma joins the acquisition of the Brazilian Mylner completed by Frutarom at the beginning of 2012 and Frutarom's independent operations in Costa Rica, which include a development lab and sales and marketing network, now in the process of being integrated with Aroma operations. The acquisition will allow Frutarom to strengthen and deepen its presence and market share in the important markets of Central and South America by expanding its product offerings and expanding its R&D and sales and marketing infrastructures with the support of Frutarom's US development labs while strengthening local production capabilities and improving customer service in the region.

  For further information regarding the acquisition of Aroma, see the Company's immediate report published on November 25, 2013.

- **Acquisition of Hagelin** – on December 12, 2013 Frutarom acquired 100% of the share capital of the US-based Hagelin & Company Inc. and its complete holdings in US-based BRC Operating Company LLC (jointly: "**Hagelin**" in return for a cash payment of US$52.4 million. The company was consolidated into Frutarom's reports starting from December 31, 2013.

Hagelin, founded in 1967, develops, produces and markets flavors and unique flavor technologies for the food industry, with emphasis on the growing field of beverage flavors. Hagelin enjoys higher profit margins than those of Frutarom's Flavors sector (the most profitable of Frutarom's sectors) within which it was integrated.

Hagelin's activity in the UK was integrated into Frutarom's UK activities during the first quarter of 2014 with the transfer of production from the Hagelin site to Frutarom's UK production site and the joining of their R&D, marketing and sales systems. Frutarom is working towards integrating Hagelin's activities with its own in the US and the maximum leveraging of the many synergies which this acquisition brings.

For further information regarding the acquisition of Hagelin, see the Company's immediate report published on December 12, 2013.

- **Acquisition of CitraSource** - On February 24, 2014 Frutarom acquired the business operations and assets of Florida-based CitraSource for the net payment of US$7.1 million plus a future payment based on performance parameters.

  This acquisition reinforces Frutarom's position as a leading global manufacturer in the area of specialty citrus products. CitraSource specializes in the R&D, production, marketing and sales of unique solutions in the field of citrus products to leading global customers in the markets of flavors and fragrances and of food and beverages. CitraSource also has global purchase capabilities in citrus which will contribute towards strengthening Frutarom's global purchase system. Frutarom is working to capitalize on the many synergies generated by this acquisition. CitraSource operations have been integrated into the Specialty Fine Ingredients Division since the date of acquisition (February 24, 2014).

  For further information regarding the acquisition of CitraSource, see the Company's immediate report published on February 25, 2014.

Had the acquisitions made in 2013 been consolidated starting from January 1, 2013, Frutarom's 2013 sales would have reached US$784 million and its net income would have been US$70 million. The acquisition of CitraSource at the end of February 2014 will also contribute to continued profitable growth this year.

- **Increase in Profit and Profit Margins -** Over the last few years, alongside its growth in sales, Frutarom has also achieved significant growth in profits and its gross and operating profit margins. Frutarom continually strives to strengthen its competitive edge while increasing profits and profit margins by focusing, among other things, on the following objectives:

- **<u>Successful integration of acquisitions and maximization of synergies</u> –** The eight acquisitions carried out in 2011-2012 were successfully integrated according to plan. These acquisitions have already contributed to growth in sales and improved profit and margins, and will continue to do so. Frutarom continues working towards capitalizing on the many resulting cross-selling opportunities, making maximum use of the enhanced technological capabilities it has gained through the acquisitions, and actualizing the potential of savings brought about through the integration of the R&D, sales, marketing, supply chain, operations and purchasing systems of those acquisitions. Integration of the five acquisitions carried out in 2013 and at the beginning of 2014 is successfully moving forward and these will continue to contribute to Frutarom's growth in sales and profits this year and in upcoming years.

- **<u>Integration of R&D systems</u> -** Frutarom strives to make maximum use of the extensive R&D capabilities, innovation, and technological capabilities it has gained in recent years following its acquisitions and in the implementation of a new customer relations management system along with R&D and application projects aimed at expanding the product portfolio, improving the quality of its solutions and the level of service to customers by channeling projects to relevant knowledge centers and leveraging the knowhow and expertise developed at the various Frutarom sites over the last few decades.

- **<u>Building and strengthening global purchasing</u> -** Frutarom continues to build and strengthen its global purchasing infrastructure, utilizing the significant added purchasing power acquired through its recent acquisitions, and further expanding its pool of suppliers with an emphasis on the purchasing of raw materials used in production directly from their countries of origin (particularly natural raw materials). Integration of the Company's R&D infrastructures also contributes to a strengthening of global purchasing capabilities by capitalizing on potential harmonization of raw materials and suppliers used by Frutarom in the development and manufacture of its products.

- **<u>Streamlining projects</u> –** Frutarom continues planning, implementing, and executing additional projects for consolidating and unifying production and operations sites and for achieving logistics and supply chain efficiencies which will contribute to strengthening its competitive advantage and improving its profit margins over the coming years.

Frutarom expects the implementation of its rapid and profitable growth strategy, stabilization of prices of raw materials used in its production, and the achievement of the above-mentioned strategic objectives will lead to further improvement in its earnings and profit margins.

Frutarom's solid capital structure (total assets of US$989.1 million and equity totaling US$528.0 million, representing 53.4% of total assets, as of March 31, 2014), its net debt position (total loans less cash resources) standing at US$199.0 million as of March 31, 2014, supported by the cash flow achieved along with bank backing, will enable it to continue realizing the growth strategy it has implemented over the past few years, including further strategic acquisitions while strengthening its competitiveness and standing as one of the world's leading companies in the field of flavors and fine ingredients, and to realize its vision:

"To be the Preferred Partner for Tasty and Healthy Success"

B. FINANCIAL STATUS

Frutarom’s total assets as of March 31, 2014 totaled US$989.1 million, compared with US$762.1 million as of March 31, 2013 and US$970.8 million as of December 31, 2013.

Frutarom’s current assets as of March 31, 2014 totaled US$391.2 million, compared with US$307.2 million as of March 31, 2013 and US$375.0 million as of December 31, 2013.

Fixed assets net of cumulative depreciation and other net assets as of March 31, 2014 totaled US$ 594.3 million, compared with US$451.2 million as of March 31, 2013 and US$592.3 million as of December 31, 2013.

The increase in total assets was mainly due to consolidation of acquisitions carried out in 2013 and at the beginning of 2014.

C. RESULTS OF OPERATIONS - Q1 2014

Q1 2014 presented another record quarter for Frutarom in sales, which reached US$188.5 million, along with gross profits, operating profits, EBITDA, net profits which were the highest in Frutarom's history, and for earnings per share.

Q1 2014 was the first period in which the four acquisitions made in 2013 were fully consolidated and during which CitraSource, acquired on February. 24, 2014, was partially consolidated. These acquisitions also contributed to the continued trend of improvement in Frutarom’s results. The integration of operations of these acquisitions is progressing successfully and according to plan, and is expected to contribute to continued improvement in revenues, earnings, and profit margins.

Sales

Frutarom sales in Q1 2014 grew by 23.9% to reach US$188.5 million compared with US$152.2 million in Q1 2013. Currency fluctuations contributed 1.5%.

The acquisitions made in 2013 and in the beginning of 2014 contributed US$29.3 million to sales during the period. Net of the contribution by the acquisitions, sales this quarter grew by 4.6% compared with last year.

The Company’s business in recent years has been affected by seasonality which, until the acquisition of PTI, was expressed in the sales and profit margins in the first and fourth quarters being weaker than in the other quarters, with the fourth quarter usually being the weakest. Following the acquisition of PTI, whose fourth quarter has in recent years been its strongest and the first quarter its weakest in terms of both sales and profits, Frutarom’s overall quarterly revenue profile has changed in a way that, due to seasonality effects, its first quarter results are now expected to be its weakest of the year.

