FRUTAROM INDUSTRIES LTD.
DIRECTORS' REPORT OF THE COMPANY'S STATE OF AFFAIRS
FOR THE PERIOD ENDING SEPTEMBER 30, 2015

BOARD OF DIRECTORS' DISCUSSIONS ON 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 through its subsidiaries ("**Frutarom**" or the **"Group**") develops, produces and markets flavors and fine ingredients used in the manufacture of food, beverages, flavors, fragrances, pharma/nutraceuticals, cosmetics and personal care products. Frutarom operates 45 production sites, 60 research and development laboratories, and 76 sales offices in Europe, North America, Latin America, Israel, Asia, Africa and New Zealand, marketing and selling over 43,000 products to more than 19,000 customers in more than 150 countries and employing some 3,500 people throughout the world.

Frutarom operates in the framework of two main activities which constitute its core activities: the Flavors activity and the Specialty Fine Ingredients activity (the "**core businesses**").

- **Flavors Activity** – Frutarom develops, produces, markets and sells sweet and savory flavor solutions, including flavor and other solutions which in addition to flavors also contain fruit or vegetable ingredients and other natural ingredients (food systems) which are used mainly in the manufacture of foods, beverages and other consumed products. Frutarom develops thousands of different flavors for its customers, most of which are tailor-made for specific customers. It also develops new products to meet changing consumer preferences and future customer needs. In accordance with the Company's strategy, Frutarom's flavor activity has grown rapidly and profitably by combining organic growth and acquisitions, and accounts for approx. 80% of the Company's total core activity sales and 70% of its overall sales (as opposed to 33% of overall sales in 2000).

  This accelerated growth is the result of focusing on the fast growing area of natural flavors, on development of innovation-based unique solutions combining taste and health for the market segment made up of large multi-nationals, focusing on mid-size and local customers in emerging and developed markets – and private label manufacturers in particular, emphasizing the provision of customized services, including technological and marketing support and assistance in the development of products; the offer of high level tailor-made services and products, as are normally provided for large multinational companies and as the result of Frutarom's strategic acquisitions, which have and are being successfully incorporated with Frutarom's global activities.

- **Specialty Fine Ingredients Activity** – Frutarom develops, produces, markets and sells natural flavor extracts, natural functional food ingredients, natural pharma/nutraceutical extracts, natural algae-based biotechnical products, natural colors, natural antioxidants that help in providing solutions in the field of food protection, essential oils, unique citrus products, aroma chemicals, and natural gums and stabilizers. The 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 activity, Frutarom focuses on developing a portfolio of high value-added products which give it a competitive edge over its rivals. Most of the specialty fine ingredients in taste and health are natural products which enjoy higher-than-average demand compared to non-natural products. In recent years Frutarom has been focusing on expanding the portfolio of natural product it offers its customers, with particular emphasis on the area of natural, functional and healthy foods. Specialty fine ingredients activity accounts for approx. 20% of Frutarom's overall sales.

- **Trade & Marketing** – in addition to its core business, Frutarom also imports and markets various raw materials that it does not itself manufacture as part of the service offered to customers, which includes providing them with a comprehensive solution to their needs. This Trade & Marketing activity is synergetic and supports Frutarom's core business by leveraging its global sales organization, supply chain and purchasing systems, as well as its global management, and allows Frutarom to offer a wider variety of products and more solutions and added value to its customers, mainly those in the mid-sized and domestic categories in emerging markets, and strengthen its partnership with them. This activity, which greatly expanded following the acquisitions of Etol, PTI and Montana Food, focuses mainly on Central and Eastern Europe, Latin America and Israel. Sales from this activity account for approx. 10% of Frutarom's overall activity.

RAPID GROWTH STRATEGY – PROFITABLE ORGANIC GROWTH AND STRATEGIC ACQUISITIONS

Frutarom continues to resolutely implement its rapid profitable growth strategy while strengthening its research and development, supply chain and manufacturing, and sales and marketing infrastructures along a continuing search for additional strategic acquisitions.

- **Increasing the Share of the Flavors' Activity** – The successful implementation of Frutarom's rapid and profitable growth strategy has allowed Frutarom to significantly increase its activities in the Flavors segment, the more profitable of its activities, achieving growth at a higher rate that the markets in which it operates. Revenues from the Flavors activity constitute approx. 70% of Frutarom's total revenues (compared to 33% in 2000).

- **Development of New Products and Solutions Combining Taste and Health** – Frutarom develops innovative taste and health solutions addressing customers' requirements and future needs. These solutions are in line with the major trends in the global food market and with consumer demand, including the combination of taste with health, health supplements, anti-aging products and food products targeting specific population and age groups. The added value offered by Frutarom and its unique abilities to blend together solutions for taste, natural colors, texture, and ingredients with added health attributes give it an important competitive advantage among customers in both developed and emerging markets. These new and innovative products mostly have higher margins and therefore contribute not only to growth in sales but also towards improving Frutarom's product mix and profitability.

- **Focus on Natural Products** – Frutarom is engaged in developing and expanding its portfolio of natural products in response to consumer demand and prevalent trends in the global food industry towards healthier and more natural foods. This field is growing at a rapid pace and Frutarom's unique capabilities give it a competitive edge. Following this strategy, Frutarom has recently expanded its activities while also entering the field of natural food colors (through its acquisitions of Montana Food, Vitiva and Ingrenat) and significantly increasing its operations in the field of natural antioxidants for food protection solutions (through the acquisition of Vitiva, Ingrenat and Nutrafur). In addition, Frutarom has recently further strengthened its activity in the field of specialty citrus products which constitute an important natural raw material in the development and production of many flavors and food and beverage products, including the establishment of a center of excellence in the US state of Florida which constitutes one of the world centers for citrus (through its acquisitions of CitraSource and the activity of Scandia). **Today over 70% of Frutarom sales are from natural products**.

- **Improvements in Specialty Fine Ingredients Product Mix** – Over the past few years Frutarom has been taking steps to improve its product mix in its Specialty Fine Ingredients activity as well. Frutarom's R&D teams are successfully developing specialty innovative natural products, targeted for both the flavors market and the health market. The successful penetration of these products has contributed to both the increase in sales of the Specialty Fine Ingredients activity and to the improvement in its margins. The latest acquisitions will contribute towards the continuation of this positive trend in activity.

- **Strategic Change in the Geographic Mix** – The successful implementation of Frutarom's strategy over the past few years, which included among others substantial expansion of its sales in emerging markets with high growth rates and in the United States, has led to the tripling of Frutarom's revenues in 2014 in emerging markets and their doubling in the United States compared to 2010. Meanwhile the Flavors activity in the United States has grown by a factor of six.

  The rapid growth of activity outside of Western Europe has led to sales in Western Europe (which have grown by 23% since 2010) constituting 34% of

Frutarom's total sales in 2014 compared with 51% in 2010. Emerging markets accounted for 46% of Frutarom sales in 2014 compared with 27% in 2010.

The six acquisitions carried out by Frutarom in 2013 and 2014 (JannDeRee in South Africa; PTI in Russia; Aroma in Guatemala; Hagelin in the United States, with sales also to Africa and Latin America; US-based CitraSource; and Montana Food in Peru and Chile) have also contributed towards Frutarom's accelerated growth and raising its market share and sales in emerging markets and the United States. To these are now added the acquisitions made since the beginning of the year of Sonarome in India which also has activity in Africa, as well as BSA in Canada with activity also in India, US-based Foote & Jenks and Scandia, and AMCO in Poland. Frutarom will continue developing and expanding its activity in the growing emerging markets and the US through, among other things, focused reinforcement of its R&D, production, marketing and sales platforms in key growing target countries and the continued execution of further strategic acquisitions.

Construction of Frutarom's new state-of-the-art plant in China, which features sophisticated laboratories for research, development and applications, has been completed, the plant is currently in its run-in stages, and for the first time Frutarom will have the ability to develop and produce savory flavors locally (as only sweet flavors were produced at Frutarom's previous Chinese plant).

Frutarom continues and will continue to expand its activity also in Western European markets while leveraging its extensive product portfolio, continuing to capitalize on its many cross-selling opportunities, and continuing to carry out further strategic acquisitions.

- **Focus on Providing Quality Service and Product Development for Large Multi-national Customers and for Medium-sized Local Customers** – Frutarom continues to expand the services it provides for its customers, its product portfolio and range of solutions for both large multi-national customers and mid-size local customers, with a special emphasis on the rapidly growing private label market.

  - In the market segment of large multinational food and beverage manufacturers, Frutarom will continue to focus on products that are innovative and unique, and on expanding its portfolio of natural solutions for taste and health.

  - In the market segment made up of mid-size and local customers, Frutarom offers the same high level of service, products and solutions tailored to their specific requirements as generally provided to large multi-national customers. Frutarom also offers mid-size and local customers and private labels, usually with more limited resources than large and multi-national customers, assistance in the development of their products, while providing market support and flexibility regarding minimal quantities and delivery dates.

- **Acquisitions and Mergers, and their Contribution towards Achieving Profitable Growth** – Frutarom has extensive experience with successful execution of acquisitions and mergers, and it acts to integrate the acquired companies and activities into its existing business, utilizing commercial and operational synergies to leverage the many cross-selling and operational savings opportunities and to achieve continued improvement of its margins.

  After executing 14 strategic acquisitions from 2011 to 2014 which have been successfully integrated with its global activities and contribute to both revenues growth and improved profitability, Frutarom continued carrying out its acquisition strategy with a focus on expanding its sales and market share in emerging markets and the United States and on the broadening and deepening of its portfolio of natural solutions in the areas of Flavors, Colors, Food Protection, and Health offered to its customers and acquired 11 more companies in 2015: Vitiva in Slovenia, FoodBlenders in the UK, Ingrenat and Nutrafur in Spain, Taiga in Belgium, Sonarome in India with activity also in Africa, BSA in Canada with activity also in India, Taura of Australia with production plants in Belgium and New Zealand along with activity in Europe and the US, US-based Foote & Jenks and Scandia, and AMCO of Poland (whose acquisition has not yet been completed). Frutarom is working on integrating these acquisitions successfully and fully tapping the strong potential they bring. The integration of these acquisitions is proceeding successfully and according to plan. Frutarom believes that in the 11 acquisitions carried out lies a great deal of synergetic potential both for accelerating growth through the fullest possible tapping of cross-selling opportunities and the many marketing and technological synergies contributed by these acquisitions, and for attaining operational savings that can be expected to start coming into play in its results in upcoming quarters.

  Following are brief summaries of the 11 acquisitions performed since the beginning of 2015. The USD sales figures shown below for each of the purchased activities relate to the average USD exchange rate for the reported period, and the purchase price relates to the USD exchange rate on the date of acquisition.

  - **Acquisition of Vitiva** – On February 4, 2015 Frutarom completed the purchase of 92% of the share capital of the Slovenian company Vitiva Proizvodnja in storitve d.d. ("**Vitiva**"), and on April 23, 2015 completed the purchase of the balance of Vitiva's share capital, in exchange for a total cash payment of approximately € 8 million (approx. US$ 10.0 million). The transaction was independently financed.

    Vitiva specializes in the research and development, production, marketing and sales of specialty natural extracts from plants exhibiting antioxidant activity or scientifically proven health attributes backed up by clinical studies and of natural colors for customers in the food, pharmaceutical, nutraceutical, and cosmetics markets. Among its customers are some of the world's top food, pharmaceutical, and cosmetics manufacturers. Vitiva's revenues grew from

US$ 8.7 million in 2013 to US$ 11.0 million in 2014 (an increase of 27%). Its activity has been integrated into Frutarom's Specialty Fine Ingredients division.

For further information on the acquisition of Vitiva, see the Company's immediate reports issued on December 23, 2014, February 4, 2015 and April 26, 2015.

- **Acquisition of FoodBlenders** – On February 2, 2015 Frutarom signed an agreement for the purchase of 100% of the shares of UK-based FoodBlenders Limited ("**FoodBlenders**") for payment of approximately £ 1.6 million (approx. US$ 2.4 million) plus an additional (performance-based) payment of approximately £ 574 thousand (approx. US$ 870 thousand). The transaction was completed at the time of signing and was independently financed.

  FoodBlenders, founded in 1998, engages in the development, manufacture and marketing of savory flavor solutions which mainly include spice and seasoning mixes, functional ingredients, marinades and sauces for the food industry, with particular emphasis on the convenience foods segment. In 2014 FoodBlenders posted sales of approximately US$ 3 million.

  The operations of FoodBlenders have been merged with the growing flavors activity of the Company in the UK.

  For further information on the acquisition of FoodBlenders, see the Company's immediate report issued on February 3, 2015.

- **Acquisition of Ingredientes Naturales Seleccionados S.L.** – On February 2, 2015 Frutarom signed an agreement for the purchase of 100% of the share capital of the Spanish company Ingredientes Naturales Seleccionados S.L. ("**Ingrenat**") in exchange for a cash payment of approx. € 6.8 million (approx. US$ 7.6 million) plus an additional amount of approx. € 1 million (approx. US$ 1.1 million) depending on Ingrenat's performance in 2015. The transaction was completed at the time of signing and was financed with bank credit.

  Ingrenat specializes in the research and development, production, and sales and marketing of natural extracts from plants (including, among others, paprika, rosemary, bixin, alfalfa and more) which deliver taste, color, and antioxidant activity solutions for the food industry. Numbering among its customers are food manufacturers and leading flavor, fragrance, and natural color producers. Ingrenat's sales grew 10% in 2014 to approximately US$ 9.8 million. Ingrenat has been integrated into the activities of Frutarom's Specialty Fine Ingredients division.

  For further information on the acquisition of Ingrenat, see the Company's immediate report issued on February 3, 2015.

- **Acquisition of Taiga International** – On March 16, 2015 Frutarom signed an agreement for the purchase of 100% of the shares of the Belgian flavors company Taiga International in exchange for a cash payment of approximately € 2.7 million (approx. US$ 2.9 million). The transaction was completed at the time of signing and was independently financed.

