FRUTAROM INDUSTRIES LTD.
DIRECTORS' REPORT OF THE COMPANY'S STATE OF AFFAIRS
FOR THE PERIOD ENDING MARCH 31, 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, pharmaceuticals/nutraceuticals, cosmetics and personal care products. Frutarom operates production facilities in Europe, North America, Latin America, Israel, Asia and Africa, marketing and selling over 31,000 products to more than 18,000 customers in more than 150 countries and employing some 3,100 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 in 2014 accounted for 80% of the Company's core activity and 72% 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 pharmaceutical/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 niche products which give Frutarom 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 focused 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 accounted for 18% of Frutarom's overall sales in 2014.

- **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 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. In 2014 sales from this activity accounted for 10% of total Frutarom 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 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 Frutarom's unique abilities to combine taste, texture, and ingredients with added health attributes give the Company 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 provide it with 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.

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

- **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) also contribute towards Frutarom's accelerated growth and raising its market share and sales in emerging markets and the United States. These acquisitions are joined by two more acquisitions reported by Frutarom in recent days: Sonarome in India, with activity also in Africa; and BSA in Canada with activity also in India. Frutarom will continue developing and expanding its activity in emerging markets and the US through, among other things, focused reinforcement of its R&D, production, marketing and sales platforms in key target countries and the continued execution of strategic acquisitions.

Frutarom continues and will continue to expand its activity also in Western European markets, leveraging its extensive product portfolio and continuing to capitalize on cross-selling opportunities.

- **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 eight strategic acquisitions in 2011 and 2012 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, acquiring in 2013 JannDeRee in South Africa, PTI in Russia, Aroma in Guatemala and Hagelin in the US. At the beginning of 2014 Frutarom acquired CitraSource in the US and in October 2014 the flavors and natural colors division of Montana S.A. of Peru with operations in Peru, Chile, and other countries in the region. The integration of these six acquisitions is moving forward successfully and according to plan, capitalizing to the fullest on the cross-selling opportunities and operational, marketing, and technological synergies they contribute. In addition, during the first few months of 2015 Frutarom acquired four more companies: Vitiva in Slovenia, FoodBlenders in the UK, Ingrenat in Spain and Taiga in Belgium; and is working towards successfully integrating them and fully tapping the strong potential they bring. In recent days (following the date of the report on the financial position) Frutarom reported on the acquisition of the Indian company Sonarome, which is also active in Africa, and on the signing of an agreement for the purchase of the Canadian company BSA, which also has activity in India.

- **<u>Acquisition of Vitiva</u>** – 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 US$ 10.0 million.

  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 26%). Its activity is being integrated into Frutarom's Specialty Fine Ingredients division.

  Vitiva has many years of experience and excellent capabilities in extracting active elements from plants (particularly rosemary, olive and citrus, among others) which will help Frutarom expand its portfolio of natural products for the food industry as well as in the fields of health and cosmetics. In addition, Vitiva has R&D capabilities and knowledge base derived from longstanding research enabling it to continue to expand its current product portfolio and enter into other fields such as pet food and livestock feed preservation. Combining these abilities with Frutarom's capabilities in the field of antioxidants, particularly in the area of food protection and the lengthening of shelf life based on natural substances (Food Protection by Natural Solutions), will further strengthen Frutarom's position as a leading player in R&D, production, and sales for these types of solutions. The natural food colors activity adds to the natural food colors activity of Montana Food and Ingrenat, advancing the implementation of Frutarom's strategy for penetrating this burgeoning field with the intention of continuing to invest in a major expansion of its global activity in this growing area.

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.

- **<u>Acquisition of FoodBlenders</u>** – On February 2, 2015 Frutarom purchased 100% of the shares of UK-based FoodBlenders Limited ("**FoodBlenders**") for a cash payment of approx. US$ 2.2 million plus, conditional on performance, an additional payment expected to stand at about US$ 1.1 million.

  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. FoodBlenders develops, manufactures and markets its products at a site in England not far from the Frutarom site at Wellingborough, and 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 Frutarom's site in the UK and the complementary line of products promote the creation of synergies between FoodBlenders' activity and Frutarom's expanding savory activity in the UK and throughout the world, synergies that Frutarom is working towards capitalizing on.
  For further information on the acquisition of FoodBlenders, see the Company's immediate report issued on February 3, 2015.