Flavor Activity sales for Q1 2014 increased by 21.3%, reaching US$134.2 million compared with US$110.6 million in the same quarter last year, and represented 71.2% of total Frutarom sales. Currency fluctuations contributed 1.2% to growth.

The acquisitions made during 2013 and at the beginning of 2014 contributed US$19.0 million to sales. Net of the contribution by acquisitions, flavor sales grew by 4.2%.

Frutarom's sales in Specialty Fine Ingredients for Q1 2014 increased by 9.2%, totaling US$41.0 million compared with US$37.5 million for the same quarter last year. Currency fluctuations contributed 2.2% to growth. Innovative high added value products developed at the Company's labs and successfully launched in recent years contributed to the profitable growth in the Specialty Fine Ingredients activity and to its continued profit margin improvement. The acquisition of CitraSource in February 2014 contributed US$0.8 million to sales. Net of the contribution by this acquisition, Specialty Fine Ingredients sales grew by 7.1%.

Frutarom's sales from Trade & Marketing (not a core activity of Frutarom) rose 195.8% to reach US$15.7 million in Q1 2014 compared with US$5.3 million in Q1 2013. This activity, which significantly increased following the acquisition of Etol and PTI, is based mainly in Central and Eastern Europe and in Israel. The trade & marketing activity of PTI, acquired in the fourth quarter of 2013, contributed most of the growth in sales for the quarter: US$9.5 million.

Sales breakdown by activity in Q1 for 2004 - 2014 (US$ M and %)

		Q1 2004	Q1 2005	Q1 2006	Q1 2007	Q1 2008	Q1 2009	Q1 2010	Q1 2011	Q1 2012	Q1 2013	Q1 2014
Flavor Activity	Sales	20.3	40.3	44.7	49.9	84.4	67.4	75.4	80.2	109.0	110.6	134.2
	%	46.2%	62.3%	63.0%	62.0%	69.2%	68.5%	66.5%	66.3%	72.1%	72.7%	71.2%
Fine Ingredient Activity	Sales	22.5	23.4	25.5	29.1	35.3	29.6	37.6	39.1	37.5	37.5	41.0
	%	51.3%	36.2%	35.9%	36.2%	28.9%	30.1%	33.1%	32.3%	24.8%	24.7%	21.7%
Trade & Marketing	Sales	1.7	1.8	1.4	2.6	3.6	2.2	1.2	2.4	5.4	5.3	15.7
	%	3.9%	2.8%	2.0%	3.2%	3.0%	2.2%	1.1%	2.0%	3.6%	3.5%	8.3%
Inter-activity Sales	Sales	-0.6	-0.8	-0.6	-1.1	-1.3	-0.7	-0.8	-0.7	-0.6	-1.2	-2.3
	%	-1.4%	-1.2%	-0.9%	-1.4%	-1.1%	-0.8%	-0.7%	-0.6%	-0.4%	-0.8%	-1.2%
Total Sales		43.9	64.7	71.0	80.5	122.0	98.4	113.5	121.0	151.2	152.2	188.5

The following is a summary of the profit and loss report for 2013 - 2014 (US$ M):

Q1 2014 Frutarom was a record quarter for Frutarom in sales, gross profit, operational profit, EBITDA, net profit and earnings per share.

000 US$	Core Business Flavors and Specialty Fine Ingredients			Trade and Marketing			Total Group		
	Q1 2013	Q1 2014	% growth	Q1 2013	Q1 2014	% growth	Q1 2013	Q1 2014	% growth
Sales	146,872	172,810	17.7%	5,293	15,657	195.8%	152,165	188,467	23.9%
Gross profit	56,445	70,682	25.2%	731	2,858	291.0%	57,176	73,540	28.6%
Profitability	38.4%	40.9%		13.8%	18.3%		37.6%	39.0%	
EBITDA	25,557	31,737	24.2%	203	384	89.2%	25,760	32,121	24.7%
Profitability	17.4%	18.4%		3.8%	2.5%		16.9%	17.0%	
Operating profit	18,722	23,619	26.2%	183	314	71.6%	18,905	23,933	26.6%
Profitability	12.7%	13.7%		3.5%	2.0%		12.4%	12.7%	

Gross Profit

Gross profit from Frutarom's core business (Flavors and Specialty Fine Ingredients) increased in Q1 2014 by 25.2% to reach US$70.7 million. The gross margin from Frutarom's core business rose to 40.9% in Q1 2014 compared with 38.4% in Q1 2013.

Gross profit from all of Frutarom's activity in Q1 2014 increased by 28.6%, reaching US$73.5 million (39.0% of revenues) compared with US$57.2 million (37.6% of revenues) in Q1 2013.

Organic growth in sales, improved product mix in the core business and stability in prices of raw materials used by Frutarom in the manufacture of its products all contributed to the improvement in gross profit and margin for Q1 2014. Following its acquisitions, Frutarom continues striving to optimize the use of its resources, generating operational savings and strengthening its competitive edge. Frutarom also continues to build up and strengthen its global purchasing system, leveraging its increased purchasing power from the recent acquisitions and continually expanding its pool of suppliers, with an emphasis on purchasing of raw materials used in the manufacture of its products from source countries (particularly natural raw materials). The global purchasing system will also contribute to improvement in profits and margins.

Sales and Marketing, R&D, G&A and Other Expenses

R&D, sales and marketing, G&A and other expenses in Q1 2014 totaled US$49.6 million, (26.3% of sales) compared to US$38.3 million (25.2% of sales) in the same quarter last year.

The increase in expenses is mainly due to the consolidation for the first time of the expenses of all five activities acquired in 2013 and at the beginning of 2014 into Frutarom's financial statements. The increase in the percentage of these expenses from total revenues is mainly due to most of the operating synergies from the activities acquired at the end of 2013 and the beginning of 2014 not having yet been realized, as well as from changes to Frutarom's seasonality profile whereby, following the acquisition of PTI, the first quarter is expected to have the lowest sales turnover whereas a significant portion of the sale and marketing, R&D and G&A expenses are fixed.

Frutarom, as stated, has strived and continues to strive towards continued successful integration of its acquisitions, achievement of maximal efficiency, improvement in its cost structure, building a global purchase system, and strengthening its future competitiveness, while making optimal use of its sites throughout the world.

Operating Profit and EBITDA

Operating profit from Frutarom's core business rose 26.2% in Q1 2014, reaching US$23.6 million (13.7% of sales) compared with US$18.7 million (12.7% of sales in the first quarter of last year.

Operating profit from all Frutarom activities in Q1 2014 increased by 26.6%, reaching US$23.9 million (12.7% of sales) compared with US$18.9 million (12.4% of sales) in the first quarter of last year.

Frutarom's EBITDA for Q1 2014 from its core business increased by 24.2%, reaching US$31.7 million (18.4% of sales) compared with US$25.6 million for the same period last year (17.4% of sales).

Frutarom's EBITDA for Q1 2014 from all activity rose by 24.7% to reach US$32.1 million (17.0% of sales) compared with US$25.8 million during the same period last year (16.9% of sales).

Financing Expenses / Income

In Q1 2014 financing expenses totaled US$1.5 million (0.8% of sales), compared with financing expenses of US$1.4 million in the same quarter last year (0.9% of sales).

Profit before Tax

Profit before tax for Q1 2014 grew by 28.5% to reach an all-time first quarter high of US$22.5 million (11.9% of sales) compared with US$17.5 million (11.5% of sales) in the same quarter last year.

Taxes on Income

Taxes on income for Q1 2014 totaled US$4.2 million (18.7% of profit before tax) compared with US$3.5 million (19.9% of profit before tax) in Q1 2013.