  Taiga, which was established in 1992, engages in the development, production and marketing of flavor extracts for the food industry. The company has a broad customer base in North America and Europe and a site in Belgium for its production, research and development and marketing which is being merged into Frutarom's existing production sites in Europe accompanied by operational savings.

  In 2014 Taiga's sales turnover amounted to US$ 4.9 million.

  For further information on the acquisition of Taiga, see the Company's immediate report issued on March 18, 2015.

- **Acquisition of Sonarome** – On May 14, 2015 Frutarom signed an agreement for the purchase of 60% of the share capital of the Indian flavors and fragrances company Sonarome Private Ltd. ("**Sonarome**") in exchange for approx. 1,104 million Indian Rupees (approx. US$ 17.7 million). The purchase agreement includes an option for Frutarom to acquire the remaining balance of shares beginning two years following the transaction at a price based on the company's business performance. The transaction was completed at the time of signing and was financed through bank credit.

  Sonarome, which was founded in 1981, engages in the development, production and marketing of flavors and fragrances. Sales of Sonarome grew in recent years at a double-digit annual rate, reaching approximately US$ 12 million in 2014.

  For further information on the acquisition of Sonarome, see the Company's immediate report issued on May 14, 2015.

- **Acquisition of BSA** – On May 15, 2015 Frutarom signed an agreement for the purchase of 95% of the share capital of Canadian company Investissements BSA Inc. ("**BSA**") for a cash payment of approx. CAD 45 million (approx. $US 36 million) (including a CAD 2.3 million price adjustment for working capital). The purchase agreement includes an option for Frutarom to acquire the remaining balance of shares beginning two years following the transaction at a price based on BSA's business performance. The transaction was completed on June 1, 2015 and financed through bank credit.

  BSA, which was founded in 1989, has a large and efficient production site in Montreal and employs around 140 people. BSA's main activities include the development, production and marketing of unique and innovative savory flavor solutions (the non-sweet spectrum of flavors) that include seasoning blends and functional ingredients for the food industry, with particular focus on the

areas of processed meats and convenience foods. The company also conducts activity in India. BSA sales in 2014 (for the 12 months ended August 2014) stood at approx. US$ 34 million.

For further information on the acquisition of BSA, see the Company's immediate report issued on May 17, 2015 and the report on completion of the transaction issued on June 2, 2015.

- **Acquisition of Taura** – On June 18, 2015 Frutarom signed an agreement for the purchase of 100% of the share capital of Taura Natural Ingredients Holding Pty Ltd. ("**Taura**") for a cash payment of approx. € 62.7 million (approx. US$ 71.0 million). The purchase agreement included payment of an additional amount of approximately € 3 million (approx. US$ 3.5 million) conditional upon Taura's business performance for the 12-month period ending June 30, 2016. The transaction was completed at the time of signing and was financed through bank credit. Taura's sales have been steadily growing and for the 12-month period ending March 31, 2015 amounted to about US$ 40 million.

  Taura is a leading world player in in its field with manufacturing facilities in New Zealand and Belgium along with sales offices in the United States and in the UK and a workforce numbering 130 employees. Taura mainly engages in the development, production and marketing of innovative solutions through its unique Ultra Rapid Concentration (URC®) technology for delivering market-leading natural fruit ingredients in terms of flavor, functionality and consumer experience to a wide range of food products, particularly healthy snacks, breakfast cereals, confectionery, convenience foods and baked goods. Taura's URC® ingredients raise the percentage of the final product's fruit content, improve and enhance flavor and texture as well as lengthen shelf life while using natural ingredients and flavors.

  Taura has a broad customer base that includes leading global and national food and beverage makers in the United States, the Asia-Pacific region and Europe. Taura's activity is largely synergetic with Frutarom's global flavors activity into which it will be integrated, and allows Frutarom to broaden and reinforce its supply of natural products and offer a portfolio of products and solutions that combine fruit components, natural flavors and colors, and ingredients with high nutritional value while continuing to expand and deepen its activity and market share.

  The acquisition will accelerate Frutarom's growth in Asia-Pacific markets, with emphasis on Australia and New Zealand, as for first time Frutarom has a production site in New Zealand and an R&D and marketing platform in Australia and New Zealand. Taura has long-established relationships with leading customers in these countries that will enable Frutarom to offer them the full range of its products. Frutarom is working towards merging its sales platforms with Taura's, and customers throughout the world will be offered the full variety of Frutarom's and Taura's innovative, unique and comprehensive capabilities and technologies in the fields of taste and health.

For further information on the acquisition of Taura, see the Company's immediate report issued on June 18, 2015.

- **Acquisition of Foote & Jenks** – On June 29, 2015 Frutarom signed an agreement for the purchase of 100% of the share capital of the US-based flavors company Crestmont Investment, owner of the entire share capital of The Foote & Jenks Corporation, and the purchase of 100% of the share capital of the US-based flavors company Eden Essentials Inc. (the three companies hereinafter referred to as "**F&J**") in exchange for a cash payment of approximately US$ 4 million. F&J's sales turnover in 2014 totaled approx. US$ 2.9 million. The transaction was completed at the time of signing and is being financed through bank credit. Frutarom is taking steps towards transferring F&J's production activities to its plant in Cincinnati, Ohio accompanied by operational savings.

  For further information on the acquisition of F&J, see the Company's immediate report issued on June 30, 2015.

- **Acquisition of the business activity and assets of Scandia** – On July 28, 2015 Frutarom signed an agreement for the purchase of the business operations and assets of Scandia Citrus LLC located in the US state of Florida ("**Scandia**") in exchange for a cash payment of approximately US$ 6 million. The transaction was completed at the time of signing and is being financed through bank credit.

  Scandia specializes in the research and development, manufacture, and sales and marketing of specialty solutions in the field of citrus for leading global customers in the flavor, food and beverages markets, and its activity is largely synergetic with that of CitraSource which was acquired by Frutarom last year. Scandia's sales in 2014 totaled approximately US$ 8 million. Scandia's activity has been successfully merged with the activity of CitraSource.

  For further information on the acquisition of Scandia's activity, see the Company's immediate report issued on July 29, 2015.

- **Acquisition of Nutrafur** – On September 3, 2015 Frutarom signed an agreement for the purchase of 79% of the share capital of the Spanish company Nutrafur S.A. ("**Nutrafur**") for approximately € 8 million based on a company value of approx. € 13.1 million (US$ 14.5 million), including debt of approx. € 2.6 million. The transaction was completed at the time of signing and financed using bank credit.

  Nutrafur specializes in the research and development, manufacture, and sales and marketing of specialty natural plant extracts bearing antioxidant properties or scientifically proven healthy qualities and supported by clinical studies for the food, pharma, nutraceutical and cosmetics markets.

Nutrafur sales for the 12-month period ending June 2015 amounted to approx. US$ 13 million.

Frutarom is working on merging Nutrafur's activity into the framework of the Specialty Fine Ingredients division and capitalizing on the many cross-selling opportunities arising from the acquisition and supporting the continued rapid development and production of natural functional solutions that combine taste and health in response to consumer demand and the major trends in the global food market towards more natural and healthier foods.

Nutrafur has an R&D and sales center and an efficient manufacturing site in Murcia, Spain with large production capacity and the possibility for considerable expansion. The company has 67 employees, of which about 10 are engaged in R&D and have advanced academic degrees and expertise in various fields. Nutrafur's production site is in close proximity to that of Ingrenat which was acquired during the first quarter this year, and this geographic proximity between the sites provides maximum operational flexibility in terms of the use of various extraction technologies as well as use of the various manufacturing systems in the framework of optimizing Frutarom's global supply chain. The acquisition allows for significant operational savings in Frutarom's global manufacturing structure in the area of natural extracts and in the fields of purchasing, production, logistics, and marketing of the Company's solutions in these fields.

For further information on the acquisition of Nutrafur, see the Company's immediate report issued on September 6, 2015.

- **Acquisition of AMCO** – On November 10, 2015, subsequent to the balance sheet date, Frutarom signed an agreement for the purchase of 75% of the share capital of the Polish company AMCO Sp. z o.o. ("**AMCO**") for approximately US$ 20.7 million (82.25 million PLN). The purchase agreement includes an option to acquire the remaining balance of shares starting two and a half years from the closing date of the transaction at a price based on the company's business performance. The transaction will be financed through bank debt and will be completed within the next few weeks.

  AMCO, founded in 1998, has an R&D and sales and marketing center along with an efficient and modern state-of-the-art production site in Warsaw, Poland with large production capacity and significant room to expand. AMCO employs a staff of 70, including 12 engaged in R&D with advanced academic degrees. AMCO's main activity is the development, production and marketing of unique and innovative savory flavor solutions (the non-sweet spectrum of flavors) that include seasoning blends, marinades, and functional ingredients for the food industry.

AMCO sales in the 12-month period ending September 2015 reached approximately USD 19.5 million (approx. 71 million PLN).

The activity of AMCO is synergetic to a large extent with Frutarom's activities and enables Frutarom to reinforce its supply of products in the field of savory and to continue expanding and deepening its activity and market share in Poland and neighboring countries. Poland, with its population of 38 million, is a major growing country of Europe and considered one of its largest consumer markets, with a stable economy and strong industrial sector. The country has a large and efficient food industry which manufactures finished food products also for Western, Central and Eastern European markets. According to forecasts by analysts, the Polish market is expected to grow by 4-5% annually in upcoming years, a much higher rate of growth than expected for Western Europe. The company's founders who have been running AMCO successfully will continue in their managerial roles with the company and as shareholders.

For further information on the acquisition of control of AMCO, see the Company's immediate report issued on November 11, 2015.

Frutarom is well positioned business-wise and competitively to continue implementing its rapid and profitable growth strategy through, among other things, carrying out further strategic acquisitions in its core business fields and main target markets. Frutarom's proven track record in successfully executing and integrating its acquisitions and capitalizing on their inherent cross-selling opportunities and synergies, together with a strong acquisition pipeline, will allow the Company to continue meeting its strategic goals, expand its portfolio of natural and specialty products combining taste and health solutions, continue to expand its activity in emerging markets and the US and to improve the operational efficiency of its resources.

- **Increase in Profit and Profit Margins** – Over recent years Frutarom has succeeded in attaining, along with its growth in revenues, significant increases in profits and in its gross and operating margins. Frutarom is working and will continue to work on strengthening its competitiveness while boosting profits and profitability by focusing, among other things, on the following objectives:

  - **Successful integration of acquisitions while maximizing synergies** – Integration of the 14 acquisitions made from 2011 to 2014 has been successfully completed, and according to plan has contributed and will keep contributing to growth in sales and to improved profits and margins. Frutarom continues working towards capitalizing on the abundant cross-selling opportunities arising from these acquisitions, gaining maximum advantage from the many technological capabilities brought to the Company, and realizing the savings resulting from the integration of R&D, sales, marketing, supply chain, operations and purchasing systems. The successful integration of the 11 acquisitions performed since the beginning of 2015 is also expected

to contribute towards the continuing trend of improvement in Frutarom's results.

- Investing in R&D for **natural specialty products in the fields of taste and health** which contribute to improving the product mix and Frutarom's profitability.

- **Integration of R&D systems** – Frutarom is working to make maximum utilization of the many innovative R&D and technological capabilities gained over recent years through its acquisitions, as well as implementing its new customer relationship management (CRM) system and cross-organizational joint R&D and applications projects for broadening its product portfolio, and improving the quality of solutions and level of service to customers, channeling the projects to the relevant know-how centers and leveraging the knowledge and expertise developed at the various Frutarom sites over recent decades.

- **Building up and strengthening the global purchasing system** – Frutarom continues to build and strengthen its global purchasing infrastructure, leveraging its increased purchasing power gained following the recent acquisitions while expanding its pool of suppliers with emphasis on increased purchase of raw materials (especially natural raw materials) used in the manufacture of its products from their countries of origin. Integration of the Company's R&D systems also contributes to the strengthening of the global purchasing capacities, capitalizing on the harmonization of the raw materials and suppliers for the development and manufacture of its products.

- **Streamlining programs** – Frutarom is continuing to implement additional projects for combining and consolidating production and operational sites and towards achieving utmost efficiency also in the areas of purchasing, logistics and supply chain which will contribute over the coming years as well to strengthening its competitive position and improving its profits and margins. These actions should lead to operational savings amounting to over US$ 12 million which will partly come to fruition in the upcoming months and partly towards the end of next year and the beginning of 2017.

Frutarom's sturdy capital structure (total assets of US$ 1,174.9 million and equity of US$ 542.2 million as of September 30, 2015 constituting 46.1% of the total balance sheet), net debt (total loans minus cash) of US$ 289.3 million as of September 30, 2015, supported by the strong cash flow generated and together with bank backing, will allow it to continue implementing its rapid and profitable growth strategy as it has done over the past few years, including further strategic acquisitions, while strengthening its competitiveness and position as one of the leading global 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 September 30, 2015 totaled US$ 1,174.9 million, compared with US$ 955.7 million as of September 30, 2014 and US$ 940.4 million as of December 31, 2014.

The Group's current assets as of September 30, 2015 totaled US$ 490.0 million, compared with US$ 398.8 million as of September 30, 2014 and US$ 398.8 million as of December 31, 2014.

Property, plant and equipment net of cumulative depreciation plus other net property as of September 30, 2015 totaled US$ 680.8 million, compared with US$ 553.3 million as of September 30, 2014 and US$ 538.6 million as of December 31, 2014.

The increase in total, current and long-term assets derives from the acquisitions made in 2015, which have already been fully consolidated into Frutarom's balance sheet but whose operational effects have only been partially reflected in Frutarom's results for 2015. The operational results of these acquisitions will be fully reflected in Frutarom's operational results in 2016.

Currency effects

The trend of the US dollar considerably strengthening against most other global currencies continued during the third quarter of 2015.