- **<u>Acquisition of Ingredientes Naturales Seleccionados S.L.</u>** – On February 2, 2015 Frutarom purchased 100% of the share capital of the Spanish company Ingredientes Naturales Seleccionados S.L. ("**Ingrenat**") in exchange for approx. US$ 6.9 million plus an additional amount of approximately US$ 1.1 million depending on Ingrenat's performance in 2015.

  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's operations are being integrated into the activities of Frutarom's Specialty Fine Ingredients division.

  The acquisition of Ingrenat is a continuation of the implementation of Frutarom's strategy of deepening and expanding its activity in the growing field of natural food colors and antioxidants, and it will continue investing

towards substantially expanding its global activity in this important and growing area. The natural food colors activity joins the natural colors activity of Montana Food and Vitiva. Ingrenat's activity in antioxidants based on natural substances, particularly in the field of food protection and extension of shelf life, further reinforces Frutarom's line of solutions in this area that also gained a substantial boost with the acquisition of Vitiva which has activity in this growing field as well.
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 purchased 100% of the shares of the Belgian company Taiga International through a Belgian subsidiary in exchange for payment of approximately US$ 2.9 million.

  Taiga, which was established in 1992, engages in the development, production and marketing of flavor extracts for the food industry. The company has a site in Belgium which is home to its production, research and development and marketing activities, and has a broad customer base in North America and Europe. In 2014 Taiga's sales turnover amounted to US$4.9 million.

  Frutarom is working towards exploiting the considerable synergies between Taiga's activity and Frutarom's flavors activity in Europe and the US while optimizing the production sites, capitalizing to the fullest on the cross-selling possibilities presented by the acquisition, and expanding the product line sold to its existing customer base.
  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 purchased 60% of the share capital of the Indian flavors and fragrances company Sonarome Private Ltd. ("**Sonarome**") in exchange for approximately US$ 17.2 million (reflecting an enterprise value of US$ 28.6 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 conditional 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 have grown at a double-digit annual rate in recent years, reaching approximately US$ 12 million in 2014. Sonarome's manufacturing, marketing, and research and development site is based in Bangalore, India and has additional production capacity. In addition to its activities in India, Sonarome has extensive activity in about 20 African markets, mainly in Nigeria, South Africa, Ethiopia, Kenya and Mozambique, which also constitute key growing target markets in Frutarom's growth strategy. Sonarome has a broad customer base that includes global and local food and beverages manufacturers.

The company's founders will continue in their roles with the company as management and shareholders.

In Frutarom's estimation, the acquisition of Sonarome constitutes another important step towards attaining its goal of expanding its activity in the emerging high-growth markets of India and Africa, both through internal growth and by means of acquisitions. Combined with Sonarome's activity, Frutarom will continue to develop and deepen its presence in the important markets of India and Africa, capitalize on Sonarome's R&D and sales and marketing platform and integrate it with Frutarom's global R&D and sales and marketing infrastructure in order to leverage and realize the many cross-selling opportunities arising from this acquisition. In Addition, Frutarom intends leverage Sonarome's production and supply chain capabilities to accelerate its growth in India. Frutarom believes the acquisition will provide it with the advantages of a global manufacturer having a local R&D and production platform in cutting delivery time and improving service to customers in the region, and will contribute towards accelerating the momentum of expanding activity in the growing markets of Africa where Frutarom began independent operations four years ago, which also gained a boost with the acquisition of JanDeRee in South Africa about two years ago. In addition to its flavors activity, Sonarome maintains a growing platform of activity in the field of fragrances, mainly in India and the emerging markets of Africa, and Frutarom will work towards utilizing this platform for penetrating additional emerging markets.
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 C$ 42.75 million (approximately US$ 35.6 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 conditional on the BSA's business performance. The transaction is being financed through bank credit and is to be completed within the following weeks.

  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. BSA sales in 2014 (for the 12 months ending August 2014) reached approximately C$ 37 million (approximately US$ 34 million).

In addition to its North American operations, in recent years BSA has begun a venture in India in which it holds a 90% stake, with 10% owned by a local partner who manages its activity. The company in India has local production facilities and supplies customers in the Indian market with savory flavor solutions, and also assists the group in procuring raw materials in source countries. BSA's activity in India will contribute towards strengthening and securing Frutarom's position in the growing Indian market alongside the growing activity of the Indian company Sonarome whose acquisition was announced by Frutarom on May 14, 2015 as outlined above.