Net Profit

In Q1 2014 net profit rose by 30.5%, reaching US$18.3 million (9.7% of sales) the top net profit ever achieved by Frutarom in a single quarter. This compares with US$14.0 million in Q1 2013 (9.2% of sales).

Earnings per Share

Earnings per share for Q1 2014 grew 27.7%, reaching US$0.31 compared with US$0.24 for the same quarter last year.

Summary of the quarterly profit and loss reports for 2011 - 2014 (US$ M):

	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014
Income	121.0	130.6	135.3	131.6	151.2	164.8	157.1	144.9	152.2	168.6	161.0	191.8	188.5
Gross profit	45.7	48.5	47.7	46.8	54.9	61.8	58.1	51.5	57.2	66.9	62.6	70.2	73.5
Selling, Marketing, R&D, G&A and Other Expenses	29.0	31.5	34.8	34.6	37.1	40.0	38.5	37.8	38.3	41.9	40.0	49.9	49.6
Operating profit	16.6	17.0	12.9	12.2	17.8	21.8	19.5	13.7	18.9	24.9	22.6	20.3	23.9
EBITDA	21.5	22.2	18.6	18.1	25.0	28.5	26.3	20.7	25.8	32.6	29.4	28.3	32.1
Finance expenses	-0.9	0.8	2.6	3.2	0.9	4.3	20.6	1.4	1.4	2.3	1.3	2.5	1.5
Profit before tax	17.5	16.2	10.3	8.9	16.9	17.5	18.9	12.3	17.5	22.6	21.3	17.8	22.5
Net profit	13.1	12.3	8.7	7.9	13.5	13.5	14.4	10.5	14.0	17.6	17.0	15.0	18.3

Seasonality

The Company's business in recent years has been affected by seasonality which, until the acquisition of PTI, was expressed in the sales and profit margins in the first and fourth quarters being weaker than in the other quarters, with the fourth quarter usually being the weakest. Following the acquisition of PTI, whose fourth quarter has in recent years been its strongest and the first quarter its weakest in terms of both sales and profits, Frutarom's overall quarterly revenue profile has changed in a way that, due to seasonality effects, its first quarter results are now expected to be its weakest of the year.

D. LIQUIDITY

Frutarom continues to generate a strong cash flow from operating activities which helps it reduce its level of debt and continue making strategic acquisitions while keeping debt at a reasonable level. During Q1 2014 the Company generated US$9.0 million in cash flow from operating activities compared to US$4.4 million in Q1 2013.

Frutarom continually acts to maintain an optimal level of working capital appropriate for its forecasted growth, taking into account seasonality and the availability of the various raw materials and their current and expected future prices.

E. SOURCES OF FINANCING

Sources of Equity

Frutarom's equity as of March 31, 2014 totaled US$528.0 million (53.4% of total balance sheet) compared with US$446.2 million (58.6% of the balance sheet) as of March 31, 2013 and US$521.1 million (53.7%) as of December 31, 2013.

Loans (Average)

Long-Term Loans (Including Current Maturities of Long Term Loans)

Average long-term credit from banks provided to the Company in Q1 2014 totaled US$216.4 million, compared with US$171.4 million in the same quarter in 2013.

Short-Term Loans (Excluding Current Maturities of Long Term Loans)

Average short-term credit provided by banks to the Company in Q1 2014 totaled US$33.7 million compared to US$14.0 million in the corresponding quarter last year.

The increase in net debt is the result of the loans taken by Frutarom for the financing of its acquisitions.

Accounts Payable and Receivable (Average)

In Q1 2014 the Company had accounts payable and other payables amounting to US$108.1 million compared with US$81.7 million in the same quarter last year. During Q1 2014 the Company granted credit of US$141.0 million to its customers compared with US$111.2 million in Q1 2013. The increase in accounts payable and receivable derives from the five acquisitions performed in 2013 and at the beginning of 2014.

As detailed in this report with respect to the Company's financial status, its liquidity, the positive cash flow generated from its operating activities, and its sources of finance, and assuming no material adverse changes to sales and/or profitability, the Company estimates that the cash flow generated by current operations should allow for the full repayment of its expected liabilities without a need for external sources of financing.

EXPOSURE TO AND MANAGEMENT OF MARKET RISKS

There were no substantial changes in Q1 2014 regarding the Company's exposure to market risks and its management of such, including the impact of the Company's indexation balance compared with the Company's report on this matter in its periodic report for 2013 published by the Company on March 19, 2014. As at March 31, 2014, the Group has long term loans, net of current maturities, totaling US$174.4 million and short term debt, including current maturities of long term loans, of US$74.5 million total. The Company has cash balances of US$49.8 million.

F. SENSITIVITY TESTS

Sensitivity to Changes in the US Dollar- Israeli Shekel Exchange Rate

	Profit (Loss) from changes		Fair value	Profit (Loss) from changes	
% of change	**+10%**	**+5%**	**-**	**-5%**	**-10%**
Exchange rate	**3.836**	**3.661**	**3.487**	**3.313**	**3.138**
	US$ 000				
Cash and cash equivalents	(26)	(13)	260	13	26
Customers	(1,286)	(643)	12,861	643	1,286
Other debtors	(69)	(35)	692	35	69
Other long term debtors	(4)	(2)	42	2	4
	(1,385)	**(693)**	**13,855**	**693**	**1,385**
Credit from banking corporations	47	24	473	(24)	(47)
Suppliers and service providers	569	284	5,686	(284)	(569)
Other creditors	1,291	645	12,905	(645)	(1,291)
	1,907	**953**	**19,064**	**(953)**	**(1,907)**
Total exposure, net	**522**	**260**	**(5,209)**	**(260)**	**(522)**

Sensitivity to Changes in the US Dollar-Pound Sterling Exchange Rate

	Profit (Loss) from changes		Fair value	Profit (Loss) from changes	
% of change	+10%	+5%	-	-5%	-10%
Exchange rate	**0.661**	**0.631**	**0.601**	**0.571**	**0.541**
			US$ 000		
Cash and cash equivalents	(420)	(210)	4,202	210	420
Customers	(1,371)	(685)	13,706	685	1,371
Other debtors	(130)	(65)	1,295	65	130
	(1,921)	**(960)**	**19,203**	**960**	**1,921**
Credit from banking corporations	925	462	9,246	(462)	(925)
Suppliers and service providers	716	358	7,160	(358)	(716)
Other creditors	814	407	8,135	(407)	(814)
	2,455	**1,227**	**24,541**	**(1,227)**	**(2,455)**
Total exposure, net	**534**	**267**	**(5,338)**	**(267)**	**(534)**

Sensitivity to Changes in the US Dollar-Euro Exchange Rate

	Profit (Loss) from changes		Fair value	Profit (Loss) from changes	
% of change	**+10%**	**+5%**	**-**	**-5%**	**-10%**
Exchange rate	**0.797**	**0.761**	**0.725**	**0.688**	**0.652**
			US$ 000		
Cash and cash equivalents	(1,767)	(884)	17,674	884	1,767
Customers	(4,751)	(2,376)	47,510	2,376	4,751
Other debtors	(427)	(213)	4,266	213	427
Other long term debtors	(5)	(2)	46	2	5
	(6,950)	**(3,475)**	**69,496**	**3,475**	**6,950**
Credit from banking corporations	3,215	1,608	32,150	(1,608)	(3,215)
Suppliers and service providers	2,872	1,436	28,720	(1,436)	(2,872)
Other creditors	1,467	733	14,667	(733)	(1,467)
	7,554	**3,777**	**75,537**	**(3,777)**	**(7,554)**
Total exposure, net	**604**	**302**	**(6,041)**	**(302)**	**(604)**