Since about 70% of Frutarom's sales are conducted in currencies other than the US dollar (mainly the Euro, Pound Sterling, Swiss Franc, Russian Ruble, New Israeli Shekel, Chinese Yuan, Brazilian Real, Peruvian Nuevo Sol and South African Rand) changes in exchange rates affect Frutarom's results as reported in US dollars.

However, Frutarom's exposure to currency fluctuations is reduced by the fact that raw material purchases and operational expenditures in the various countries in which it operates are also paid for in most cases in the respective local currencies so that most of the effect applies to the translation of sales revenues and profits into dollar terms.

The effect of currencies on Frutarom sales was 14.6% in the third quarter and 14.2% for the first nine months of 2015.

It should be noted that the trend of the strengthening dollar mainly began manifesting itself in the fourth quarter of 2014, and therefore it is expected that the currency effects on Frutarom's reported dollar-based results will significantly diminish in 2016 in comparison with their effects this year.

Development of Frutarom's sales and profits:

	Trend of real growth in key parameters continues **% growth vs. the equivalent period in 2014**	
	Q3 2015	**First 9 months of 2015**
Sales[1]	4.5%	5.1%
Gross profit[2]	31.5%	20.8%
EBITDA[2]	40.3%	26.8%
Net income[2]	47.8%	34.2%

In the first nine months of 2015 Frutarom achieved new records in sales reaching US$ 647.2 million, in gross profit reaching US$ 251.1 million, in operating profit reaching US$ 99.4 million, in EBITDA reaching US$ 122.8 million, in net income reaching US$ 72.6 million, and in earnings per share.

The core businesses, comprising the Flavors and Specialty Fine Ingredients activities, continued growing in the first nine months of the year and increased in profitability. Gross profit rose 18.1% and EBITDA rose 25.3% on a constant currency basis and adjusted for non-recurring expenses. The EBITDA margin for core businesses in the first nine months of the year, adjusted for non-recurring expenses, has already reached 21.4%.

Net income for the first nine months of 2015 adjusted for non-recurring expenses reached US$ 80.0 million, reflecting 34.2% growth (on a constant currency basis and adjusted for non-recurring expenses). Cash flow from operating activities in the first nine months of 2015 grew by 32.1%, from US$ 50.6 million to US$ 66.8 million.

The third quarter of 2015 was also a record quarter for sales which reached US$ 234.5 million, as well as for gross profit which reached US$ 91.9 million, for operating income which reached US$ 37.0 million, and for EBITDA which reached US$ 45.2 million. Net income for the quarter rose to US$ 25.0 million and cash flow from operating activities grew by 39.6% to US$ 29.4 million compared with US$ 21.1 million in the same quarter last year.

In Q3 2015 gross profit and EBITDA for core businesses, comprising the Flavors and the Specialty Fine Ingredients activities, reached record levels. On a constant

[1] Assuming acquisitions performed in 2015 had been consolidated in the appropriate parallel period of 2014 and that Montana Food, acquired during the fourth quarter of 2014, had been consolidated as of January 1, 2014 ("**Pro-forma Terms**") – and on a constant currency basis.

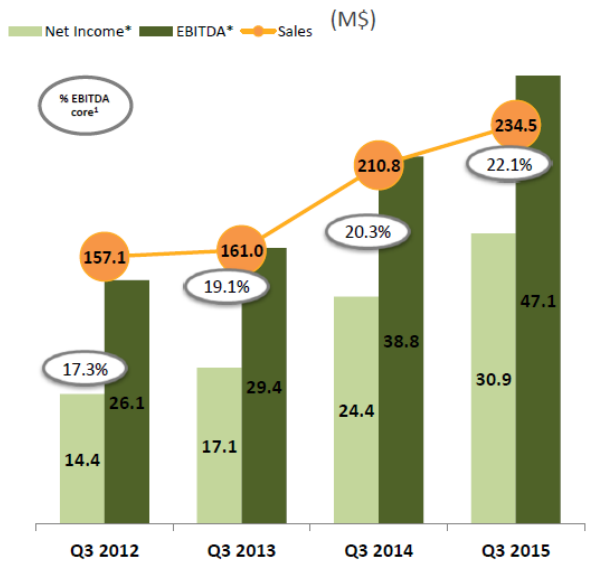
[2] On a constant currency basis and adjusted for non-recurring expenses.

currency basis and adjusted for non-recurring expenses, gross profit grew by 29.0% with gross margin reaching 41.0% while EBITDA rose 39.0% and the EBITDA margin reached 22.1%. Net income in Q3 2015 adjusted for non-recurring expenses, reached a record level US$ 30.5 million, reflecting growth (on a constant currency basis and adjusted for non-recurring expenses) of 46.0%.

The Company estimates that completion of the merger of companies that were acquired and the actions it is taking in amalgamating plants, optimizing its production resources and integrating the R&D, sales, operations, production and purchasing platforms, which are progressing according to plan, will bring further operational savings of over US$ 12 million which will partly come into play already in the upcoming months and partly towards the end of next year and the beginning of 2017.

In addition, steps being taken are proceeding according to plan in building and strengthening a global purchasing platform for raw materials used by Frutarom in the manufacture of its products that will capitalize on the purchasing power which has grown substantially in recent years along with a move towards purchasing directly from producers in the source countries, mainly with regards to natural raw materials which make up 70% of the raw materials used by Frutarom. The global purchasing platform will already begin contributing towards an improvement in purchasing costs and gross margins in the upcoming period.

C. RESULTS OF OPERATIONS FOR THIRD QUARTER 2015



¹ *EBITDA core businesses: Flavors and Specialty Fine Ingredients*

Revenues
- **$234.5M - Record High**
- **Flavor Business ~70% of Revenues**

Growth
- **Sales Growth - 11.3%**
- **Sales YoY Growth - 4.5%** (on **LFL** basis)*
- **Flavor Business YOY Growth – 5.4%** (on **LFL** basis)*

Gross Profit
- **$92.1M - Record High**
- **39.3% YoY Growth***
- **41.0%** Core Business Gross Margin*

EBITDA
- **$47.1M* - Record High**
- **39.0% YoY Growth***
- **22.1% Core** Business **EBITDA Margin***

Net Income
- **$30.9M* - Record High**
- **47.8% YoY Growth***
- **13.2%** Net Margin*

Operating Cash Flow
- **$29.4M**
- **39.6% YoY Growth**

* Sales on a constant currency and pro-forma basis, assuming acquisitions performed in 2015 had been consolidated in the appropriate parallel period of 2014 and that Montana Food, acquired during the fourth quarter of 2014, had been consolidated as of January 1, 2014; EBITDA, net income and profitability margins are net of non-recurrent expenses which reduced reported Q3/2015 operating profit by 2.4M$ and net of non-recurrent financial expense which reduced the reported Q3/2015 net income by 4.3M$

Sales

Frutarom sales rose by 11.3% in the third quarter to a quarterly record high of US$ 234.5 million compared with US$ 210.8 million in the parallel period, reflecting year-over-year constant currency growth of 4.5% in pro-forma terms[3].

The aforementioned substantial changes to the exchange rates of currencies in which the Company operates as against the US dollar had a 14.6% negative impact on sales growth in pro-forma terms vs. Q3 2014.

Sales from the **Flavors activity** as reported in US dollars rose by 9.4% to reach US$ 165.4 million in Q3 2015 as against US$ 151.1 million in Q3 2014 and reflect constant currency growth on a pro-forma basis of 5.4% against the parallel period. Currency effects impacted sales negatively by 15.2% in pro-forma terms.

[3] Assuming acquisitions performed in 2015 had been consolidated in the appropriate parallel period of 2014 and that Montana Food, acquired during the fourth quarter of 2014, had been consolidated as of January 1, 2014 ("**Pro-forma Terms**").

Sales from **Specialty Fine Ingredients** activity as reported in US dollar terms rose 18.4% to US$ 48.3 million in Q3 2015 compared with US$ 40.8 million in Q3 2014 and reflect constant currency growth on a pro-forma basis of 1.2% against the parallel period. Currency effects impacted sales negatively by 7.3% in pro-forma terms. The effect from the stockpiling of inventory by a number of customers as reported in the second quarter of this year has diminished as expected, and Frutarom believes that its Specialty Fine Ingredients activity will go back to showing higher rates of growth.

Sales from **Trade and Marketing** activity as reported in US dollar terms grew 8.5% in Q3 2015 to reach US$ 21.8 million compared with US$ 20.1 million in Q3 2014, and reflect constant currency growth on a pro-forma basis of 4.2% against the parallel period. Currency effects impacted sales negatively by 23.6% in pro-forma terms.

Sales Breakdown by Activity in Q3 for 2005 - 2015 (US$ millions and %):

		Q3 2005	Q3 2006	Q3 2007	Q3 2008	Q3 2009	Q3 2010	Q3 2011	Q3 2012	Q3 2013	Q3 2014	Q3 2015
Flavor Activity	**Sales**	36.2	47.2	57.6	86.1	77.3	75.4	96.9	114.2	119.4	151.1	165.4
	%	61.0%	66.3%	65.7%	71.7%	69.3%	67.9%	71.7%	72.7%	74.2%	71.7%	70.5%
Fine Ingredient Activity	**Sales**	22.7	23.9	28.1	31.1	33.5	34.6	37.8	37.2	36.7	40.8	48.3
	%	38.2%	33.6%	32.0%	25.9%	30.1%	31.1%	27.9%	23.7%	22.8%	19.4%	20.6%
Inter-company sales	**Sales**	-1.1	-1.7	-1.3	-1.0	-0.7	-0.5	-0.7	-0.6	-2.4	-1.3	-1.0
	%	-2.0%	-2.4%	-1.4%	-0.9%	-0.7%	-0.5%	-0.5%	-0.4%	-1.5%	-0.6%	-0.4%
Total Core Activity	**Sales**	57.8	69.4	84.4	116.2	110.1	109.5	134.0	150.8	153.7	190.7	212.7
	%	97.2%	97.5%	96.3%	96.8%	98.7%	98.6%	99.0%	96.0%	95.5%	90.5%	90.7%
Trade & Marketing	**Sales**	1.6	1.8	3.3	3.8	1.5	1.5	1.3	6.3	7.3	20.1	21.8
	%	2.8%	2.5%	3.7%	3.2%	1.3%	1.4%	1.0%	4.0%	4.6%	9.5%	9.3%
Total Sales		59.4	71.3	87.7	120.0	111.6	111.0	135.3	157.1	161.0	210.8	234.5

In Q3 2015 Frutarom achieved quarterly record results in sales, gross profit, operating profit and EBITDA.

Profits and margins from the core businesses also reached record levels: On a constant currency basis and adjusted for non-recurring expenses, gross profit from the core businesses rose in Q3 2015 by 29.0% to reach US$ 87.3 million (gross margin of 41.0%), operating profit from the core businesses rose by 45.3% to reach US$ 39.0 million (operating margin of 18.3%), and EBITDA for the core businesses grew by 39.0% to reach US$ 47.1 million (EBITDA margin of 22.1%).

These record results were achieved despite the effects of major shifts to the exchange rates of currencies in which the Company operates against the US dollar.

Non-recurring expenses were recorded this quarter concerning steps being taken by Frutarom towards optimizing its resources, amalgamating plants, attaining maximal operational efficiency and in connection with acquisitions. These non-recurring expenses, which mostly fell under the Specialty Fine Ingredients activity, reduced reported operating profit for the quarter by US$ 2.4 million.

Frutarom continues working towards optimizing its resources, subsequent to its latest acquisitions as well, in the course of creating significant operational savings and strengthening its competitive position along with maximum utilization of its facilities around the world. These actions should bring about operational savings exceeding US$ 12 million which will already partly manifest themselves in upcoming months and partly towards the end of next year and the beginning of 2017.

Frutarom is also working on building and strengthening its global purchasing system while utilizing the increased purchasing power gained through its acquisitions and continuing to expand of its pool of suppliers, with emphasis on turning to source countries for the purchase of raw materials (especially natural raw materials) used in the manufacture of its products. The global purchasing system will already shortly begin contributing to improvement in purchasing costs and gross margins.

Tables summarizing profits and margins in the 3rd quarter:

In millions of US dollars	Core Businesses Flavors and Specialty Fine Ingredients			Total Frutarom Group		
	Adjusted for non-recurring expenses		% increase on a constant currency basis and adjusted for non-recurring expenses	Adjusted for non-recurring expenses		% increase on a constant currency basis and adjusted for non-recurring expenses
	Q3 2014	Q3 2015		Q3 2014	Q3 2015	
Gross profit	77.7	87.3	29.0%	81.6	92.1	31.5%
Margin	*40.8%*	*41.0%*		*38.7%*	*39.3%*	
Operating profit	30.8	39.0	45.3%	30.9	39.4	47.1%
Margin	*16.2%*	*18.3%*		*14.7%*	*16.8%*	
EBITDA	38.8	47.1	39.0%	39.3	47.6	40.3%
Margin	*20.3%*	*22.1%*		*18.6%*	*20.3%*	
Net income				24.4	30.9	47.8%
Margin				*11.5%*	*13.2%*	

Reported results in US dollars:

In millions of US dollars	Core Businesses Flavors and Specialty Fine Ingredients		Total Frutarom Group	
	Q3 2014	Q3 2015	Q3 2014	Q3 2015
Gross profit	77.7	87.1	81.6	91.9
Margin	*40.8%*	*40.9%*	*38.7%*	*39.2%*
Operating profit	30.5	36.6	30.9	37.0
Margin	*16.0%*	*17.2%*	*14.7%*	*15.8%*
EBITDA	38.4	44.7	39.0	45.2
Margin	*20.2%*	*21.0%*	*18.5%*	*19.3%*
Net income			24.2	25.0
Margin			*11.5%*	*10.7%*

Financial Expenses / Income

Financial expenses in Q3 2015 totaled US$ 6.0 million (2.6% of sales), compared with US$ 0.8 million (0.4% of sales) in Q3 2014.