The company's founder and the four partners currently running BSA will continue in their management roles with the company, with several of them as shareholders as well.
For further information on the acquisition of BSA, see the Company's immediate report issued on May 17, 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 eight acquisitions made in 2011 and 2012 has been successfully completed, and according to plan have 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. Integration of the six acquisitions made in 2013 and 2014 has also been performed successfully, and the acquisitions are contributing and will keep contributing to Frutarom's continued growth in sales and profits this year and for years to come. The successful integration of the six acquisitions performed since the beginning of 2015 (Vitiva, Ingrenat, FoodBlenders, Taiga, Sonarome and BSA) 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 to strengthening its competitive position and improving its profits and margins over the coming years.

Frutarom's sturdy capital structure (total assets of US$ 947.7 million and equity of US$ 497.5 million as of March 31, 2015 constituting 52.5% of total assets), net debt (total loans minus cash) of US$ 174.9 million as of March 31, 2015, supported by the 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

The Group's total assets as of March 31, 2015 totaled US$ 947.7 million, compared with US$ 989.1 million as of March 31, 2014 and US$ 940.4 million as of December 31, 2014.

The Group's current assets as of March 31, 2015 totaled US$ 409.7 million, compared with US$ 391.2 million as of March 31, 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 March 31, 2015 totaled US$ 534.8 million, compared with US$ 594.3 million as of March 31, 2014 and US$ 538.6 million as of December 31, 2014.

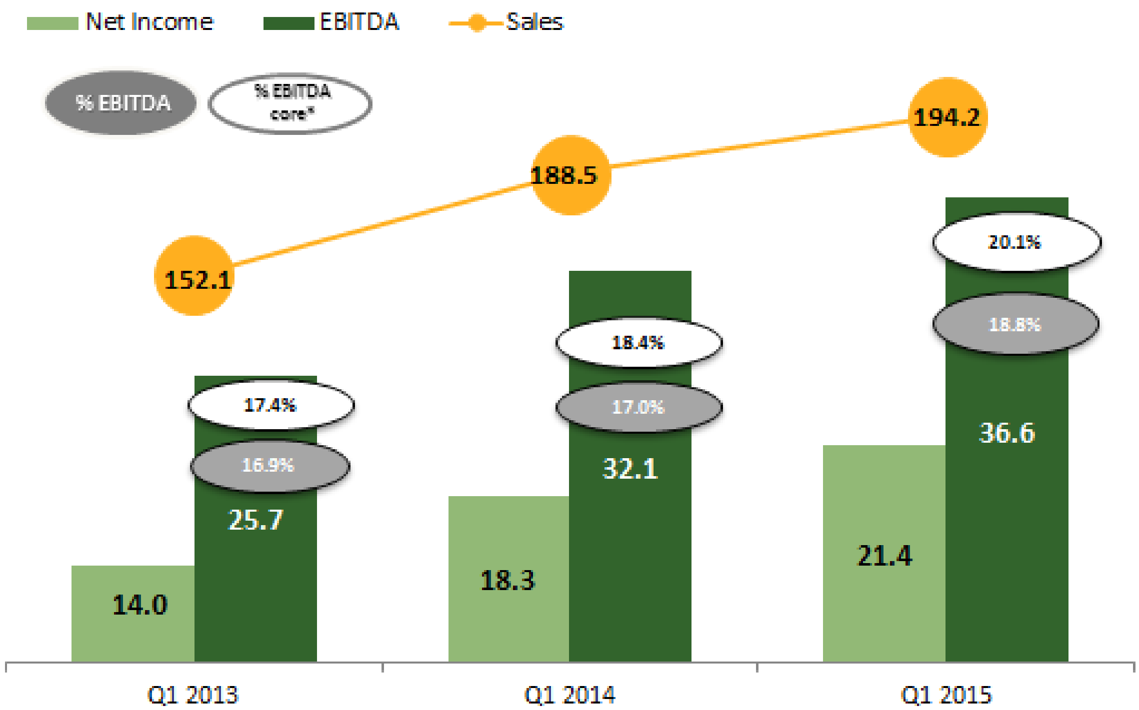
Currency effects

The trend of the US dollar considerably strengthening against most other global currencies intensified even further during the first quarter of 2015.