Sensitivity to Changes in the US Dollar-Swiss Franc Exchange Rate

	Profit (Loss) from changes		Fair value	Profit (Loss) from changes	
% of change	**+10%**	**+5%**	**-**	**-5%**	**-10%**
Exchange rate	**0.972**	**0.928**	**0.883**	**0.839**	**0.795**
			US$ 000		
Cash and cash equivalents	(351)	(176)	3,511	176	351
Customers	(944)	(472)	9,441	472	944
Other debtors	(192)	(96)	1,921	96	192
	(1,487)	**(744)**	**14,873**	**744**	**1,487**
Credit from banking corporations	9,818	4,909	98,177	(4,909)	(9,818)
Suppliers and service providers	344	172	3,439	(172)	(344)
Other creditors	899	449	8,986	(449)	(899)
	11,061	**5,530**	**110,602**	**(5,530)**	**(11,061)**
Total exposure, net	**9,574**	**4,786**	**(95,729)**	**(4,786)**	**(9,574)**

Sensitivity to Changes in the US Dollar- Russian Ruble Exchange Rate

	Profit (Loss) from changes		Fair value	Profit (Loss) from changes	
% of change	**+10%**	**+5%**	**-**	**-5%**	**-10%**
Exchange rate	**39.104**	**37.327**	**35.549**	**33.772**	**31.994**
Cash and cash equivalents	(290)	(145)	2,902	145	290
Customers	(1,487)	(744)	14,871	744	1,487
Other debtors	(246)	(123)	2,463	123	246
	(2,023)	**(1,012)**	**20,236**	**1,012**	**2,023**
Credit from banking corporations	50	25	503	(25)	(50)
Suppliers and service providers	249	124	2,487	(124)	(249)
Other creditors	2,298	1,149	22,983	(1,149)	(2,298)
	2,597	**1,298**	**25,973**	**(1,298)**	**(2,597)**
Total exposure, net	**574**	**286**	**(5,737)**	**(286)**	**(574)**

Sensitivity to Changes in the US Dollar-Other Currencies Exchange Rate

	Profit (Loss) from changes		Fair value	Profit (Loss) from changes	
% of change	**+10%**	**+5%**	**-**	**-5%**	**-10%**
			US$ 000		
Cash and cash equivalents	(1,055)	(527)	10,549	527	1,055
Customers	(1,854)	(927)	18,542	927	1,854
Other debtors	(240)	(120)	2,403	120	240
	(3,149)	**(1,574)**	**31,494**	**1,574**	**3,149**
Credit from banks	111	56	1,112	(56)	(111)
Suppliers and service providers	374	187	3,744	(187)	(374)
Other creditors	385	192	3,849	(192)	(385)
Other long term creditors	126	63	1,256	(63)	(126)
	996	**498**	**9,961**	**(498)**	**(996)**
Total exposure, net	**(2,153)**	**(1,076)**	**21,533**	**1,076**	**2,153**

Sensitivity to Changes in Interest Rate on Fixed Rate Loans – Fair Value Risk

	Profit (Loss) from changes		Fair value	Profit (Loss) from changes	
% of change	+10%	+5%	-	-5%	-10%
			US$ 000		
Long Term Loans (CNY)	6	3	964	(3)	(6)
Total exposure, net	**6**	**3**	**964**	**(3)**	**(6)**

G. SUMMARY OF SENSITIVITY TESTS TABLES

The functional currency of most Group companies is the local currency in each of their respective countries of residence. The currency translations of balance sheet balances of these companies therefore have no affect on the Company's profit and loss statement and are directly attributed to the Company's shareholders' equity (currency translation capital fund).

Sensitivity to Changes in the US Dollar- Israeli Shekel Exchange Rate

	Profit (Loss) from changes		Fair value	Profit (Loss) from changes	
% of change	+10%	+5%	-	-5%	-10%
Exchange rate	**3.836**	**3.661**	**3.487**	**3.313**	**3.138**
	US$ 000				
Total Exposure net	**522**	**260**	**(5,209)**	**(260)**	**(522)**

Sensitivity to Changes in the US Dollar-Pound Sterling Exchange Rate

	Profit (Loss) from changes		Fair value	Profit (Loss) from changes	
% of change	+10%	+5%	-	-5%	-10%
Exchange rate	**0.661**	**0.631**	**0.601**	**0.571**	**0.541**
	US$ 000				
Total Exposure net	**534**	**267**	**(5,338)**	**(267)**	**(534)**

Sensitivity to Changes in the US Dollar-Euro Exchange Rate

	Profit (Loss) from changes		Fair value	Profit (Loss) from changes	
% of change	+10%	+5%	-	-5%	-10%
Exchange rate	**0.797**	**0.761**	**0.725**	**0.688**	**0.652**
	US$ 000				
Total exposure, net	**604**	**302**	**(6,041)**	**(302)**	**(604)**

Sensitivity to Changes in the US Dollar-Swiss Franc Exchange Rate

	Profit (Loss) from changes		Fair value	Profit (Loss) from changes	
% of change	+10%	+5%	-	-5%	-10%
Exchange rate	**0.972**	**0.928**	**0.883**	**0.839**	**0.795**
	US$ 000				
Total exposure, net	**9,574**	**4,786**	**(95,729)**	**(4,786)**	**(9,574)**

Sensitivity to Changes in the US Dollar-Russian Ruble Exchange Rate

	Profit (Loss) from changes		Fair value	Profit (Loss) from changes	
% of change	+10%	+5%	-	-5%	-10%
Exchange rate	**39.104**	**37.327**	**35.549**	**33.772**	**31.994**
	US$ 000				
Total exposure, net	**574**	**286**	**(5,737)**	**(286)**	**(574)**

Sensitivity to Changes in the US Dollar-Other Currencies Exchange Rate

	Profit (Loss) from changes		Fair value	Profit (Loss) from changes	
% of change	+10%	+5%	-	-5%	-10%
	US$ 000				
Total exposure, net	(2,153)	(1,076)	21,533	1,076	2,153

Sensitivity to Changes in Interest Rate on Fixed-Rate Loans – Fair Value Risk

	Profit (Loss) from changes		Fair value	Profit (Loss) from changes	
% of change	+10%	+5%	-	-5%	-10%
	US$ 000				
Total exposure, net	**6**	**3**	**964**	**(3)**	**(6)**

CORPORATE GOVERNANCE ASPECTS

Approval Process of the Financial Statements

The Company's financial statements are submitted for approval to the Board of Directors, the body responsible for the Company's governance, a few days after the Board of Directors' committee for the review of the financial statements (the "**Balance Sheet Committee**") discusses the financial statements and forms its recommendations to the Board of Directors in accordance with the Companies Regulations (Instructions and Terms for the Approval Procedure of the Financial Statements), 2010 ("**Statements Approval Regulations**").

Members of the Company's Board of Directors

The Company's Board of Directors is comprised of eight members, six of whom are directors with accounting and financial expertise as detailed below. For further details regarding the Company's directors see regulation 26 to Chapter D of the Company's periodic report for 2013, published on March 19, 2014 ("**Annual Periodic Report for 2013"**).

Balance Sheet Committee and Members

The members of the Company's Balance Sheet Committee are – Yacov Elinav, External Director and chairman of the committee, Isaac Angel, External Director, and Gil Leidner, Director. The Balance Sheet Committee members have financial and accounting expertise and the capacity to read and understand financial statements, and have provided the Company with a written declaration in this regard. Mr. Yacov Elinav and Mr. Isaac Angel are independent directors by virtue of their being external directors. Mr. Gil Leidner is an independent director in accordance with the determination of the Company's Audit Committee of May 19, 2011, and the determinations of the Board of Directors on August 17, 2011. For details regarding the skills, education and experience of the members of the Balance Sheet Committee, based on which the Company refers to them as directors with financial and accounting expertise, see regulation 26 in Chapter D of Company's periodic report for 2013.