Interest expenses in Q3 2015 amounted to US$ 1.5 million, compared with interest expenses of US$ 1.3 million in the same quarter last year. Negligible financial expenses attributable to exchange-rate differences were recorded in the current quarter as against financial income arising from exchange-rate differences of US$ 0.6 million in Q3 2014.

Non-recurring financial expenses of US$ 4.3 million were recorded this quarter for revaluation of the financial liability concerning the option to purchase the minority shares of PTI due to its unexpectedly strong operating results.

Taxes on Income

Taxes on income for Q3 2015 totaled US$ 6.0 million (19.2% of profit before tax) compared with US$ 6.0 million (19.9% of profit before tax) the year before.

Net Income

Net income in Q3 2015 (adjusted for non-recurring expenses) reached a record level US$ 30.9 million to reflect growth (on a constant currency basis and adjusted for non-recurring expenses) of 47.8%, with net margin rising to 13.2% of sales compared with 11.6% of sales in the parallel quarter.

Earnings per Share

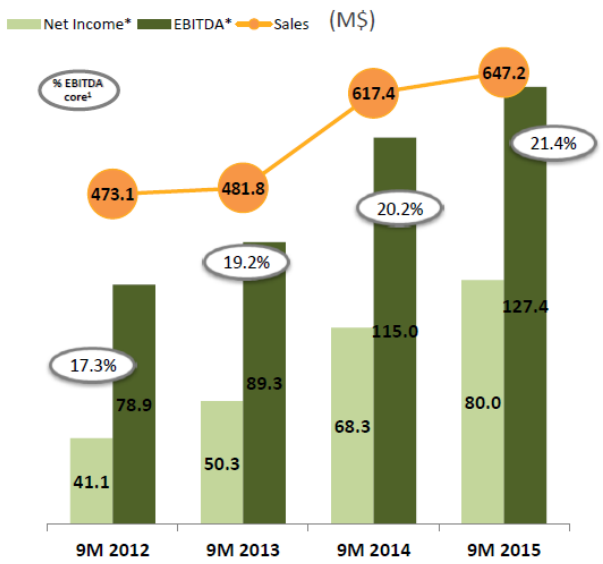
Earnings per share in Q3 2015 (on a constant currency basis and adjusted for the non-recurring expenses) rose 48.5% to reach US$ 0.52 compared with US$ 0.35 the previous year.

Without adjusting for currency effects or for non-recurring expenses, earnings per share in Q3 2015 rose 2.9% to reach US$ 0.42 as compared to US$ 0.41 in the same quarter last year.

Seasonality

The Company's business in recent years has been affected by seasonality which, until the acquisition of PTI, was expressed by lower sales and profit margins in the first and fourth quarters (the fourth quarter being the weakest) and stronger in the second quarter. Following the acquisition of PTI, where seasonality recent years was expressed in the fourth quarter being the strongest and the first quarter the weakest, both in terms of sales and profits, Frutarom's overall seasonality profile underwent a change to a certain extent.

D. RESULTS OF OPERATIONS FOR THE FIRST NINE MONTHS OF 2015



[1] *EBITDA core businesses: Flavors and Specialty Fine Ingredients*

Revenues	**$647M - Record High** **Flavor Business ~70% of Revenues**
Growth	**Reported Growth – 4.8%** **Total YoY Growth - 5.1% (on LFL basis)*** **Flavor Business YOY Growth - 5.8% (on LFL basis)***
Gross Profit	**$252.6M* - Record High** **20.8% YoY Growth[2]** **40.9%** Core Business Gross Margin*
EBITDA	**$127.4M* - Record High** **26.8% YoY Growth*** **21.4%** Core Business **EBITDA Margin***
Net Income	**$80M* - Record High** **34.2% YoY Growth*** **12.4%** Net Margin*
Operating Cash Flow	**$66.8M - Record High** **32.1% YoY Growth**

* Sales on a constant currency and pro-forma basis, assuming acquisitions performed in 2015 had been consolidated in the appropriate parallel period of 2014 and that Montana Food, acquired during the fourth quarter of 2014, had been consolidated as of January 1, 2014;
Gross Profit, EBITDA, net income and profitability margins are net of non-recurrent expenses which reduced reported 9M/2015 gross profit by 1.5M$ and reported 9M/2015 operating profit by 4.6M$ and for non-recurrent financial expense which reduced reported Q3/2015 net income by 4.3M$

Sales

Frutarom sales as reported in US dollar terms rose in the first nine months of 2015 grew by 4.8% and reached a 9-month record of US$ 647.2 million, reflecting year-over-year constant currency growth[4] of 5.1% in pro-forma terms. Substantial changes, as mentioned, to the exchange rates of currencies in which the Company operates as against the US dollar negatively impacted sales growth in pro-forma terms by 14.2%.

Flavors activity sales as reported in US dollars for the first nine months of 2015 rose 1.9% to reach US$ 450.6 million as opposed to US$ 442.0 million for the same nine month period the previous year, reflecting year-over-year constant currency growth of 5.8% in pro-forma terms. Currency effects negatively impacted sales in pro-forma terms by 14.9%.

Sales for **Specialty Fine Ingredients** activity for the first nine months of 2015 as reported in US dollars reached rose 9.9% to reach US$ 136.7 million compared with

[4] If the Company's Profit & Loss Statements for the first nine months of 2014 had been translated into US dollars according to the average exchange rates in effect during the first nine months of 2015.

US$ 124.4 million in the same period last year, reflecting year-over-year constant currency growth of 0.6% in pro-forma terms. Currency effects negatively impacted sales in pro-forma terms by 7.4%. As previously noted, the effects of stockpiling of inventory among a number of customers which was reported in the second quarter has diminished as expected, and Frutarom estimates that Specialty Fine Ingredients activity will go back to showing higher rates of growth.

Frutarom sales in the first nine months of 2015 from its **Trade and Marketing** activity as reported in US dollars rose by 12.4% and reached US$ 63.5 million compared with US$ 56.5 million the year before, reflecting year-over-year constant currency growth of 5.8% in pro-forma terms. Currency effects negatively impacted sales in pro-forma terms by 22.0%.

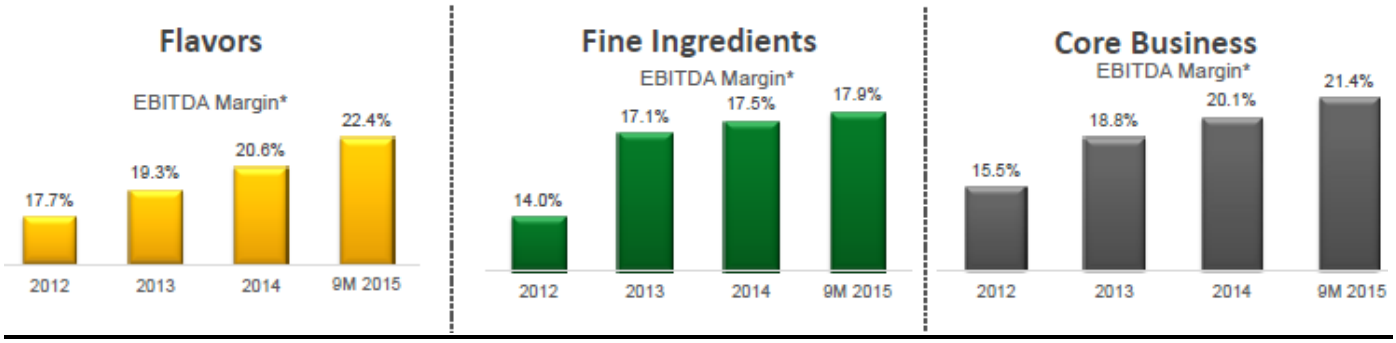
Sales Breakdown by Activity for First 9 Months of 2005 - 2015 (US$ millions and %):

		1-9 2005	1-9 2006	1-9 2007	1-9 2008	1-9 2009	1-9 2010	1-9 2011	1-9 2012	1-9 2013	1-9 2014	1-9 2015
Flavor Activity	**Sales**	119.6	141.5	169.2	268.6	220.4	228.2	269.8	345.6	355.1	442.0	450.6
	%	62.5%	65.9%	65.1%	71.7%	69.6%	67.4%	69.7%	73.0%	73.7%	71.6%	69.6%
Fine Ingredient Activity	**Sales**	69.8	72.0	86.1	98.9	92.9	108.3	114.1	111.2	111.8	124.4	136.7
	%	36.5%	33.5%	33.1%	26.4%	29.3%	32.0%	29.5%	23.5%	23.2%	20.1%	21.1%
Inter-company sales	**Sales**	-3.2	-3.5	-3.4	-3.3	-2.3	-1.7	-2.2	-1.7	-4.8	-5.6	-3.6
	%	-1.6%	-1.6%	-1.3%	-0.9%	-0.7%	-0.5%	-0.6%	-0.4%	-1.0%	-0.9%	-0.6%
Total Core Activity	**Sales**	186.2	210.0	251.9	364.2	311.0	334.8	381.7	455.1	462.1	560.8	583.7
	%	97.4%	97.8%	96.9%	97.2%	98.2%	98.9%	98.6%	96.2%	95.9%	90.8%	90.1%
Trade & Marketing	**Sales**	5.0	4.7	7.9	10.4	5.7	3.9	5.2	18.0	19.8	56.5	63.5
	%	2.6%	2.2%	3.1%	2.8%	1.8%	1.1%	1.4%	3.8%	4.1%	9.2%	9.8%
Total Sales		191.2	214.6	260.0	374.6	316.7	338.7	386.9	473.1	481.9	617.3	647.2

For the first nine months of 2015 Frutarom achieved record 9-month results in sales, gross profit, operating profit, EBITDA, net income and earnings per share.

Profits and margins for core businesses (comprising the Flavors and Specialty Fine Ingredients activities) also reached record levels: On a constant currency basis and adjusted for non-recurring expenses, gross profit rose by 18.1% in the first nine months of the year to reach US$ 239.0 million (with 40.9% gross margin), operating profit rose by 30.0% to reach US$ 102.0 million (with an operating margin of 17.5%), and EBITDA grew by 25.3% to reach US$ 125.1 million (EBITDA margin of 21.4%).

Consistent improvement in core activity margins



* Net of non-recurring expenses

These record results were achieved despite the effects of drastic shifts in the exchange rates of currencies in which it operates against the US dollar. Non-recurring expenses were recorded in the first nine months concerning steps being taken by Frutarom towards optimizing its resources, amalgamating plants, attaining maximal operational efficiency and in connection with acquisitions. These non-recurring expenses, which mostly fell under the Specialty Fine Ingredients activity, reduced the reported gross profit for the first nine months of 2015 by US$ 1.5 million and the reported operating profit by US$ 4.6 million.

Tables summarizing profits and margins in the first nine months of 2014-2015:

In millions of US dollars	Core Businesses Flavors and Specialty Fine Ingredients			Total Frutarom Group		
	Adjusted for non-recurring expenses		% increase on a constant currency basis and adjusted for non-recurring expenses	Adjusted for non-recurring expenses		% increase on a constant currency basis and adjusted for non-recurring expenses
	YTD 2014	YTD 2015		YTD 2014	YTD 2015	
Gross profit	230.5	239.0	18.1%	241.0	252.6	20.8%
Margin	*41.1%*	*40.9%*		*39.0%*	*39.0%*	
Operating profit	89.3	102.0	30.0%	90.7	104.0	31.9%
Margin	*15.9%*	*17.5%*		*14.7%*	*16.1%*	
EBITDA	113.3	125.1	25.3%	115.0	127.4	26.8%
Margin	*20.2%*	*21.4%*		*18.6%*	*19.7%*	
Net income				*68.3*	*80.0*	34.2%
Margin				*11.1%*	*12.4%*	

Reported results in US dollars for the first nine months of 2014-2015:

In millions of US dollars	Core Businesses Flavors and Specialty Fine Ingredients		Total Frutarom Group	
	2014	2015	2014	2015
Gross profit	230.5	237.5	241.0	251.1
Margin	*41.1%*	*40.7%*	*39.0%*	*38.8%*
Operating profit	88.7	97.4	90.2	99.4
Margin	*15.8%*	*16.7%*	*14.6%*	*15.4%*
EBITDA	112.8	120.5	114.5	122.8
Margin	*20.1%*	*20.6%*	*18.5%*	*19.0%*
Net income			67.9	72.6
Margin			*11.0%*	*11.2%*

Financial Expenses / Income

Financial expenses in the first nine months of 2015 totaled US$ 9.5 million (1.5% of sales), compared with US$ 4.5 million (0.7% of sales) in the first nine months of 2014.

Interest expenses in the first nine months of 2015 amounted to US$ 4.0 million compared with US$ 4.5 million the year before, and financial expenses attributable to exchange-rate differences amounted to US$ 1.2 million compared with US$ 0.2 million in the first nine months of 2014.

As noted above, non-recurring financial expenses of US$ 4.3 million were recorded in Q3 2015 for revaluation of the financial liability concerning the option to purchase the minority shares of PTI due to its unexpectedly strong operating results.

Taxes on Income

Taxes on income for the first nine months of 2015 totaled US$ 17.3 million (19.3% of profit before tax) compared with US$ 17.8 million (20.7% of profit before tax) for the same period last year.

Net Income

Net income adjusted for the non-recurring expenses for the first nine months of 2015 reached a record level US$ 80.0 million, reflecting growth on a constant currency basis and adjusted for non-recurring expenses of 34.2%, with net margin growing to 12.4% of sales compared with 11.1% of sales in the equivalent period of 2014.

Earnings per Share

Earnings per share in the first nine months of 2015 (on a constant currency basis and adjusted for the non-recurring expenses) rose 35.0% to US$1.36 from US$ 1.00 in the same period last year.

Without adjusting for currency effects or for non-recurring expenses, earnings per share for the first nine months of 2015 rose 6.6% to reach a 9-month record of US$ 1.23 compared with US$ 1.15 per share for the same period of the previous year.