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) and therefore changes in exchange rates affect Frutarom's results as reported in US dollars. However, exposure to currency fluctuations is reduced by the fact that Frutarom’s raw materials purchases and operational expenditures in various countries in which it operates are also paid for in most cases in the various respective currencies so that most of the effect applies to the translation of sales revenues and profits into dollar terms (and not to the profitability of its various activities and/or the group's profitability).

Currency effects were also a factor in the decline in total assets at stated below.

C. RESULTS OF OPERATIONS FOR FIRST QUARTER 2015



* Core Business includes Flavor and Fine Ingredients activities

The first quarter of 2015 was another record-setting quarter for sales, which reached US$ 194.2 million, as well as for gross profit, operating profit and margin, EBITDA and the EBITDA margin, net income and earnings per share.

The trend of improvement in profits and margins of the core businesses, including the Flavors and the Specialty Fine Ingredients activities, continues. The EBITDA margin rose to a first quarter record of 20.1% compared with 18.4% in Q1 2014.

Net income climbed 17.1% in the first quarter of 2015 to reach US$ 21.4 million, compared with US$ 18.3 million in the first quarter of 2014.

Earnings per share rose 17.6% in the first quarter to US$ 0.37 compared with US$ 0.31 for Q1 2014.

Sales

Frutarom sales reached a first quarter record high of US$ 194.2 million reflecting year-over-year currency-neutral pro-forma growth[1] of 7.8%. Substantial changes to the exchange rates of currencies in which the Company operates as against the US dollar lowered sales growth 13.5% in comparison with Q1 2014 (US$ 27.7 million) such that Frutarom sales as reported in US dollar terms grew in the first quarter by 3.0%.

Growth in sales from Flavors activity in Q1 2015 on a currency-neutral pro-forma basis reached 8.1% against those of the previous year. Currency effects lowered year-over-year growth 14.0%.

Frutarom sales from Flavors activity in Q1 2015 as reported in US dollar terms totaled US$ 133.4 million as opposed to US$ 134.2 million in Q1 2014.

Growth in sales from Specialty Fine Ingredients activity in Q1 2015 on a currency-neutral pro-forma basis reached 3.8% against those of Q1 2014. Currency effects lowered year-over-year growth 7%.

Frutarom sales from Specialty Fine Ingredients activity in Q1 2015 as reported in US dollar terms rose 5.5% to reach US$ 43.2 million as opposed to US$ 41.0 million in Q1 2014.

Frutarom sales from its Trade and Marketing activities in Q1 2015 on a currency-neutral pro-forma basis increased 6.4% from Q12014. Sales from Trade and Marketing as reported in US dollar terms rose 18.6% to reach US$ 18.6 million as opposed to US$ 15.7 million in Q1 2014.

[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**").

Q1 Sales Breakdown by Activity 2005 - 2015 (US$ millions and %)

		Q1 2005	Q1 2006	Q1 2007	Q1 2008	Q1 2009	Q1 2010	Q1 2011	Q1 2012	Q1 2013	Q1 2014	Q1 2015
Flavor Activity	**Sales**	40.3	44.7	49.9	84.4	67.4	75.4	80.2	109.0	110.6	134.2	133.4
	%	62.3%	63.0%	62.0%	69.2%	68.5%	66.5%	66.3%	72.1%	72.7%	71.2%	68.7%
Fine Ingredient Activity	**Sales**	23.4	25.5	29.1	35.3	29.6	37.6	39.1	37.5	37.5	41.0	43.2
	%	36.2%	35.9%	36.2%	28.9%	30.1%	33.1%	32.3%	24.8%	24.7%	21.7%	22.3%
Inter-company sales	**Sales**	-0.8	-0.6	-1.1	-1.3	-0.7	-0.8	-0.7	-0.6	-1.2	-2.3	-1.0
	%	-1.2%	-0.9%	-1.4%	-1.1%	-0.8%	-0.7%	-0.6%	-0.4%	-0.8%	-1.2%	-0.5%
Total Core Activity	**Sales**	**62.9**	**69.6**	**77.9**	**118.4**	**96.3**	**112.2**	**118.6**	**145.9**	**146.9**	**172.9**	**175.6**
	%	**97.3%**	**98.0%**	**96.8%**	**97.0%**	**97.8%**	**98.9%**	**98.0%**	**96.4%**	**96.5%**	**91.7%**	**90.4%**
Trade & Marketing	**Sales**	1.8	1.4	2.6	3.6	2.2	1.2	2.4	5.4	5.3	15.7	18.6
	%	2.8%	2.0%	3.2%	3.0%	2.2%	1.1%	2.0%	3.6%	3.5%	8.3%	9.6%
Total Sales		64.7	71.0	80.5	122.0	98.4	113.5	121.0	151.2	152.2	188.5	194.2