Balance Sheet Committee Processes for Forming Recommendation to the Board of Directors

The Company's financial statements were discussed at the meeting of the Balance Sheet Committee held on May 15, 2014. The members of the committee were sent the Company's financial statements of March 31, 2014 two business days prior to the meeting for their perusal. The three members of the Balance Sheet Committee participated in the discussion, and in addition the Company's independent auditors, Mr. Ori Yehudai, the Company's President and CEO, Mr. Alon Granot, the Executive Vice President and CFO, Mr. Guy Gill, the Vice President of Finance, and Ms. Tali Mirsky, Global VP Legal Affairs and Corporate Secretary, legal counsel, attended the meeting. At the meeting, presentations were given by the Company and by the auditors. The

Balance Sheet Committee discussed, among other things, the estimates and evaluations included in the financial statements, the internal control on financial reporting, the completeness and fairness of the disclosure in the financial statements, the accounting policy adopted and the financial practice implemented with regard to the material matters of the Group, and the valuations, including the assumptions and estimations on which the data in the financial statements is based. Within the discussion, the Balance Sheet Committee formed its recommendations to the Board of Directors in accordance with the Statements Approval Regulations. The recommendations of the committee were delivered to the Company's Board of Directors two business days prior to the Board meeting at which the financial statements were discussed, which in the opinion of the Board of Directors is a reasonable time period in light of the scope and complexity of the recommendations.

Approval Procedure of the Reports by the Board of Directors

The members of the Board of Directors receive the draft of the financial statements several days prior to the date of the Board meeting at which the statements are submitted for their approval. The Company's independent auditors and members of the Company's senior management are invited to attend the meeting at which the Company’s financial statements are discussed and presented for approval, including Mr. Ori Yehudai, the President and CEO, Mr. Alon Granot, Executive Vice President and CFO, Mr. Amos Anatot, Executive Vice President Global Supply Chain and Operations, Mr. Guy Gill - Vice President of Finance, and Ms. Tali Mirsky - Global Vice President of Legal Affairs and Corporate Secretary or another of the Company’s legal counsel. The Company's internal auditor, Mr. Yoav Barak, is also invited to that meeting. During the meeting, the Board of Directors discusses the recommendations of the Balance Sheet Committee regarding the financial statements, and the President and CEO and Executive Vice President and CFO present the Group's business and financial results for the relevant period in comparison with previous periods, emphasizing special events that occurred during the period, to the Board of Directors. During the presentation of the results of the Group, the Company's management members answer questions and respond to the Directors' comments. Following presentation of the Company's financial results, the Company's independent auditors answer the Directors’ questions. Finally, the Board of Directors votes on approval of the financial statements. All of the members of the Board of Directors were present at the Board meeting held on May 20, 2014, where the financial statements of March 31, 2014 were unanimously approved.

DISCLOSURE RELATING TO THE CORPORATE FINANCIAL REPORTING

A. DIVIDEND DISTRIBUTION IN 2014

On March 18, 2014, the Company's Board of Directors resolved to approve a distribution of a cash dividend in the amount of NIS 0.28 per share (total amount of US$4,672 thousand). The dividend was paid out on May 4, 2014.

B. GRANTING OPTION WARRANTS TO EMPLOYEES AND OFFICE HOLDERS

On April 20, 2014 the Company granted option warrants to employees and office holders. For further details see the outline and immediate report published by the Company on April 1 and April 20, 2014.

C. CRITICAL ACCOUNTING ESTIMATIONS

There were no material changes in the Company's critical accounting estimations during the period of the report compared with the estimation presented in the periodic report for 2013.

D. EXCLUSION OF THE COMPANY'S SEPARATE FINANCIAL REPORT UNDER REGULATION 9(C) OF THE REGULATIONS ("Solo Report")

The Company did not include a separate financial report as set forth in Regulation 9C of the Securities Regulations (Periodic and Immediate Reports) 1970 (the **"Solo Report"** and the **"Regulations",** respectively) due to the negligibility of the additional information of such report and the fact that the Solo Report would not add any material information for a reasonable investor, to that contained in the Company's consolidated reports.

The Company's decision that the information is negligible is based on the fact that the Company does not have any commercial activities of any kind and therefore the Company's results of operations have no effect on the Group's consolidated profit and loss reports. The Company does not employ workers and it does not have any sales or expenses to third parties.

All the Company's revenues (dividends and financing income on revaluation of capital notes with Frutarom Ltd.) derive from Frutarom Ltd.

As far as the balance sheet is concerned, apart from the settling of accounts with the Income Tax Authority, the Company does not have any balances vis-à-vis third parties. Its only balances are loans and balances vis-à-vis the (wholly owned) companies in the Group, and land property in the amount of US$139 thousand.

The Company's management determined that as long as income from externals or from companies not wholly owned by the Company are lower than 5% of the total revenues in the consolidated financial statements, and as long as the expenses to externals or from companies not wholly owned by the Company are lower than 5% of the total expenses in the consolidated financial statements, the Company's separate financial information as set forth in Regulation 9C of the Regulations is negligible and its absence will not affect the prospects of investors in the Company's shares to estimate the Company's liquidity prospects, and will not add any material information for a reasonable investor.

Company management has also examined the warning signs specified in Regulation 10(14) of the Regulations and found that they do not exist.

The Board of Directors of the Company held two meetings during Q1 2014.

The Board of Directors thanks Frutarom's management and employees for the Company's fine achievements.

Dr. John J. Farber Chairman of the Board	Ori Yehudai President & CEO

May 20, 2014

FRUTAROM INDUSTRIES LTD.

INTERIM FINANCIAL INFORMATION

(Unaudited)

31 MARCH 2014

FRUTAROM INDUSTRIES LTD.

INTERIM FINANCIAL INFORMATION

(Unaudited)

31 MARCH 2014

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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, 2014 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 12% of total consolidated assets as of 31 March, 2014 and whose revenues included in consolidation constitute approximately 15% 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	Kesselman & Kesselman
20, May, 2014	Certified Public Accountants (lsr.)
	A member firm of PricewaterhouseCoopers International Limited

Kesselman & Kesselman, 1 Nathanson Street, Haifa 33034, Israel, P.O Box 33984, Haifa 31339
Telephone: +972 -4- 8605000, Fax:+972 -4- 8605001, www.pwc.co.il

FRUTAROM INDUSTRIES LTD.

CONDESED CONSOLDIATED STATEMENT OF FINANCIAL POSITION

31 MARCH 2014

	31 March		31 December
	2014	**2013**	**2013**
	(Unaudited)		**(Audited)**
	U.S. dollars in thousands		
A s s e t s			
CURRENT ASSETS:			
Cash and cash equivalents	49,842	48,854	57,612
Accounts receivable:			
Trade	149,134	116,453	138,373
Other	16,166	13,363	12,442
Prepaid expenses and advances to suppliers	12,860	8,575	11,803
Inventories	163,151	119,982	154,721
	391,153	307,227	374,951
NON-CURRENT ASSETS:			
Property, plant and equipment	211,666	182,149	208,567
Intangible assets	382,593	269,090	383,729
Deferred income tax assets	3,557	3,426	3,424
Others	88	246	115
	597,904	454,911	595,835
Total assets	989,057	762,138	970,786

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 20, 2014

FRUTAROM INDUSTRIES LTD.