E. 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 to a reasonable level.

Cash flow from operating activities in the first nine months of 2015 grew 32.1%, from US$ 50.6 million to a record US$ 66.8 million.

In the third quarter of 2015 the Company cash flows from operating activities grew by 39.6% to reach US$ 29.4 million as against US$ 21.1 million in the same period of the previous year.

Frutarom strives and will continue to strive towards maintaining an optimal level of working capital appropriate for its forecasted growth while taking seasonality under consideration as well as the availability of the various raw materials and their current and expected future prices.

F. SOURCES OF FINANCING

Sources of Capital

Frutarom's capital equity as of September 30, 2015 totaled US$ 542.2 million (46.1% of the balance sheet) compared with US$ 546.7 million (57.2% of the balance sheet) as of September 30, 2014 and US$522.0 million (55.5%) as of December 31, 2014. Capital equity was impacted as well from the considerable changes in currency exchange rates.

Loans (Average) -

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

  Average long-term credit provided from banks totaled US$ 314.7 million in Q3 2015, compared with US$ 185.3 million in the parallel quarter.

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

  Average short-term credit extended to the Company by banks in Q3 2015 totaled US$ 57.9 million compared to US$ 43.7 million in the parallel quarter.

  The increase in the net amount of debt derives from the loans taken by Frutarom for financing the acquisitions it carried out.

The debt includes the acquisitions performed up until the balance sheet date while the results of the activities of these acquisitions are not yet completely reflected in the results of the Company's activities for the first nine months of the year.

Accounts Payable and Accounts Receivable (Average)

In Q3 2015 the Company had accounts payable and other payables amounting to US$ 132.5 million compared with US$ 109.4 million the year before. During Q3 2015 the Company extended US$ 173.4 million in credit to its customers compared with US$ 151.1 million the year before. The increase in payables and receivables derives mainly from the acquisitions made by Frutarom in 2015.

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

EXPOSURE TO AND MANAGEMENT OF MARKET RISKS

There were no substantial changes in the third quarter of 2015 concerning the Company's exposure to market risks or the ways in which they are managed, including effects of the Company's linkage of monetary balances, in relation to the Company's report on this matter in the 2014 periodic report published by the Company on March 16, 2015. As of September 30, 2015 the Group had long-term loans net of current maturities totaling $US 242.9 million, and short-term loans including current maturities of long-term loans amounting to US$ 121.9 million. The Company has cash balances amounting to US$ 75.5 million.

G. SENSITIVITY TESTS

Sensitivity to Changes in the US Dollar – New Israeli Shekel Exchange Rate

	Profit (Loss) from changes		Fair value	Profit (Loss) from changes	
% of change	**+10%**	**+5%**	**-**	**-5%**	**-10%**
Exchange rate	**4.315**	**4.119**	**3.923**	**3.727**	**3.531**
	US$ 000s				
Cash and cash equivalents	(39)	(20)	391	20	39
Customers	(930)	(465)	9,299	465	930
Other accounts receivable	(94)	(47)	943	47	94
Other long-term receivables	(3)	(2)	32	2	3
	(1,066)	**(534)**	**10,665**	**534**	**1,066**
Suppliers and service providers	564	282	5,643	(282)	(564)
Other payables	651	325	6,509	(325)	(651)
	1,215	**607**	**12,152**	**(607)**	**(1,215)**
Total exposure, net	**149**	**73**	**(1,487)**	**(73)**	**(149)**

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	**0.725**	**0.692**	**0.659**	**0.626**	**0.593**
	US$ 000s				
Cash and cash equivalents	(633)	(317)	6,333	317	633
Customers	(1,529)	(765)	15,290	765	1,529
Other accounts receivable	(82)	(41)	823	41	82
	(2,244)	**(1,123)**	**22,446**	**1,123**	**2,244**
Bank credit	9,491	4,746	94,910	(4,746)	(9,491)
Suppliers and service providers	741	371	7,412	(371)	(741)
Other payables	908	454	9,081	(454)	(908)
	11,140	**5,571**	**111,403**	**(5,571)**	**(11,140)**
Total exposure, net	**8,896**	**4,448**	**(88,957)**	**(4,448)**	**(8,896)**

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	**0.980**	**0.935**	**0.891**	**0.846**	**0.802**
	US$ 000s				
Cash and cash equivalents	(2,600)	(1,300)	26,001	1,300	2,600
Customers	(4,694)	(2,347)	46,938	2,347	4,694
Other accounts receivable	(427)	(213)	4,268	213	427
Other long-term receivables	(29)	(15)	290	15	29
	(7,750)	**(3,875)**	**77,497**	**3,875**	**7,750**
Bank credit	4,546	2,273	45,461	(2,273)	(4,546)
Suppliers and service providers	2,760	1,380	27,598	(1,380)	(2,760)
Other payables	1,371	686	13,714	(686)	(1,371)
	8,677	**4,339**	**86,773**	**(4,339)**	**(8,677)**
Total exposure, net	**927**	**464**	**(9,276)**	**(464)**	**(927)**

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	**1.071**	**1.022**	**0.974**	**0.925**	**0.876**
	US$ 000s				
Cash and cash equivalents	(377)	(188)	3,765	188	377
Customers	(572)	(286)	5,717	286	572
Other accounts receivable	(85)	(43)	854	43	85
	(1,034)	**(517)**	**10,336**	**517**	**1,034**
Bank credit	10,227	5,114	102,273	(5,114)	(10,227)
Suppliers and service providers	404	202	4,037	(202)	(404)
Other payables	362	181	3,619	(181)	(362)
	10,993	**5,497**	**109,929**	**(5,497)**	**(10,993)**
Total exposure, net	**9,959**	**4,980**	**(99,593)**	**(4,980)**	**(9,959)**

Sensitivity to Changes in the US Dollar - Ruble

	Profit (Loss) from changes		Fair value	Profit (Loss) from changes	
% of change	**+10%**	**+5%**	**-**	**-5%**	**-10%**
Exchange rate	**72.464**	**69.170**	**65.876**	**62.582**	**59.289**
	US$ 000s				
Cash and cash equivalents	(466)	(233)	4,663	233	466
Customers	(1,671)	(835)	16,709	835	1,671
Other accounts receivable	(84)	(42)	843	42	84
	(2,221)	**(1,110)**	**22,215**	**1,110**	**2,221**
Suppliers and service providers	71	36	713	(36)	(71)
Other payables	450	225	4,501	(225)	(450)
Other long-term liabilities	3,169	1,585	31,694	(1,585)	(3,169)
	3,690	**1,846**	**36,908**	**(1,846)**	**(3,690)**
Total exposure, net	**1,469**	**736**	**(14,693)**	**(736)**	**(1,469)**

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$ 000s				
Cash and cash equivalents	(1,853)	(926)	18,526	926	1,853
Customers	(3,320)	(1,660)	33,199	1,660	3,320
Other accounts receivable	(473)	(237)	4,731	237	473
	(5,646)	**(2,823)**	**56,456**	**2,823**	**5,646**
Bank credit	250	125	2,501	(125)	(250)
Suppliers and service providers	1,330	665	13,301	(665)	(1,330)
Other payables	1,420	710	14,204	(710)	(1,420)
Other long-term liabilities	1,935	968	19,350	(968)	(1,935)
	4,935	**2,468**	**49,356**	**(2,468)**	**(4,935)**
Total exposure, net	**(711)**	**(356)**	**7,100**	**356**	**711**

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$ 000s				
Short-term loans - CNY	8	4	1,383	(4)	(8)
Total exposure to change in fair value	**8**	**4**	**1,383**	**(4)**	**(8)**

H. SUMMARY OF SENSITIVITY TESTS TABLES

The functional currency of most Group companies is the local currency in their respective countries, and therefore currency translations of monetary balances of these companies have no effect on the 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	**4.315**	**4.119**	**3.923**	**3.727**	**3.531**
	US$ 000				
Total Exposure, net	**149**	**73**	**(1,487)**	**(73)**	**(149)**

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	**0.725**	**0.692**	**0.6596**	**0.626**	**0.593**
	US$ 000				
Total Exposure, net	**8,896**	**4,448**	**(88,957)**	**(4,448)**	**(8,896)**

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	**0.980**	**0.935**	**0.891**	**0.846**	**0.802**
	US$ 000				
Total exposure, net	**927**	**464**	**(9,276)**	**(464)**	**(927)**

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	**1.071**	**1.022**	**0.974**	**0.925**	**0.876**
	US$ 000				
Total exposure, net	**9,959**	**4,980**	**(99,593)**	**(4,980)**	**(9,959)**

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	**72.464**	**69.170**	**65.876**	**62.582**	**59.289**
	US$ 000				
Total exposure, net	**1,469**	**736**	**(14,693)**	**(736)**	**(1,469)**

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	**(711)**	**(356)**	**7,100**	**356**	**711**

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 to change in fair value, net	**8**	**4**	**1,383**	**(4)**	**(8)**

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 2014, published on March 16, 2015 ("**Annual Periodic Report for 2014"**).

Members of the Balance Sheet Committee

The members of the Company's Balance Sheet Committee are as follows: External Director and Committee Chairman Mr. Yacov Elinav, External Director Mr. Isaac Angel, and Director Mr. Gil Leidner. It should be noted that the composition of the Committee is not identical to that of the Audit Committee which in addition to the above-mentioned members also includes External Director Ms. Dafna Sharir. 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 to that effect. 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 determinations made by the Company's Audit Committee of May 19, 2011 and 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 views them as directors with financial and accounting expertise, see regulation 26 in Chapter D of Company's periodic report for 2014.

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 November 15, 2015. The members of the committee were sent the Company's financial statements for September 30, 2015 two business days prior to the

meeting. Participated in the meeting were External Director and Committee Chairman Mr. Yacov Elinav, External Director Mr. Isaac Angel, and Director Mr. Gil Leidner, and also attending the meeting were the Company's independent auditors, Company's President and CEO Mr. Ori Yehudai, Executive Vice President and CFO Mr. Alon Granot, Vice President for Finance Mr. Guy Gill, and Global VP Legal Affairs and Corporate Secretary Ms. Tali Mirsky. At the meeting, presentations were given by the Company and by the auditors. The Committee discussed, inter alia, the estimates and valuations performed in connection with the financial statements, internal control connected with the financial reporting, the completeness and fairness of disclosure in the financial statements, the accounting policy adopted and the accounting treatment implemented with regard to the material matters of the Group and monetary valuations, including the underlying assumptions and estimations on which the data in the financial statements is based. Within the Balance Sheet Committee discussion recommendations to the Board of Directors were formulated in accordance with the Statements Approval Regulations. The Balance Sheet Committee recommendations were delivered to members of 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 members constitutes a reasonable amount of time 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. Also invited to attend the Board meeting at which the Company's financial statements are discussed and presented for approval are the Company's independent auditors and members of the Company's senior management who include Company President and CEO Mr. Ori Yehudai, Executive Vice President and CFO Mr. Alon Granot, Executive Vice President Global Supply Chain and Operations Mr. Amos Anatot, Vice President for Finance Mr. Guy Gill, and Global Vice President of Legal Affairs and Corporate Secretary Ms. Tali Mirsky or another legal counsel on the Company's behalf. The Company's internal auditor, Mr. Yoav Barak, is also invited to the meeting. During the meeting the Board of Directors discusses the Balance Sheet Committee's recommendations regarding the financial statements, and the President and CEO along with the Executive Vice President and CFO present the Group's business and financial results for the relevant period to the Board with comparisons made to previous periods and with emphasis given to special circumstances that arose during the period. During the presentation of the Group's results, members of Company management answer questions and address comments put forth by the Directors. Following the presentation of the Company's financial results, the Company's independent auditors respond to questions from the Directors. In conclusion, the Company's Board of Directors conducts a vote on approving the financial statements. The Board meeting held on November 18, 2015 where the financial statements for September 30, 2015 were approved was attended by all of the Board members and the resolution for approving the statements was adopted unanimously.

Change to the Company's Articles of Association

On April 27, 2015 the General Meeting of the Company approved, *inter alia*, the amending of the Company's Articles of Association such that Section 21 to the Company's Articles of Association was changed so that subsections (a) through (d) would be deleted and in their place would be written: "Written notice about General Shareholders' Meetings will not be sent to shareholders listed in the registry of shareholders unless the Board of Directors resolves otherwise with regards to a specific meeting."

For further information see the Company's bulletins announcing the calling of the meeting, issued March 16, 2015, and announcing the results of the General Meeting, issued April 27, 2015.

Senior Office Holders' Remuneration

On March 15, 2015, following approval by the Board of Directors' Compensation Committee ("the **Compensation Committee**") of March 12, 2015, the Company's Board of Directors approved the bonuses for senior Company officeholders for 2014 which are in accordance with the compensation policy. The bonuses were approved following a detailed discussion held by the Compensation Committee and the Board of Directors with regard to each of the senior officeholders (except for the President and CEO) individually.

In addition, the Board of Directors approved the purchase of Company shares for the purpose of granting such to officeholders and others in the framework of the 2012 Plan. For further details regarding this resolution and the allocation made by virtue of it, see the immediate reports issued by the Company on this matter on March 15, 2015 and on April 26, 2015.

Also, on August 26, 2015 the Company's Board of Directors approved the purchase of Company shares to be granted to officeholders and others in the framework of the 2012 Plan. For further details regarding this resolution and the grant executed by virtue of its power, see the immediate reports issued on this matter by the Company on August 26, 2015, on October 1, 2015 and on October 22, 2015.

DISCLOSURE RELATING TO THE CORPORATE FINANCIAL REPORTING

A. SUBSEQUENT EVENTS- SIGNING OF AGREEMENT FOR THE PURCHASE OF CONTROL OF AMCO

As outlined above, on November 10, 2015 Frutarom signed an agreement through a subsidiary for the purchase of 75% of the share capital of the Polish company AMCO Sp. z o.o. ("AMCO") for approximately US$ 20.7 million (82.25 million PLN). The purchase agreement includes an option to acquire the remaining balance of shares starting two and a half years from the closing date of the transaction at a price based on the company's business performance. The transaction will be financed through bank debt and will be completed within the next few weeks.