Following is a summary of the income statements for Q1 2014 and Q1 2015 (in US$ thousands):

In Q1 2015 Frutarom achieved first quarter record highs in sales, gross profit, operating profit and margin, EBITDA and EBITDA margin, net income and margin, and in earnings per share.

Gross Profit

Gross profit from all Frutarom activity on a currency-neutral basis[2] rose 17.3%. Without adjusting for currency effects, gross profit from all Frutarom activity grew by 2.2% to US$ 75.1 million (38.7% of total sales) in Q1 2015, compared with US$ 73.5 million (39.0% of total sales) in Q1 2014.

Gross profit from Frutarom's core businesses (Flavors and Specialty Fine Ingredients) for the quarter grew by 13.5% on a currency-neutral basis and amounted to US$ 70.6 million. Gross margin from Frutarom's core business this quarter was 40.2% compared with 40.9% in Q1 2014.

The Company continues working towards optimizing its resources, both following its latest acquisitions as well as with the creation of significant operational savings and the strengthening of its competitive position.

[2] Assuming the Company's Profit & Loss Statements for the 1st quarter of 2014 had been translated into US dollars according to the average exchange rates for the dollar during the 1st quarter of 2015.

Frutarom is also continuing to build and strengthen its global purchasing system, utilizing the increased purchasing power gained through its acquisitions, and continually expands its pool of suppliers while emphasizing the purchase of raw materials used in the manufacture of its products from source countries (especially natural raw materials). The global purchasing system will also contribute to the continued improvement in profits and margins.

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

R&D, sales and marketing, G&A and other expenses in Q1 2015 totaled US$ 46.0 million, (23.7% of sales) compared to US$ 49.6 million (26.3% of sales) in the same quarter last year. The improvement in the percentage of expenses is attributable to internal growth, to the cost structure of acquired companies, and to measures taken by Frutarom to achieve savings by the merging various activities and the maximum optimization of resources.

Frutarom is working and will continue to work towards the continued successful integration of the five latest acquisitions performed since the beginning of 2015, along with attaining maximum efficiency, improving its cost structure and strengthening its future competitive capabilities, with optimal utilization of its locations throughout the world.

Operating Profit and EBITDA

Operating profit from Frutarom's core businesses (Flavors and Specialty Fine Ingredients) in Q1 2015 rose year-over-year on a currency-neutral basis by 33.6%. Without neutralizing currency effects, operating profit from Frutarom's core businesses rose 18.5% to reach US$ 28.0 million (15.9% of sales) compared with US$ 23.6 million (13.7% of sales) in the first quarter of last year.

Operating profit from all Frutarom activity in Q1 2015 climbed year-over-year on a currency-neutral basis by 37.5%. Without neutralizing currency effects, operating profit from all Frutarom activity rose 21.9% % to a first quarter record of US$ 29.2 million (15.0% of sales) compared with US$ 23.9 million (12.7% of sales) in the same quarter of last year.

EBITDA from Frutarom's core businesses (which include the Flavors and Specialty Fine Ingredients activities) in the first quarter of 2015 rose year-over-year on a currency-neutral basis by 25.6%. Without neutralizing currency effects, EBITDA from Frutarom's core businesses rose 11.3% to reach US$ 35.3 million (20.1% of sales) compared with US$ 31.7 million (18.4% of sales) in the first quarter of 2014.

EBITDA from all Frutarom activities increased year-over-year on a currency-neutral basis by 28.7%. Without neutralizing currency effects, EBITDA from all Frutarom activities rose 13.9% in Q1 2015 to a first quarter record high of US$ 36.6 million (18.8% of sales) compared with US$ 32.1 million (17.0% of sales) the previous year.