CONDESED CONSOLDIATED STATEMENT OF FINANCIAL POSITION

31 MARCH 2014

	31 March		31 December
	2014	2013	2013
	(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	74,458	49,738	108,226
Accounts payable:			
Trade	65,444	46,913	58,407
Other	52,536	38,659	52,763
Dividend payable	4,672	3,806	-
	197,110	139,116	219,396
NON-CURRENT LIABILITIES:			
Long-term loans, net of current maturities	174,426	128,805	140,113
Retirement benefit obligations, net	23,304	23,698	23,126
Deferred income tax liabilities	32,996	23,956	34,084
Liability for put option for the shareholders of a subsidiary	25,750	-	27,522
Other	7,490	326	5,486
	263,966	176,785	230,331
Total liabilities	461,076	315,901	449,727
EQUITY:			
Equity attributable to owners of the parent company:			
Ordinary shares	16,781	16,728	16,781
Other capital surplus	104,647	102,730	104,293
Translation differences	20,890	6,955	27,296
Retained earnings	385,339	320,578	371,867
Less - cost of company shares held by the company and by subsidiary	(2,563)	(3,090)	(1,981)
Non-controlling interests	2,887	2,336	2,803
Total equity	527,981	446,237	521,059
Total equity and liabilities	989,057	762,138	970,786

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

FRUTAROM INDUSTRIES LTD.

CONDENSED CONSOLIDATED STATEMENT OF INCOME

FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2014

	3 months ended 31 March		Year ended 31 December
	2014	**2013**	**2013**
	(Unaudited)		**(Audited)**
	U.S. dollars in thousands, except for income per share data		
SALES	188,467	152,165	673,693
COST OF SALES	114,927	94,989	416,897
GROSS PROFIT	73,540	57,176	256,796
Selling, marketing, research and development expenses- net	34,713	25,507	115,223
General and administrative expenses	14,822	12,761	52,131
Other expenses (income) - net	72	3	2,685
INCOME FROM OPERATIONS	23,933	18,905	86,757
FINANCIAL EXPENSES - net	1,460	1,419	7,528
INCOME BEFORE TAXES ON INCOME	22,473	17,486	79,229
INCOME TAX	4,193	3,478	15,608
NET INCOME FOR THIS PERIOD	18,280	14,008	63,621
PROFIT ATTRIBUTED TO:			
Owners of the parent company	18,144	13,907	63,129
Non-controlling interest	136	101	492
TOTAL INCOME	18,280	14,008	63,621
EARNINGS PER SHARE:			
Basic	0.31	0.24	1.09
Fully diluted	0.31	0.24	1.08

FRUTAROM INDUSTRIES LTD.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2014

	3 months ended 31 March		Year ended 31 December
	2014	**2013**	**2013**
	(Unaudited)		**(Audited)**
	U.S. dollars in thousands		
INCOME FOR THE PERIOD	18,280	14,008	63,621
Other Comprehensive Income:			
Items that will not be reclassified subsequently to profit or loss -			
Remeasurement of net defined benefit liability	-	-	2,153
Items that could be reclassified subsequently to profit or loss -			
Translation differences	(6,458)	(9,794)	10,622
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	11,822	4,214	76,396
ATTRIBUTABLE TO:			
OWNERS OF THE PARENT	11,738	4,113	75,829
NON-CONTROLLING INTERESTS	84	101	567
TOTAL INCOME	11,822	4,214	76,396

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 2014

	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 2014 (audited)	16,781	104,293	27,296	371,867	(1,981)	518,256	2,803	521,059
CHANGES DURING THE 3 MONTHS ENDED 31 MARCH 2014 (unaudited):								
Comprehensive income :								
income for the period	-	-	-	18,144	-	18,144	136	18,280
Other comprehensive income for the period	-	-	(6,406)	-	-	(6,406)	(52)	(6,458)
Total comprehensive income for the period	-	-	(6,406)	18,144	-	11,738	84	11,822
Plans for allotment of company shares to employees of subsidiary:								
Acquisition of the Company shares by the company	-	-	-	-	(582)	(582)	-	(582)
Allotment of shares and options to senior employees-recognition of compensation related to employee stock and options grants	-	354	-	-	-	354	-	354
Dividend including erosion	-	-	-	(4,672)	-	(4,672)	-	(4,672)
	-	354	-	(4,672)	(582)	(4,900)	-	(4,900)
BALANCE AT 31 MARCH 2014 (unaudited)	16,781	104,647	20,890	385,339	(2,563)	525,094	2,887	527,981

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 2014

	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 3 MONTHS ENDED 31 MARCH 2013 (unaudited):								
Comprehensive income -								
income for the period	-	-	-	13,907	-	13,907	101	14,008
Other comprehensive income for the period	-	-	(9,794)	-	-	(9,794)	-	(9,794)
Total comprehensive income for the period	-	-	(9,794)	13,907	-	4,113	101	4,214
Plans for allotment of company shares to employees of subsidiary:								
Acquisition of the Company shares by subsidiary	-	-	-	-	(326)	(326)	-	(326)
Receipts in respect of allotment of company shares to employees	-	(186)	-	-	279	93	-	93
Allotment of shares and options to senior employees- recognition of compensation related to employee stock and options grants	-	381	-	-	-	381	-	381
Proceeds from issuance of shares to senior employees	15	436				451	-	451
Dividend including erosion	-	-	-	(3,806)	-	(3,806)	-	(3,806)
	15	631	-	(3,806)	(47)	(3,207)	-	(3,207)
BALANCE AT 31 MARCH 2013 (unaudited)	16,728	102,730	6,955	320,578	(3,090)	443,901	2,336	446,237

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 2014

	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 of parent company	Non-controlling interest	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 YEAR ENDED DECEMBER 2013:								
Comprehensive income:								
Income for the year	-	-	-	63,129	-	63,129	492	63,621
Other comprehensive income	-	-	10,547	2,153	-	12,700	75	12,775
Total comprehensive income for the year	-	-	10,547	65,282	-	75,829	567	76,396
Plan for allotment of Company shares to employees of subsidiary:								
Purchase of Company shares by the company	-	-	-	-	(851)	(851)	-	(851)
Receipts in respect of allotment of Company shares to employees	-	(1,276)	-	-	1,913	637	-	637
Allotment of shares and options to senior employees- Recognition of compensation related to employee stock and option grants	-	1,510	-	-	-	1,510	-	1,510
Proceeds from issuance of shares to senior employees	68	1,960	-	-	-	2,028	-	2,028
Dividend paid to the non-controlling interests in subsidiary	-	-	-	-	-	-	(97)	(97)
Dividend paid	-	-	-	(3,892)	-	(3,892)	-	(3,892)
	16,781	104,293	27,296	371,867	(1,981)	518,256	2,705	520,961
Non-controlling interest from business combination	-	-	-	-	-	-	98	98
BALANCE AT 31 DECEMBER 2013 (audited)	16,781	104,293	27,296	371,867	(1,981)	518,256	2,803	521,059

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

FRUTAROM INDUSTRIES LTD.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2014

	3 months ended 31 March		Year ended 31 December,
	2014	**2013**	**2013**
	U.S. dollars in thousands		
	(Unaudited)		(Audited)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash generated from operations (see appendix)	11,553	8,599	98,493
Income tax paid – net	(2,602)	(4,243)	(9,802)
Net cash provided by operating activities	8,951	4,356	88,691
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment	(4,843)	(2,388)	(20,111)
Purchase of intangibles	(284)	(245)	(868)
Interest received	110	43	276
Acquisition of subsidiaries - net of cash acquired	(10,090)	(612)	(114,620)
Proceeds from sale of property	316	44	264
Net cash used in investing activities	(14,791)	(3,158)	(135,059)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Dividend paid to the non-controlling interests in subsidiary	-	-	(97)
Receipts from senior employees in respect of allotment of shares	-	451	2,028
Interest paid	(937)	(881)	(3,456)
Receipt of long-term bank loans	-	22	45,693
Repayment of long-term bank loans	(9,919)	(9,635)	(41,750)
Receipt of short-term bank credit and loans – net	9,268	2,948	52,809
Purchase of company shares by subsidiary – net of receipts in respect of the shares	(582)	(233)	(214)
Dividend paid	-	-	(3,892)
Net cash used in financing activities	(2,170)	(7,328)	51,121
INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND BANK CREDIT	(8,010)	(6,130)	4,753
Balance of cash and cash equivalents and bank credit at beginning of year	57,612	53,933	53,933
Profits (losses) from exchange differences on cash, cash equivalents and bank credit	240	1,051	(1,074)
BALANCE OF CASH, CASH EQUIVALENTS AND BANK CREDIT AT END OF PERIOD	49,842	48,854	57,612