AMCO's main activity is the development, production and marketing of unique and innovative savory flavor solutions (the non-sweet spectrum of flavors) that include seasoning blends, marinades, and functional ingredients for the food industry. AMCO sales in the 12-month period ending September 2015 reached approximately USD 19.5 million (approx. 71 million PLN).

For further information on the purchase of control of AMCO, see the Company's immediate report on the subject issued on November 11, 2015.

B. DIVIDEND DISTRIBUTION IN 2004

On March 15, 2015, along with approving the Financial Statements for December 31, 2014, the Company's Board of Directors resolved to approve a distribution of a cash dividend in the amount of NIS 0.38 per share for a total sum of NIS 22,291 thousand (approximately US$ 5,574 thousand). The dividend was paid out on May 4, 2015.

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 estimations presented in the periodic report for 2014.

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 one meeting during the third quarter of 2015.

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

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

November 18, 2015

FRUTAROM INDUSTRIES LTD.

INTERIM FINANCIAL INFORMATION

(Unaudited)

30 September, 2015

FRUTAROM INDUSTRIES LTD.

INTERIM FINANCIAL INFORMATION

(Unaudited)

30 September, 2015

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Review Report 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 September 30, 2015 and the related condensed consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the nine and three-month periods then ended. The Board of Directors and management are responsible for preparation and presentation of the financial information for this reporting period in accordance with IAS 34 – "Interim Financial Reporting"; our responsibility is to express a conclusion of the financial data for this interim period based on our review.

We did not review the condensed interim financial information of certain consolidated companies, whose assets included in consolidation constitute approximately 18.2% of total consolidated assets as of 30 September 2015 and whose revenues included in consolidation constitute approximately 29.3% and 28.7% of total consolidated revenues for the nine and three-month periods ended on that date, respectively. The condensed financial information of these companies was reviewed by other auditors, whose review reports have been furnished to us; and our conclusion, insofar as it relates to the financial information included for these companies, is based on review reports of the other auditors.

Scope of review

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

Conclusion

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

Haifa, Israel
_____ 2015

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

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FRUTAROM INDUSTRIES LTD.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September, 2015

	30 September		31 December
	2015	2014	2014
	(Unaudited)		(Audited)
	U.S. dollars in thousands		
A s s e t s			
CURRENT ASSETS:			
Cash and cash equivalents	75,476	57,029	63,975
Accounts receivable:			
Trade	173,001	146,457	140,429
Other	17,207	14,137	14,551
Prepaid expenses and advances to suppliers	13,923	11,557	8,696
Inventory	210,420	169,618	171,100
	490,027	398,798	398,751
NON-CURRENT ASSETS:			
Property, plant and equipment	230,292	200,984	198,799
Intangible assets	450,495	352,279	339,810
Deferred income tax assets	2,724	3,598	3,042
Other	1,378	44	41
	684,889	556,905	541,692
TOTAL ASSETS	1,174,916	955,703	940,443

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 November 18, 2015.

	30 September		31 December
	2015	2014	2014
	(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	121,903	84,037	67,750
Accounts payable:			
Trade	81,320	54,471	59,771
Other	56,383	55,476	46,378
	259,606	193,984	173,899
NON-CURRENT LIABILITIES:			
Long-term loans, net of current maturities	242,874	138,740	163,696
Retirement benefit obligations, net	31,389	21,571	30,991
Deferred income tax liabilities	38,577	25,765	23,542
Liability for put option for the shareholders of a subsidiaries	50,945	22,208	19,967
Other	9,323	6,734	6,329
	373,108	215,018	244,525
TOTAL LIABILITIES	632,714	409,002	418,424
EQUITY:			
Equity attributable to owners of the parent:			
Ordinary shares	16,892	16,789	16,822
Other capital surplus	109,556	105,477	106,664
Translation differences	(98,792)	(10,441)	(48,159)
Retained earnings	511,818	434,241	445,653
Less - cost of company shares held by the company	(3,222)	(2,891)	(2,587)
	536,252	543,175	518,393
NON-CONTROLLING INTERESTS	5,950	3,526	3,626
TOTAL EQUITY	542,202	546,701	522,019
TOTAL EQUITY AND LIABILITIES	1,174,916	955,703	940,443

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

FRUTAROM INDUSTRIES LTD.

CONDENSED CONSOLIDATED STATEMENT OF INCOME

FOR THE NINE AND THREE-MONTH PERIOD ENDED 30 SEPTEMBER 2015

	9 months ended 30 September		3 months ended 30 September		Year ended 31 December
	2015	2014	2015	2014	2014
	(Unaudited)				(Audited)
	U.S. dollars in thousands				
	(except for income per share data)				
SALES	647,186	617,303	234,475	210,755	819,547
COST OF SALES	396,090	376,306	142,592	129,186	498,995
GROSS PROFIT	251,096	240,997	91,883	81,569	320,552
Selling, marketing, research and development expenses – net	102,683	105,609	36,656	36,268	140,296
General and administrative expenses	46,881	44,855	16,682	14,287	60,516
Other expenses - net	2,144	330	1,571	68	816
INCOME FROM OPERATIONS	99,388	90,203	36,974	30,946	118,924
FINANCIAL EXPENSES - net	9,503	4,515	5,988	782	10,089
INCOME BEFORE TAX ON INCOME	89,885	85,688	30,986	30,164	108,835
INCOME TAX	17,334	17,758	5,957	5,994	21,219
NET INCOME FOR THE PERIOD	72,551	67,930	25,029	24,170	87,616
PROFIT ATTRIBUTED TO:					
OWNERS OF THE PARENT COMPANY	71,939	67,086	24,750	23,883	86,654
NON-CONTROLLING INTERESTS	612	844	279	287	962
TOTAL INCOME	72,551	67,930	25,029	24,170	87,616
EARNINGS PER SHARE:					
Basic	1.23	1.15	0.42	0.41	1.49
Fully diluted	1.21	1.14	0.42	0.41	1.47

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

FRUTAROM INDUSTRIES LTD.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE NINE AND THREE-MONTH PERIOD ENDED 30 SEPTEMBER, 2015

	9 months ended 30 September		3 months ended 30 September		Year ended 31 December
	2015	2014	2015	2014	2014
	(Unaudited)		(Unaudited)		(Audited)
	U.S. dollars in thousands				
INCOME FOR THE PERIOD	72,551	67,930	25,029	24,170	87,616
Other Comprehensive Income:					
Items that will not be reclassified subsequently to profit or loss -					
Remeasurement of net defined benefit Liability	-	-	-	-	(8,156)
ITEMS THAT COULD BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS -					
Translation differences	(50,697)	(37,768)	(17,665)	(34,205)	(75,504)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	21,854	30,162	7,364	(10,035)	3,956
COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Owners of the parent	21,306	29,349	7,189	(10,337)	3,043
Non-controlling interests	548	813	175	302	913
TOTAL INCOME	21,854	30,162	7,364	(10,035)	3,956

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

FRUTAROM INDUSTRIES LTD.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE AND THREE-MONTH PERIODS ENDED 30 SEPTEMBER, 2015

	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 2015 (audited)	16,822	106,664	(48,159)	445,653	(2,587)	518,393	3,626	522,019
CHANGES DURING THE 9 MONTH PERIOD ENDED 30 September, 2015 (unaudited):								
COMPREHENSIVE INCOME:								
Income for the period	-	-	-	71,939	-	71,939	612	72,551
Other comprehensive income for the period	-	-	(50,633)	-	-	(50,633)	(64)	(50,697)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-	-	(50,633)	71,939	-	21,306	548	21,854
Plans for allotment of company shares to employees of subsidiary:								
Acquisition of the Company shares by the Company	-	-	-	-	(1,085)	(1,085)	-	(1,085)
Receipts in respect of allotment of company shares to employees	-	(300)	-	-	450	150	-	150
Allotment of shares and options to senior employees:								
Recognition of compensation related to employee stock and options grants	-	1,171	-	-	-	1,171	-	1,171
Proceeds from issuance of shares to senior employees	70	2,021	-	-	-	2,091	-	2,091
Non-controlling interest arising on business combination	-	-	-	-	-	-	1,834	1,834
Dividend paid to the non-controlling interests in subsidiary	-	-	-	-	-	-	(58)	(58)
Dividend, including erosion	-	-	-	(5,774)	-	(5,774)	-	(5,774)
	70	2,892	-	(5,774)	(635)	(3,447)	1,776	(1,671)
BALANCE AT 30 SEPTEMBER, 2015 (unaudited)	16,892	109,556	(98,792)	511,818	(3,222)	536,252	5,950	542,202

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

FRUTAROM INDUSTRIES LTD.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2015

	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT							
	Ordinary shares	**Other capital Surplus**	**Translation differences**	**Retained earnings**	**Cost of company shares held by the company**	**Total attributed to owners parent company**	**Non-controlling interests**	**Total**
	U.S. dollars in thousands							
BALANCE AT 1 JULY 2015 (unaudited)	16,888	109,149	(81,231)	487,068	(2,613)	529,261	3,941	533,202
CHANGES DURING THE 3 MONTH PERIOD ENDED 30 SEPTEMBER 2015 (unaudited):								
COMPREHENSIVE INCOME:								
Income for the period	-	-	-	24,750	-	24,750	279	25,029
Other comprehensive income for the period	-	-	(17,561)	-	-	(17,561)	(104)	(17,665)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-	-	(17,561)	24,750	-	7,189	175	7,364
Plans for allotment of company shares to employees of subsidiary:								
Acquisition of the Company shares by the Company	-	-	-	-	(729)	(729)	-	(729)
Receipts in respect of allotment of company shares to employees	-	(80)	-	-	120	40	-	40
Allotment of shares and options to senior employees:								
Recognition of compensation related to employee stock and options grants	-	372	-	-	-	372	-	372
Proceeds from issuance of shares to senior employees	4	115	-	-	-	119	-	119
Non-controlling interest arising on business combination	-	-	-	-	-	-	1,834	1,834
	4	407	-	-	(609)	(198)	1,834	1,636
BALANCE AT 30 SEPTEMBER , 2015 (unaudited)	16,892	109,556	(98,792)	511,818	(3,222)	536,252	5,950	542,202

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

FRUTAROM INDUSTRIES LTD.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE AND THREE-MONTH PERIODS ENDED 30 SEPTEMBER, 2015

	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 9 MONTH PERIOD ENDED 30 SEPTEMBER 2014 (unaudited):								
Comprehensive income:								
Income for the period	-	-	-	67,086	-	67,086	844	67,930
Other comprehensive income for the period	-	-	(37,737)	-	-	(37,737)	(31)	(37,768)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-	-	(37,737)	67,086	-	29,349	813	30,162
Plans for allotment of company shares to employees of subsidiary:								
Acquisition of the Company shares by the Company	-	-	-	-	(1,133)	(1,133)	-	(1,133)
Receipts in respect of allotment of company shares to employees	-	(149)	-	-	223	74	-	74
Allotment of shares and options to senior employees:								
Recognition of compensation related to employee stock and options grants	-	1,086	-	-	-	1,086	-	1,086
Proceeds from issuance of shares to senior employees	8	247	-	-	-	255	-	255
Dividend paid to the non-controlling interests in subsidiary	-	-	-	-	-	-	(90)	(90)
Dividend, including erosion	-	-	-	(4,712)	-	(4,712)	-	(4,712)
	8	1,184	-	(4,712)	(910)	(4,430)	(90)	(4,520)
BALANCE AT 30 SEPTEMBER, 2014 (unaudited)	16,789	105,477	(10,441)	434,241	(2,891)	543,175	3,526	546,701

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

FRUTAROM INDUSTRIES LTD.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE AND THREE-MONTH PERIODS ENDED 30 SEPTEMBER, 2015

	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT							
	Ordinary shares	**Other capital Surplus**	**Translation differences**	**Retained earnings**	**Cost of company shares held by the company**	**Total attributed to owners parent company**	**Non-controlling interests**	**Total**
	U.S. dollars in thousands							
BALANCE AT 1 JULY 2014 (unaudited)	16,788	105,153	23,779	410,358	(2,422)	553,656	3,224	556,880
CHANGES DURING THE 3 MONTH PERIOD ENDED 30 SEPTEMBER 2014 (unaudited):								
Comprehensive income:								
Income for the period	-	-	-	23,883	-	23,883	287	24,170
Other comprehensive income for the period	-	-	(34,220)	-	-	(34,220)	15	(34,205)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-	-	(34,220)	23,883	-	(10,337)	302	(10,035)
Plans for allotment of company shares to employees of subsidiary:								
Acquisition of the Company shares by the Company	-	-	-	-	(551)	(551)	-	(551)
Receipts in respect of allotment of company shares to employees	-	(55)	-	-	82	27	-	27
Allotment of shares and options to senior employees:								
Recognition of compensation related to employee stock and options grants	-	366	-	-	-	366	-	366
Proceeds from issuance of shares to senior employees	1	13	-	-	-	14	-	14
	1	324	-	-	(469)	(144)	-	(144)
BALANCE AT 30 SEPTEMBER, 2014 (unaudited)	16,789	105,477	(10,441)	434,241	(2,891)	543,175	3,526	546,701

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

FRUTAROM INDUSTRIES LTD.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE AND THREE-MONTH PERIODS ENDED 30 SEPTEMBER, 2015