Financial Expenses / Income

Financial expenses in the first quarter of 2015 totaled US$ 1.8 million (0.9% of sales), compared with US$ 1.5 million in Q1 2014 (0.8% of sales).

Interest expenses in Q1 2015 amounted to US$ 0.9 million compared with US$ 1.4 million in the same quarter last year, and financial expenses attributable to exchange-rate differences amounted to US$ 0.9 million compared with a negligible amount in Q1 2014.

Income before Tax

Profit before tax for Q1 2015 grew by 21.6% to reach an all-time first quarter high of US$ 27.3 million (14.1% of sales) compared with US$ 22.5 million (11.9% of sales) in the same quarter last year.

Taxes on Income

Taxes on income for Q1 2015 totaled US$ 5.9 million (21.7% of profit before tax) compared with US$ 4.2 million (18.7% of profit before tax) in Q1 2014.

Net Income

In Q1 2015 net profit rose by 17.1% to reach US$ 21.4 million, compared with US$ 18.3 million in Q1 2014. The net margin this quarter came to 11.0% compared with 9.7% in the same quarter last year.

Earnings per Share

Earnings per share for Q1 2015 grew by 17.6% to US$ 0.37 compared with US$ 0.31 for 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.

Summary table of results for the first quarter:

In millions of US dollars	Core Businesses Flavors and Specialty Fine Ingredients			Trade & Marketing			Total Frutarom Group		
	Q1 2014	**Q1 2015**	**% growth**	**Q1 2014**	**Q1 2015**	**% growth**	**Q1 2014**	**Q1 2015**	***% growth***
Sales	172.8	175.6	*1.6%*	15.7	18.6	*18.6%*	188.5	194.2	*3.0%*
Gross profit	70.7	70.6	*-0.1%*	2.9	4.5	*58.5%*	73.5	75.1	*2.2%*
Margin	*40.9%*	*40.2%*		*18.3%*	*24.4%*		*39.0%*	*38.7%*	
Currency-neutral growth			*13.5%*						*17.3%*
Operating profit	23.6	28.0	*18.5%*	0.3	1.2	*272.6%*	23.9	29.2	*21.9%*
Margin	*13.7%*	*15.9%*		*2.0%*	*6.3%*		*12.7%*	*15.0%*	
Currency-neutral growth			*33.6%*						*37.5%*
EBITDA	31.7	35.3	*11.3%*	0.4	1.3	*230.5%*	32.1	36.6	*13.9%*
Margin	***18.4%***	***20.1%***		***2.5%***	***6.8%***		***17.0%***	***18.8%***	
Currency-neutral growth			*25.6%*						*28.7%*
Financial expenses							1.5	1.8	*25.9%*
Income before taxes							22.5	27.3	*21.6%*
Net income							18.3	21.4	*17.1%*

D. LIQUIDITY

Frutarom continues to generate a strong cash flow from operating activities which helps it reduce its level of debt and continue making strategic acquisitions while keeping debt at a reasonable level.

During Q1 2015 the Company generated US$ 20.0 million in cash flow from operating activities, compared to US$ 9.0 million in Q1 2014.

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

E. SOURCES OF FINANCING

Sources of Capital

Frutarom's capital equity as of March 31, 2015 totaled US$ 497.5 million (52.5% of the balance sheet) compared with US$ 528.0 million (53.4% of the balance sheet) as of March 31, 2014 and US$522.0 million (55.5%) as of December 31, 2014.

Total assets and capital equity were impacted, as stated above, by the strengthening of the US dollar against the main currencies in which the Group operates.

Loans (Average) -

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

  Average long-term credit provided to the Company by banks totaled US$ 196.7 million in Q1 2015, compared with US$ 216.4 million in Q1 2014.

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

  Average short-term credit extended to the Company by banks in Q1 2015 totaled US$ 37.4 million compared to US$ 33.7 million in the corresponding quarter last year.

Frutarom's cash balances as of March 31, 2015 totaled US$ 57.7 million, compared with US$ 49.8 million as of March 31, 2014 and US$ 64.0 million at December 31, 2014.

A strong cash flow from operating activities contributes towards the net debt as of March 31, 2015 standing at US$ 174.9 million.

Accounts Payable and Accounts Receivable (Average)

In Q1 2015 the Company had accounts payable and other payables amounting to US$ 109.0 million compared with US$ 108.1 million in the same quarter last year. During Q1 2015 the Company granted credit of US$ 145.9 million to its customers compared with US$ 141.0 million in Q1 2014.