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

FRUTAROM INDUSTRIES LTD.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2014

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

	3 months ended 31 March		Year ended 31 December, 2013
	2014	2013	
	U.S. dollars in thousands		
	(Unaudited)		(Audited)
Income before tax	22,473	17,486	79,229
Adjustments required to reflect the cash flows from operating activities:			
Depreciation and amortization	7,834	6,474	27,693
Recognition of compensation related to employee stock and options grants	354	381	1,510
Liability for employee rights upon retirement – net	73	56	166
Loss (gain) from sale and write-off of fixed assets and other assets	(127)	(27)	(150)
Erosion of long term loans	(121)	(771)	1,212
Erosion of Liability for put option for the shareholders of a subsidiary	(1,974)	-	-
Interest paid – net	827	838	3,180
	6,866	6,951	33,611
Operating changes in working capital:			
Increase in accounts receivable:			
Trade	(11,975)	(12,559)	(8,966)
Other	(4,780)	(4,472)	(848)
Decrease in other long-term receivables	27	134	258
Increase in accounts payable:			
Trade	7,366	248	3,432
Other	(189)	1,229	(2,999)
Decrease in other long-term payables	4	-	(117)
Decrease (increase) in inventories	(8,239)	(418)	(5,107)
	(17,786)	(15,838)	(14,347)
Net cash flow from operating activities	11,553	8,599	98,493

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

FRUTAROM INDUSTRIES LTD.

EXPLANATORY NOTES TO THE CONDENSED CONSOLDIATED FINANCIAL INFORMATION

31 MARCH 2014

(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, which are considered as core business by management.
In addition, the Company imports and markets raw materials produced by others as part of its services and strive to provide complete solutions for customers. This activity is presented as part of trade and marketing operations.
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. Over the last few years the Company's business has been affected by seasonality, which until recently meant that the first and fourth quarters were weaker than the other quarters, while the fourth quarter was usually the weakest. Following the acquisition of PTI, whose fourth quarter has been historically its strongest and the first one the weakest from both sales, and profit perspectives, Frutarom's seasonality profile has changed, in a way that the first quarter is now expected to be the weakest.

NOTE 2 - BASIS OF PREPARATION OF CONDESED CONSOLIDATED FINANCIAL STATEMENTS

a. The interim condensed consolidated financial information of the group as of 31 March , 2014 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, 2013 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, 2013.

NOTE 3 - PRINCIPAL ACCOUNTING POLICIES:

a. The significant accounting policies and computation methods used in preparing the interim financial information are consistent with those used in preparing the 2013 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. 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 2013 financial statements of the group.

NOTE 4 – BUSINESS COMBINATIONS

a. Acquisition of CitraSource

On February 24, 2014 Frutarom signed, through a Frutarom subsidiary in the United States, agreements for purchase of the business activity and assets of CitraSource LLC. and 100% of the issued share capital of CitraSource Holdings LLC of Florida, USA ("CitraSource"), which includes, inter alia, a plant for processing specialty citrus ingredients, intellectual property and inventory, and an agreement for the purchase of a refrigerated tank farm used by CitraSource in its routine activities. The acquisition was made in return for a net cash payment of US$7.1 million and also includes additional future payment based upon CitraSource's performance over 2014-2018.

The acquisition was funded using bank credit.

CitraSource, founded in 2003, specializes in research and development, production, marketing and sale of specialty solutions in the field of citrus products to leading global customers in the flavor and aroma, food and beverage markets.

CitraSource's revenues in 2013 grew to US$7 million. CitraSource's customers include leading global flavors, food and beverage manufacturers. CitraSource has extensive knowhow and excellent capabilities for the production of unique materials and flavors across all ranges of citrus (in particular oranges, lemons, grapefruits and tangerines). CitraSource also has global purchase capabilities in citrus, which will contribute to Frutarom’s global purchase system.

CitraSource's activities have been integrated into the Specialty Fine Ingredients division starting from the date of purchase, in the first quarter of 2014.

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. The determination of the fair value of the assets and liabilities is subject to a final appraisal of the allocation of the purchase prices to the fair value of the assets and liabilities; this appraisal, which is conducted by the Company, has not yet been completed as of the date of approval of these financial statements.

NOTE 4 – BUSINESS COMBINATIONS (continued):

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

	Fair value
	U.S. dollars In thousands
Current assets:	
Inventory	2,100
Non-current assets:	
Property, plant and equipment	3,100
Intangible assets	3,882
Non-current liabilities:	
Other	(2,000)
	7,082

As from the date it was consolidated with the financial statements of the Company through March 31, 2014, the acquired operations have yielded revenues of $ 787 thousands and net profit of $ 78 thousands (net of acquisition costs and financing costs relating to the acquisition the net profit is $ 23 thousands).

b. The integration of the acquisitions made in 2013 and during the quarter is moving ahead successfully and according to plan. Sales from these came to US$29.3 million and contribution of the acquisitions to net profit this quarter is estimated at US$2.8 million. Over the coming quarters, most of the activities will be integrated into the Company's activities in the countries in which they operate.

NOTE 5 – DIVIDEND

On 18, March 2014, the Company's Board of Directors declared the distribution of a dividend of NIS 0.28 per share, in the total amount of $ 4,672 thousands.

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				
3 months ended 31 March 2014 (unaudited):					
Revenues	134,163	40,974	15,657	(2,327)	188,467
Segment results	18,392	5,118	314	109	23,933
3 months ended 31 March 2013 (unaudited):					
Revenues	110,593	37,515	5,293	(1,236)	152,165
Segment results	14,512	4,156	183	54	18,905
Year ended 31 December 2013 (audited):					
Revenues	494,389	145,591	39,707	(5,994)	673,693
Segment results	68,754	17,237	916	(150)	86,757

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

	3 months ended 31 March		Year ended 31 December
	2014	2013	2013
	(Unaudited)		(Audited)
	U.S. dollars in thousands		
Reported segment profits	23,933	18,905	86,757
Financing expenses (income)	1,460	1,419	7,528
Profit before taxes on income	22,473	17,486	79,229

<u>Quarterly Report Regarding Effectiveness of Internal Audit on Financial Reporting and on Disclosure under Regulation 38C(A)</u>

The management of Frutarom Industries Ltd (the "**Company**"), supervised by the Company's Board of Directors is responsible for prescribing and conducting proper internal control on the Company's financial reporting and disclosure.

For this matter, the members of the management are:

1. Ori Yehudai, President and CEO
2. Alon Granot, Executive Vice President and CFO
3. Amos Anatot, Executive Vice President Global Supply Chain and Operations.
4. Rami Pinkhas, Global Vice President, Human Resources
5. Guy Gill, Vice President Finance
6. Tali Mirsky-Lachman, Global Vice President, Legal Affairs and Corporate Secretary
7. Yossi Cohen, Global Chief Information Officer

Internal control on financial reporting and disclosure includes controls and procedures which are conducted in the Company, which are planned by the Company's President and CEO and the highest ranking financial officer and under their supervision, or by whoever fills these positions in practice, under the supervision of the Company's Board of Directors. These controls and procedures are meant to provide a reasonable level of certainty regarding the reliability of the financial reporting and the preparation of the financial reports in accordance with the provision of the law, ensuring that the information the Company is required to disclose in the reports it publishes under the provisions of the law is gathered, processed, summarized and reported on the date and the manner prescribed by law.