	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 (audited)							
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 YEAR ENDED 31 DECEBMBER 2014:								
Comprehensive income:								
Income for the year	-	-	-	86,654	-	86,654	962	87,616
Other comprehensive income	-	-	(75,455)	(8,156)	-	(83,611)	(49)	(83,660)
Total comprehensive income for the year	-	-	(75,455)	78,498	-	3,043	913	3,956
Plans for allotment of company shares to employees of subsidiary:								
Acquisition of the Company shares by the Company	-	-	-	-	(1,131)	(1,131)	-	(1,131)
Receipts in respect of allotment of company shares to employees	-	(350)	-	-	525	175	-	175
Allotment of shares and options to senior employees -								
Recognition of compensation related to employee stock and options grants		1,480	-	-	-	1,480	-	1,480
Proceeds from issuance of shares to senior employees	41	1,241	-	-	-	1,282	-	1,282
Dividend paid to the non-controlling interests in subsidiary	-	-	-	-	-	-	(90)	(90)
Dividend paid	-	-	-	(4,712)	-	(4,712)	-	(4,712)
	41	2,371	-	(4,712)	(606)	(2,906)	(90)	(2,996)
BALANCE AT 31 DECEMBER, 2014	16,822	106,664	(48,159)	445,653	(2,587)	518,393	3,626	522,019

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

FRUTAROM INDUSTRIES LTD.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE NINE AND THREE-MONTH PERIODS ENDED 30 SEPTEMBER, 2015

	9 months ended 30 September		3 months ended 30 September		Year ended 31 December
	2015	2014	2015	2014	2014
	U.S. dollars in thousands				
	(Unaudited)		(Unaudited)		(Audited)
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash generated from operations (See appendix)	78,905	66,394	34,537	29,370	99,201
Income tax received (paid)	(12,140)	(15,844)	(5,110)	(8,298)	(18,358)
Net cash provided by operating activities	66,765	50,550	29,427	21,072	80,843
CASH FLOWS USED IN INVESTING ACTIVITIES:					
Purchase of property, plant and equipment	(16,099)	(15,486)	(4,320)	(4,259)	(21,392)
Purchase of intangibles	(648)	(1,080)	(290)	(347)	(1,197)
Interest received	335	395	8	124	493
Acquisition of subsidiaries - net of cash acquired (note 4)	(129,759)	(11,397)	(15,231)	(515)	(34,723)
Proceeds from sale of property	821	569	(73)	144	800
Net cash used in investing activities	(145,350)	(26,999)	(19,906)	(4,853)	(56,019)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Dividend paid to the non-controlling interests in subsidiary	(300)	(90)	(121)	-	(90)
Receipts from senior employees in respect of allotment of shares	2,091	255	119	14	1,282
Interest paid	(2,788)	(2,902)	(952)	(1,011)	(2,414)
Receipt of long-term bank loans	149,616	-	80,737	-	32,892
Repayment of long-term bank loans	(35,263)	(37,513)	(15,838)	(9,064)	(52,214)
Receipt (repayment) of short-term bank credit and loans	(13,569)	24,971	(60,517)	5,408	14,980
Acquisition of the Company shares by the Company - net of receipts in respect of the shares	(935)	(1,059)	(689)	(524)	(956)
Dividend paid	(5,774)	(4,712)	-	-	(4,712)
Net cash provided (used) by financing activities	93,078	(21,050)	2,739	(5,177)	(11,232)
INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND BANK CREDIT	14,493	2,501	12,260	11,042	13,592
Balance of cash and cash equivalents and bank credit at beginning of period	63,975	57,612	65,268	49,092	57,612
Profits (losses) from exchange differences on cash equivalents and bank credit	(2,992)	(3,084)	(2,052)	(3,105)	(7,229)
BALANCE OF CASH, CASH EQUIVALENTS AND BANK CREDIT AT END OF PERIOD	75,476	57,029	75,476	57,029	63,975

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

FRUTAROM INDUSTRIES LTD.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE NINE AND THREE-MONTH PERIODS ENDED 30 SEPTEMBER, 2015

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

	9 months ended 30 September		3 months ended 30 September		Year ended 31 December
	2015	2014	2015	2014	2014
	(Unaudited)		(Unaudited)		(Audited)
	U.S. dollars in thousands				
INCOME BEFORE TAX	89,885	85,688	30,986	30,164	108,835
ADJUSTMENTS REQUIRED TO REFLECT THE CASH FLOWS FROM OPERATING ACTIVITIES:					
Depreciation and amortization	22,216	23,202	7,830	7,657	30,551
Recognition of compensation related to employee stock and option grants	1,171	1,086	372	366	1,480
Liability for employee rights upon retirement – net	982	222	344	12	586
Loss (gain) from sale and write-off of fixed assets and other assets	(308)	(39)	1	(19)	(147)
Erosion of long term loans	(2,819)	(970)	22	(643)	(1,336)
Erosion of Liability for put option for the shareholders of a subsidiary	12,805	(2,050)	5,612	(1,423)	(4,108)
Interest paid - net	2,453	2,507	944	887	1,921
	36,500	23,958	15,125	6,837	28,947
OPERATING CHANGES IN WORKING CAPITAL:					
Decrease (increase) in accounts receivable:					
Trade	(15,486)	(18,264)	10,371	5,416	(10,937)
Other	(8,922)	(1,306)	(6,090)	504	1,868
Decrease (increase) in other long-term receivables	(405)	76	(45)	28	80
Increase (decrease) in accounts payable:					
Trade	6,724	(861)	355	(2,320)	1,911
Other	(6,641)	2,340	(6,505)	12	(5,922)
Increase (decrease) in other long-term Payables	(594)	(100)	1,507	188	(230)
Decrease (increase) in inventory	(22,156)	(25,137)	(11,167)	(11,459)	(25,351)
	(47,480)	(43,252)	(11,574)	(7,631)	(38,581)
CASH FLOWS FROM OPERATING ACTIVITIES	78,905	66,394	34,537	29,370	99,201

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

FRUTAROM INDUSTRIES LTD.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 SEPTEMBER, 2015

(UNAUDITED)

NOTE 1 - GENERAL:

a. Frutarom Industries Ltd. (hereafter – the Company.) 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. The Company's business in recent years has been affected by seasonal fluctuations which, until the acquisition of the Cyprus Company, Vantodio Holdings Limited, which holds the Russian group Protein Technologies Ingredients ("PTI"), were expressed in weaker sales and profit margins for the first and fourth quarters. Following the acquisition of PTI, where seasonality in its sales over recent years has been expressed in its fourth quarter being its strongest and the first quarter being its weakest in terms of both amount of sales and in profits and margins, Frutarom's overall quarterly revenue profile has changed.

NOTE 2 - BASIS OF PREPARATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS:

a. The interim condensed consolidated financial information of the group as of 30 September 2015 and for the 9 and 3 month periods ended on that date (hereinafter - the interim financial information) was prepared in accordance with International Accounting Standard No. 34 - "Interim Financial Reporting" (hereafter – "IAS 34"). The interim financial information should be read in conjunction with the annual financial statements as of 31 December, 2014 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, 2014.

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 2014 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.

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 2014 financial statements of the group.

NOTE 4 – BUSINESS COMBINATIONS:

a. Acquisition of FoodBlenders

On February 2, 2015 Frutarom signed, through a subsidiary in the United Kingdom, an agreement for the purchase of 100% of the share capital of the UK flavors company FoodBlenders Limited ("FoodBlenders") in exchange for payment of approximately US$ 2.2 million (£ 1.45 million) plus an additional payment contingent on performance which is estimated in the amount of US$ 1.1 million (£ 724,000). The acquisition was completed at the time of signing and was financed from independent sources.

Established in 1998, FoodBlenders develops, manufactures, and markets savory solutions which mainly include spice and seasoning mixes, functional ingredients, marinades and sauces for the food industry, with particular emphasis on the convenience foods segment. In 2014 FoodBlenders posted sales of approximately US$ 3 million (£ 2 million) with profit margins similar to those of Frutarom in the same area of activity. FoodBlenders has a site in England where it develops, manufactures and markets its products which is located in close proximity to Frutarom's Wellingborough site, and it has a wide customer base which includes British food and private label manufacturers.

FoodBlenders' product line and technologies complement the product portfolios and activities of UK-based Savoury Flavours and EAFI which were acquired by Frutarom in 2012 and 2011 respectively and which also specialize in savory flavor solutions. The proximity to the Frutarom site at Wellingborough and the complementary line of products promise to generate synergies between FoodBlenders' activity and Frutarom's expanding savory activity in the UK and throughout the world.

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 has not yet been completed as of the date of approval of these financial statements.

NOTE 4 – BUSINESS COMBINATIONS (continued):

a. Acquisition of FoodBlenders (continued)

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

	Fair value
	U.S. dollars In thousands
Current assets:	
Cash and cash equivalents	54
Trade	450
Inventory	158
Others	47
Non-current assets:	
Property, plant and equipment	106
Intangible assets	3,211
Current liabilities :	
Trade	(309)
Accounts payable	(1,100)
Non-current liabilities:	
Deferred income taxes	(314)
Other	(113)
	2,190

From the date it was consolidated with the financial statements of the Company through September 30, 2015, the acquired operations have yielded revenues of $ 2,125 thousands and net profit of $130 thousands (net of acquisition costs relating to the acquisition).

b. Acquisition of Ingredientes Naturales Seleccionados, S.L

On February 2, 2015 Frutarom signed, through a subsidiary in Spain, an agreement for the purchase of 100% of the share capital of the Spanish company Ingredientes Naturales Seleccionados, S.L ("Ingrenat") in exchange for payment of approximately US$ 4.1 million (€3.6 million) and the assumption of debts amounting to approximately US$ 2.8 million (€ 2.5 million) plus up to an additional $US 1.9 million (€ 1.8 million) which is contingent on Ingrenat's 2015 performance. The acquisition was completed at the time of signing and was funded using bank financing.

Ingrenat specializes in the research and development, production, and sales and marketing of natural extracts from plants which include, among others, paprika rosemary, bixin, alfalfa and more which deliver taste, color, and antioxidant activity solutions for the food industry. Numbering among its customers are food manufacturers and leading flavor, fragrance, and natural color producers. Ingrenat's sales grew 10% in 2014 to approx. US$ 9.8 million (€ 7.4 million).

NOTE 4 – BUSINESS COMBINATIONS (continued):

b. Acquisition of Ingredientes (continued)

Ingrenat has 28 employees, an R&D and sales and marketing center, and a production site in Murcia, Spain with large production capacity and the possibility of extensive expansion, of which Frutarom will look to gain full advantage and achieve significant operational savings.

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 has not yet been completed as of the date of approval of these financial statements.

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

	Fair value
	U.S. dollars
	In thousands
Current assets:	
Cash and cash equivalents	94
Trade	1,218
Inventory	1,962
Others	608
Non-current assets:	
Property, plant and equipment	1,847
Others	293
Intangible assets	4,989
Current liabilities :	
Trade	(747)
Accounts payable	(1,009)
Bank credit and loans	(2,841)
Non-current liabilities:	
Deferred income taxes	(453)
Other	(1,856)
	4,105

From the date it was consolidated with the financial statements of the Company through September 30, 2015, the acquired operations have yielded revenues of $ 6,385 thousands and net profit of $56 thousands (net of acquisition costs relating to the acquisition of $ 82 thousands).

NOTE 4 – BUSINESS COMBINATIONS (continued):

c. Acquisition of Taiga

On March 16, 2015 Frutarom signed, through a Belgian subsidiary, an agreement for the purchase of 100% of the share capital of the Belgian company Taiga International NV ("Taiga"), in exchange for payment of approximately US$ 2.9 million. The transaction was completed upon signing and was independently financed.

Taiga, which was established in 1992, engages in the development, production and marketing of flavors for the food, beverages and tobacco industries, including to leading manufacturers of chocolates. The company has 14 employees and serves a broad customer base extending from Europe to North America from its site in Belgium which is home to all its production, research and development, and marketing activities. In 2014 Taiga's sales turnover amounted to US $4.9 million.

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 has not yet been completed as of the date of approval of these financial statements.

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

	Fair value
	U.S. dollars In thousands
Current assets:	
Cash and cash equivalents	192
Trade	387
Inventory	475
Others	65
Non-current assets:	
Property, plant and equipment	56
Intangible assets	3,246
Current liabilities :	
Trade	(120)
Accounts payable	(245)
Deferred income taxes	(1,104)
	2,952

From the date it was consolidated with the financial statements of the Company through September 30, 2015, the acquired operations have yielded revenues of $ 2,387 thousands and net profit of $312 thousands (net of acquisition costs relating to the acquisition).

NOTE 4 – BUSINESS COMBINATIONS (continued):

d. Acquisition of Vitiva

On February 4, 2015 Frutarom signed, through a subsidiary in Slovenia, an agreement for the purchase of 92% of the share capital of the Slovenian company Vitiva ("Vitiva"), giving it the right to acquire 100% of Vitiva's share capital, in exchange for a cash payment of approximately US$5.2 million and the assumption of debts amounting US$ 3.4 million (€ 3 million). On April 23, 2015 Frutarom completed the purchase of Vitiva's remaining shares and from this date holds Vitiva's entire share capital.

Vitiva specializes in the research and development, production, marketing and sales of specialty natural extracts from plants exhibiting antioxidant activity or scientifically proven health attributes backed up by clinical studies and of natural colors for customers in the food, pharmaceutical, nutraceutical, and cosmetics markets. Vitiva's revenues have grown from US$8.7 million in 2013 to approximately US$11 million for the 12-month period ending November 2014 (27% increase). Its activity will be integrated within the framework of Frutarom's specialty fine ingredients division.

Vitiva has an R&D, marketing and sales center and a modern, efficient production site in Slovenia with large output capacity along with the possibility for significant expansion. Vitiva has 61 employees.

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 has not yet been completed as of the date of approval of these financial statements.