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 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 external sources of financing.

EXPOSURE TO AND MANAGEMENT OF MARKET RISKS

In the first quarter of 2015 and during the overall period from December 31, 2014 until the publication date of this report there were no substantial changes concerning exposure to market risks or the ways in which they are managed.

F. LINKAGE BASES REPORT

CURRENCY EXPOSURE PER PRIMARY LINKAGE BASES

There was no significant change from the figures presented in the periodic report for 2014.

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	**4.378**	**4.179**	**3.98**	**3.781**	**3.582**
	US$ 000s				
Cash and cash equivalents	(292)	(146)	2,915	146	292
Customers	(1,062)	(531)	10,616	531	1,062
Other accounts receivable	(49)	(25)	491	25	49
Other long-term receivables	(3)	(2)	32	2	3
	(1,406)	**(704)**	**14,054**	**704**	**1,406**
Suppliers and service providers	584	292	5,835	(292)	(584)
Other payables	1,570	785	15,697	(785)	(1,570)
	2,154	**1,077**	**21,532**	**(1,077)**	**(2,154)**
Total exposure, net	**748**	**373**	**(7,478)**	**(373)**	**(748)**

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	0.744	0.711	0.677	0.643	0.609
	US$ 000s				
Cash and cash equivalents	(485)	(243)	4,851	243	485
Customers	(1,505)	(752)	15,049	752	1,505
Other accounts receivable	(92)	(46)	915	46	92
	(2,082)	**(1,041)**	**20,815**	**1,041**	**2,082**
Bank credit	2	1	22	(1)	(2)
Suppliers and service providers	659	329	6,586	(329)	(659)
Other payables	833	417	8,334	(417)	(833)
	1,494	**747**	**14,942**	**(747)**	**(1,494)**
Total exposure, net	**(588)**	**(294)**	**5,873**	**294**	**588**

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	1.024	0.978	0.931	0.885	0.838
	US$ 000s				
Cash and cash equivalents	(1,624)	(812)	16,236	812	1,624
Customers	(4,145)	(2,072)	41,448	2,072	4,145
Other accounts receivable	(305)	(153)	3,054	153	305
Other long-term receivables	(28)	(14)	277	14	28
	(6,102)	**(3,051)**	**61,015**	**3,051**	**6,102**
Bank credit	3,338	1,669	33,376	(1,669)	(3,338)
Suppliers and service providers	2,307	1,154	23,073	(1,154)	(2,307)
Other payables	1,536	768	15,356	(768)	(1,536)
	7,181	**3,591**	**71,805**	**(3,591)**	**(7,181)**
Total exposure, net	**1,079**	**540**	**(10,790)**	**(540)**	**(1,079)**

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**	**0.973**	**0.925**	**0.876**
	US$ 000s				
Cash and cash equivalents	(126)	(63)	1,260	63	126
Customers	(670)	(335)	6,695	335	670
Other accounts receivable	(99)	(50)	990	50	99
	(895)	**(448)**	**8,945**	**448**	**895**
Bank credit	9,454	4,727	94,535	(4,727)	(9,454)
Suppliers and service providers	443	221	4,426	(221)	(443)
Other payables	265	132	2,645	(132)	(265)
	10,162	**5,080**	**101,606**	**(5,080)**	**(10,162)**
Total exposure, net	**9,267**	**4,632**	**(92,661)**	**(4,632)**	**(9,267)**

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	**63.657**	**60.764**	**57.870**	**54.977**	**52.083**
	US$ 000s				
Cash and cash equivalents	(560)	(280)	5,596	280	560
Customers	(1,548)	(774)	15,482	774	1,548
Other accounts receivable	(135)	(68)	1,351	68	135
	(2,243)	**(1,122)**	**22,429**	**1,122**	**2,243**
Suppliers and service providers	57	28	566	(28)	(57)
Other payables	428	214	4,278	(214)	(428)
Other long-term liabilities	2,609	1,304	26,089	(1,304)	(2,609)
	3,094	**1,546**	**30,933**	**(1,546)**	**(3,094)**
Total exposure, net	**851**	**424**	**(8,504)**	**(424)**	**(851)**