Internal control includes, among other things, controls and procedures designed to ensure that the information the Company, as stated, is required to disclose is gathered and delivered to the Company's management including to the President and CEO, and to the highest ranking financial officer or to whoever fills these positions in practice, in order to allow timely decision making with regards to the disclosure requirement.

Due to its structural limitations, internal control on financial reporting and disclosure is not designed to provide absolute certainty that misrepresentation or omission of information in the reports will be avoided or revealed.

In the Annual Report Regarding Effectiveness of Internal Audit on Financial Reporting and on Disclosure attached to the Periodic Report ending on December 31, 2013 (hereinafter: the "**Last Annual Report Regarding Effectiveness**") the Board of Directors and the Company's management assessed the internal audit in the Company; based on this assessment, the Board of Directors and the Company's management concluded that said internal audit, as at December 31, 2013, is effective.

With the exception of the matter of the Acquired Company, as defined hereinbelow, as of the date of the report, no events or issues were brought to the attention of the Board of Directors and the Company's management which could change the assessment of effectiveness of the internal audit, as contained in the Last Annual Report Regarding Effectiveness.

Subject to the statements above and below, as of the date of the report, based on the assessment of effectiveness of internal control in the Last Annual Report Regarding Effectiveness and based on information brought to the attention of Management and the Board of Directors as stated above the internal audit is effective.

Acquisition of Vantodio Holdings, holder of the Russian Protein Technologies Group ("PTI" or the "Acquired Company), and with regard to FAQ(SOX)1:

Regarding the description of PTI and the acquisition transaction, see Note 5J to the Company's 2013 Periodic Report.

Assessment of effectiveness of internal audit on the financial statement and the disclosure performed by the Company's management under the supervision of the Board of Directors did not include assessment of effectiveness of internal audit on the financial statement and disclosure of PTI.

In accordance with the guidelines of the Securities Authority from July 2010, FAQ (SOX)1, an acquired corporation may be excluded from the assessment of effectiveness of internal audit report until the period report of the year following the year in which control was gained in the acquired corporation.

The reasons for not including the Acquired Company in the periodic report of assessment of effectiveness of internal audit and the reasons the Company was not able to assess the effectiveness of the acquired company's internal audit as of the date of the report are, in brief, the following:

(A) The date on which the transaction was concluded and the internal audit processes required for implementation – insufficient time had passed to allow examination and mapping of the existing internal audit process at PTI and to fully implement the Company's internal audit processes at PTI.

(B) Accompanying processes for completion of the transaction – a number of processes were in play for the purpose of the Company's gaining control of the corporation, some complex, relating to handling and organizing work interfaces with the Acquired Company and creating adaptations and adjustments between the Company's information systems and those of the acquired company, which, in addition to the aforesaid, extended the period required for implementation of the internal auditing process.

In order to assess the effectiveness of PTI's internal audit, the Company, starting from the date of completion of the acquisition of the Acquired Company, has been examining the Acquired Company's existing processes and audits in the matter of financial reporting and disclosure, mapping out risks and identifying material processes.

Directors' Declarations

Declaration of the President and CEO

The undersigned, Mr. Ori Yehudai, hereby declares as follows:

1. I have reviewed the Quarterly Report of Frutarom Industries Ltd. (the "**Company**") for the first quarter of 2014 (the "**Reports**");
2. To my knowledge, the Reports do not include any false representations of any material fact and do not omit representation of any material fact required in order to ensure that the representations contained in these, in light of the circumstances under which they were included, are not misleading in relation to the period of the Reports;
3. To my knowledge, the financial reports and other financial information contained in the reports duly reflect the Company's financial situation, its results of operations and cash flow for the dates and periods to which the Reports relate in all material aspects;
4. I have disclosed to the Company's auditors, the Board of Directors and the Audit Committee of the Company's Board of Directors, based on my most updated assessment of the internal control on financial reporting and disclosure:
   a. All the material deficiencies and weaknesses in prescribing and implementing the internal control on the financial reporting and on the disclosure, if any, which may reasonably adversely affect the ability of the Company to gather, process or report on financial information in a manner which could raise concerns regarding the reliability of the financial reporting and the preparation of the financial reports in accordance to the provisions of the law; and –
   b. Any fraud, material or not material, which involves the president and CEO or anyone directly reporting to him or other employees who hold significant positions in the internal control on the financial reporting and on disclosure;
5. I, alone, or together with others in the Company:

a. Set controls and procedures, or ensured the existence and set up of controls and procedures under my supervision, designated to ensure that material information relating to the Company, including its consolidated companies as defined in the Securities Regulations (Annual Financial Reports), 5770-2010, is brought to my attention by others in the Company and the consolidated companies, particularly during the preparation of the Reports; and

b. I set controls and procedures, or ensured the enactment and performance of controls and procedures under my supervision, designed reasonably ensure the reliability of the financial reporting and the preparation of the financial reports in accordance with the provisions of law, including in accordance with accepted accounting principles:

c. No events or issues occurring during the period between the periodic report for 2013 and this time of this Report which could change the Board of Directors' and management's conclusion regarding effectiveness of the internal report on the Company's financial statement and on the disclosure have been brought to my attention.

The above does not derogate from my lawful responsibility, or from the lawful responsibility of any other person.

Date: May 20, 2014

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Ori Yehudai

President and CEO

Directors' Declarations

Declaration of the Executive Vice President and CFO

The undersigned, Alon Granot, hereby declares as follows:

1. I have reviewed the financial reports and other financial information contained in the interim reports of Frutarom Industries Ltd. (the "**Company**") for the first quarter of 2014 (the "**Reports**");
2. To my knowledge, the interim financial reports and other financial information contained in the interim Reports do not include any false representations of any material fact and do not omit representation of any material fact required in order to ensure that the representations contained in these, in light of the circumstances under which such representations were included, are not misleading in relation to the period of the Reports;
3. To my knowledge, the interim financial reports and other financial information contained in the interim reports duly reflect the Company's financial situation, its results of operations and cash flow for the dates and periods to which the Reports relate in all material aspects;
4. I have disclosed to the Company's auditors, the Board of Directors and the Audit Committee of the Company's Board of Directors, based on my most updated assessment of the internal control on financial reporting and disclosure:
   a. All the material deficiencies and weaknesses in prescribing and implementing the internal control on the financial reporting and on the disclosure, if any, which may reasonably adversely affect the ability of the Company to gather, process or report on financial information in a manner which could raise concerns regarding the reliability of the financial reporting and the preparation of the financial reports in accordance to the provisions of the law; and –
   b. Any fraud, material or not material, which involves the president and CEO or anyone directly reporting to him or other employees who hold

significant positions in the internal control on the financial reporting and on disclosure;

5. I, alone, or together with others in the Company:

   a. Set controls and procedures, or ensured the existence and set up of controls and procedures under my supervision, designated to ensure that material information relating to the Company, including its consolidated companies as defined in the Securities Regulations (Annual Financial Reports), 2010, as may be relevant to the financial reports and other financial information contained in the Reports, is brought to my attention by others in the Company and the consolidated companies, particularly during the preparation of the Reports; and

   b. Set controls and procedures, or ensured the enactment and performance of controls and procedures under my supervision, designed reasonably ensure the reliability of the financial reporting and the preparation of the financial reports in accordance with the provisions of law, including in accordance with accepted accounting principles;

   c. No events or issues occurring during the period between the periodic report for 2013 and this time, relating to interim financial reports and to any other financial information contained in the interim report, which could, in my opinion, change the Board of Directors' and management's conclusion regarding effectiveness of the internal report on the Company's financial statement and on the disclosure have been brought to my attention.

The above does not derogate from my lawful responsibility, or from the lawful responsibility of any other person.

Date: May 20, 2014

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Alon Granot
Executive Vice President and CFO