NOTE 4 – BUSINESS COMBINATIONS (continued):

d. Acquisition of Vitiva (continued)

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

	Fair value
	U.S. dollars In thousands
Current assets:	
Cash and cash equivalents	82
Trade	1,569
Inventory	1,837
Others	255
Non-current assets:	
Property, plant and equipment	6,399
Intangible assets	2,356
Current liabilities :	
Trade	(2,134)
Accounts payable	(944)
Non-current liabilities:	
Loans	(3,400)
Deferred income taxes	(382)
Other	(419)
	5,219

From the date it was consolidated with the financial statements of the Company through September 30, 2015, the acquired operations have yielded revenues of $ 6,587 thousands and net profit of
$ 560 thousands (net of acquisition costs relating to the acquisition).

e. Acquisition of Sonarom

On May 14, 2015, Frutarom completed, through a subsidiary in the United Kingdom, the acquisition of 60% of the share capital of the Indian flavor and fragrances company Sonarome Private Ltd (Sonarome) for US$17.7 million in cash. The transaction was completed upon signing date and was funded using bank financing.

The acquisition agreement offers a mutual option for Frutarom to purchase Sonarom's remaining 40% of shares starting from the end of the second year and until the end of the seventh year, on the basis of the business performances achieved over the two years preceding exercise and other performance factors. As of acquisition date the price of the option is estimated in the amount of $18,215 thousands and is presented as a non-current liability. Considering the fact that terms of the option are identical for all parties of the transaction, the group recorded the acquisition of full control (100%) in Sonarom including recording the entire liability amount arising from exercise of the option in its discounted value.

NOTE 4 – BUSINESS COMBINATIONS (continued):

e. Acquisition of Sonarom (continued)

Sonarom was founded in 1981 and is engaged in the development, production and marketing of flavors and fragrances. Sonarome sales turnover amounted approximately US$12 million in 2014. Sonarome has a production, research and development site in Bangalore, India, which has additional production capacity. In addition to the activity in India, Sonarome has an extensive operation in about 20 markets in Africa, which also constitute important emerging markets in Frutarom growth strategy.

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 has not yet been completed as of the date of approval of these financial statements.

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

	Fair value
	U.S. dollars
	In thousands
Current assets:	
Cash and cash equivalents	391
Trade	2,868
Inventory	1,958
Others	855
Non-current assets:	
Property, plant and equipment	3,890
Intangible assets	29,360
Current liabilities :	
Short term loan and current maturities	(789)
Trade	(692)
Accounts payable	(519)
Non-current liabilities:	
Liability for put option for the shareholders of a subsidiary	(18,215)
Loans	(18)
Deferred income taxes	(1,322)
Other	(99)
	17,668

From the date it was consolidated with the financial statements of the Company through September 30, 2015, the acquired operations have yielded revenues of $ 5,613 thousands and net profit of $ 1,258 thousands (net of acquisition costs relating to the acquisition).

NOTE 4 – BUSINESS COMBINATIONS (continued):

f. Acquisition of Investissements BSA Inc.

On June 1, 2015, Frutarom, through a Canadian subsidiary, completed the acquisition of 95% of the share capital of Investissements BSA Inc. ("BSA") for CA$45 million in cash (approximately US$36 million). The transaction was completed upon signing date and was funded using bank financing.

The acquisition agreement offers a mutual option for Frutarom to purchase BSA's remaining 5% of shares starting from the end of the second year, on the basis of the business performances achieved over the two years preceding exercise and other performance factors. As of acquisition date the price of the option is estimated in the amount of $ 2,213 thousands and is presented as a non-current liability. Considering the fact that terms of the option are identical for all parties of the transaction, the group recorded the acquisition of full control (100%) in BSA including recording the entire liability amount arising from exercise of the option in its discounted value.

BSA was founded in 1989 and has a large production site in Montreal with 140 employees. The main activity of BSA is the development, production and marketing of unique and innovative savory flavor solution, including mixes and functional ingredients for the food industry, with special focus on processed meat products and comfort food. In 2014 (12 months ended August 2014) BSA sales turnover amounted approximately CA$37 million (approximately US$34 million).

In addition to its activity in North America, in recent years BSA has developed activity in India, in which it has 90% share interest and additional 10% are being held by a local partner that also manages the operation. The Indian company has a local production site and is providing savory flavor solutions to customers in the Indian market.

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 has not yet been completed as of the date of approval of these financial statements.

NOTE 4 – BUSINESS COMBINATIONS (continued):

f. Acquisition of Investissements BSA Inc. (continued)

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

	Fair value
	U.S. dollars In thousands
Current assets:	
Cash and cash equivalents	692
Trade	3,353
Inventory	5,653
Others	1,186
Non-current assets:	
Property, plant and equipment	7,652
Intangible assets	26,414
Current liabilities :	
Short term loan and current maturities	(185)
Trade	(1,535)
Accounts payable	(1,299)
Non-current liabilities:	
Deferred income taxes	(3,661)
Other	(2,213)
	36,056

From the date it was consolidated with the financial statements of the Company through September 30, 2015, the acquired operations have yielded revenues of $ 11,690 thousands and net profit of $ 364 thousands (net of acquisition costs relating to the acquisition).

g. Acquisition of Taura

On June 18, 2015, Frutarom, through a subsidiary in the United Kingdom, completed the acquisition of 100% of the share capital of Taura Natural Ingredients Holding Pty Ltd. ("Taura"), an Australian company, for $44 million in cash and assumption of debts amounting $26.5 million. The acquisition agreement includes an additional US$3.5 million payment (approximately €3 million) that is conditioned on meeting an EBITDA target for the 12 months ending June 30, 2016. The transaction was completed upon signing date and was funded using bank financing.

NOTE 4 – BUSINESS COMBINATIONS (continued):

g. Acquisition of Taura (continued)

Taura was founded in 1973 as part of a New Zealand agricultural cooperative. Taura has production sites in New Zealand and Belgium and sales offices in the US and UK with a total of 130 employees. Its main activity is in the development, production and marketing of innovative solutions combining flavors and fruits using unique technology that allows adding natural fruit to many food products, and especially health snacks, cereal, sweets, comfort food and pastry, resulting in higher fruit concentration in the product, improving and enhancing flavor and extending shelf life of the product while using natural materials and flavors only. Taura sales turnover amounted approximately US$40 million in the 12 months ended March 31, 2015. Taura has a broad customer base, which includes global and local food and beverage manufacturers in the US, Asia Pacific and Europe.

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 has not yet been completed as of the date of approval of these financial statements.

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

	Fair value
	U.S. dollars
	In thousands
Current assets:	
Cash and cash equivalents	5,544
Trade	6,274
Inventory	6,862
Others	1,087
Non-current assets:	
Property, plant and equipment	9,177
Intangible assets	56,181
Current liabilities :	
Short term loan and current maturities	(866)
Trade	(2,909)
Accounts payable	(2,828)
Non-current liabilities:	
Loans	(26,553)
Deferred income taxes	(4,811)
Other	(3,278)
	43,880

From the date it was consolidated with the financial statements of the Company through September 30, 2015, the acquired operations have yielded revenues of $ 13,988 thousands and net profit of $ 1,260 thousands (net of acquisition costs relating to the acquisition).

NOTE 4 – BUSINESS COMBINATIONS (continued):

h. Acquisition of F&J

On June 29, 2015, Frutarom through a US subsidiary, completed the acquisition of 100% of the share capital of the US flavors company Crestmont Investment Co., which holds the entire share capital of The Foote & Jenks Corporation as well as the acquisition of 100% of the share capital of the US flavors company Eden Essentials Inc. (hereinafter all three companies are called: "F&J") for US$4 million. The transaction was completed upon signing date and was funded using bank financing.

F&J is engaged in development, production and marketing of flavor extract for the pharmaceutical, food and beverage industries. F&J has 10 employees and a production, research and development site in New Jersey as well as a broad customer base in North America. F&J sales turnover amounted approximately US$2.9 million in 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 has not yet been completed as of the date of approval of these financial statements.

Set forth below are the assets and liabilities of F&J at date of acquisition:

	Fair value
	U.S. dollars In thousands
Current assets:	
Trade	368
Inventory	666
Others	49
Non-current assets:	
Property, plant and equipment	107
Intangible assets	3,508
Current liabilities :	
Short term loan and current maturities	(5)
Trade	(34)
Accounts payable	(44)
Non-current liabilities:	
Deferred income taxes	(615)
	4,000

From the date it was consolidated with the financial statements of the Company through September 30, 2015, the acquired operations have yielded revenues of $ 885 thousands and net profit of $ 345 thousands (net of acquisition costs relating to the acquisition).

NOTE 4 – BUSINESS COMBINATIONS (continued):

i. Acquisition of Scandia operations

On July 28, 2015 Frutarom has entered into an agreement for the acquisition of the business operations and assets of Scandia Citrus LLC (hereafter – "Scandia") – a company based in Florida USA - in consideration for a cash payment of $6 million. The transaction was completed on the date of signing the said agreement and was financed through bank credit.

Scandia Citrus specializes in R&D, manufacture, sale and marketing of specialty citrus solutions for leading global clients in the flavor, food and beverages markets. The operations of Scandia are, to a large extent, synergetic with the operations of CitraSource, which was acquired by Frutarom last year. In 2014, Scandia's sales amounted to approximately US $8 million. Scandia's operation was merged into the CitraSource operation in the USA.

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 has not yet been completed as of the date of approval of these financial statements.

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

	Fair value
	U.S. dollars
	In thousands
Current assets:	
Inventory	3,001
Non-current assets:	
Property, plant and equipment	1,000
Intangible assets	2,015
	6,016

j. Acquisition of Nutrafur

On September 3, 2015 Frutarom signed an agreement for the acquisition of 79% of the share capital of the Spanish company Nutrafur S.A. (hereafter - "Nutrafur") for $8.8 million (approximately €7.9 million). The transaction was completed on the date of signing the agreement and was financed through bank credit.

Nutrafur specializes in the research and development, manufacture, sale and marketing of specialty natural plant extracts bearing antioxidant properties or scientifically proven health qualities, which are supported by clinical studies. Nutrafur's products are sold to the food, pharma, nutraceutical and cosmetics industries. In the 12-month period ending June 2015 Nutrafur's sales amounted to approximately US$ 13 million.

NOTE 4 – BUSINESS COMBINATIONS (continued):

j. Acquisition of Nutrafur (continued)

Nutrafur has an R&D and sales center and an efficient manufacturing site in Murcia, Spain with large production capacity. This site can be significantly extended. Nutrafur has 67 employees.

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 has not yet been completed as of the date of approval of these financial statements.

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

	Fair value
	U.S. dollars In thousands
Current assets:	
Cash and cash equivalents	114
Trade	2,220
Inventory	4,442
Others	539
Non-current assets:	
Property, plant and equipment	6,352
Intangible assets	2,588
Current liabilities :	
Short term loan and current maturities	(1,271)
Trade	(1,353)
Accounts payable	(1,413)
Non-current liabilities:	
Loans	(1,648)
Other non-current	(210)
Non-controlling interests	(1,834)
Deferred income taxes	(190)
	8,336

From the date it was consolidated with the financial statements of the Company through September 30, 2015, the acquired operations have yielded revenues of $ 778 thousands and net profit of $ 90 thousands (net of acquisition costs relating to the acquisition).

k. In Pro-Forma terms (had the acquisitions made in 2014 been consolidated since January 1, 2014 and the acquisitions made in 2015, as describe in 4a. to 4h. above, been completed on the parallel period in 2014), based on the unaudited information provided by owners of the acquiree based on the pre-acquisition accounting activity, the revenue of the Group for the nine months ended September 30, 2014 would have been $712.1 million.

NOTE 5 – DIVIDEND:

On March 15, 2015, the Company's Board of Directors declared the distribution of a dividend of NIS 0.38 per share. On 4 May, 2015, a dividend of $ 5,774 thousands was paid to the shareholders.

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				
9 months ended 30 September 2015 (unaudited):					
Revenues	450,598	136,661	63,488	(3,561)	647,186
Segment results	82,656	15,060	1,982	(310)	99,388
9 months ended 30 September 2014 (unaudited):					
Revenues	442,019	124,365	56,506	(5,587)	617,303
Segment results	71,932	16,786	1,482	3	90,203
3 months ended 30 September 2015 (unaudited):					
Revenues	165,382	48,334	21,798	(1,039)	234,475
Segment results	31,061	5,500	412	1	36,974
3 months ended 30 September 2014 (unaudited):					
Revenues	151,143	40,833	20,094	(1,315)	210,755
Segment results	24,624	5,844	434	44	30,946
Year ended 31 December 2014 (audited):					
Revenues	589,763	158,375	78,520	(7,111)	819,547
Segment results	97,205	19,490	2,679	(450)	118,924

NOTE 6 – SEGMENT REPORTING (continue):

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

	9 months ended 30 September		3 months ended 30 September		Year ended December 31,
	2015	2014	2015	2014	2014
	U.S. dollars in thousands				
	(Unaudited)		(Unaudited)		(Audited)
Reported segment income	99,388	90,203	36,974	30,946	118,924
Financing expenses (income)	9,503	4,515	5,988	782	10,089
Profit before taxes on income	89,885	85,688	30,986	30,164	108,835

NOTE 7 - SUBSEQUENT EVENTS

On November 10, 2015, Frutarom through a subsidiary, signed an agreement for the acquisition of 75% of the share capital of the Polish company AMCO SP. Z O.O ("Amco") for approximately US$20.7 million. The acquisition agreement offers an option for Frutarom to purchase the remaining shares starting from two and a half years from the acquisition date, for a price conditioned on the business performances achieved by Amco. The transaction will be funded using bank financing.

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

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. Sharon Ganot, 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 Quarterly Report Regarding Effectiveness of Internal Audit on Financial Reporting and on Disclosure attached to the Quarterly Report ending on June 30, 2015 (hereinafter: the "**Last Quarterly 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 June 30, 2015, is effective.

Up until 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 Quarterly 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 Quarterly 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.

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 third quarter of 2015 (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 date of the last Quarterly Report (the report for the period ended June 30, 2015) and the date 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: November 18, 2015

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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 third quarter of 2015 (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 date of the last Quarterly Report (the report for the period ended June 30, 2015) and the date of this report, 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: November 18, 2015

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Alon Granot
Executive Vice President and CFO