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	(1,372)	(686)	13,716	686	1,372
Customers	(2,903)	(1,451)	29,025	1,451	2,903
Other accounts receivable	(233)	(117)	2,333	117	233
	(4,508)	**(2,254)**	**45,074**	**2,254**	**4,508**
Bank credit	147	73	1,468	(73)	(147)
Suppliers and service providers	1,150	575	11,500	(575)	(1,150)
Other payables	541	271	5,412	(271)	(541)
Other long-term liabilities	15	8	154	(8)	(15)
	1,853	**927**	**18,534**	**(927)**	**(1,853)**
Total exposure, net	**(2,655)**	**(1,327)**	**26,540**	**1,327**	**2,655**

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	1,438	(4)	(8)
Total exposure to change at fair value	**8**	**4**	**1,438**	**(4)**	**(8)**

H. SUMMARY OF SENSITIVITY TESTS TABLES

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

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

	Profit (Loss) from changes		Fair value	Profit (Loss) from changes	
% of change	+10%	+5%	-	-5%	-10%
Exchange rate	**4.378**	**4.179**	**3.98**	**3.781**	**3.582**
	US$ 000				
Total Exposure net	**748**	**373**	**(7,478)**	**(373)**	**(748)**

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	**0.744**	**0.711**	**0.677**	**0.643**	**0.609**
	US$ 000				
Total Exposure net	**(588)**	**(294)**	**5,873**	**294**	**588**

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	**1.024**	**0.978**	**0.931**	**0.855**	**0.838**
	US$ 000				
Total exposure net	**1,079**	**540**	**(10,790)**	**(540)**	**(1,079)**

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**	**0.973**	**0.925**	**0.876**
	US$ 000				
Total exposure, net	**9,267**	**4,632**	**(92,661)**	**(4,632)**	**(9,267)**

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	**63.657**	**60.764**	**57.870**	**54.977**	**52.083**
	US$ 000				
Total exposure, net	**851**	**424**	**(8,504)**	**(424)**	**(851)**

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

	Profit (Loss) from changes		Fair value	Profit (Loss) from changes	
% of change	+10%	+5%	-	-5%	-10%
	US$ 000				
Total exposure, net	**(2,655)**	**(1,327)**	**26,540**	**1,327**	**2,655**

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

	Profit (Loss) from changes		Fair value	Profit (Loss) from changes	
% of change	+10%	+5%	-	-5%	-10%
	US$ 000				
Total exposure, net	**8**	**4**	**1,438**	**(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”**).

Balance Sheet Committee and Members

The members of the Company’s Balance Sheet Committee are – Yacov Elinav, External Director and chairman of the committee, Isaac Angel, External Director, and Gil Leidner, Director. The Balance Sheet Committee members have financial and accounting expertise and the capacity to read and understand financial statements, and have provided the Company with a written declaration in this regard. Mr. Yacov Elinav and Mr. Isaac Angel are independent directors by virtue of their being external directors. Mr. Gil Leidner is an independent director in accordance with the determination of the Company's Audit Committee of May 19, 2011, and the determinations of the Board of Directors on August 17, 2011. For details regarding the skills, education and experience of the members of the Balance Sheet Committee, based on which the Company refers to them as directors with financial and accounting expertise, see regulation 26 in Chapter D of Company's periodic report for 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 May 17, 2015. The members of the committee were sent the Company’s financial statements for the first quarter of 2015 two business days prior to the meeting for their perusal. The three members of the Balance Sheet Committee participated in the discussion, and in addition the Company's independent auditors, Mr. Ori Yehudai, the Company's President and CEO, Mr. Alon Granot, the Executive Vice President and CFO, Mr. Guy Gill, the Vice President of Finance, Ms. Tali Mirsky, Global VP Legal Affairs and Corporate Secretary, legal counsel, and Mr. Yoav Barak, the Company's internal auditor, attended the meeting. At the meeting, presentations were given by the Company and by the auditors. The Balance Sheet Committee discussed, among other things, the estimates and evaluations included in the financial statements, the internal control on financial reporting, the completeness and fairness of the disclosure in the financial statements, the accounting policy adopted and the financial practice implemented with regard to the material matters of the Group, and the valuations, including the assumptions and estimations on which the data in the financial statements is based. Within the discussion, the Balance Sheet Committee formed its recommendations to the Board of Directors in accordance with the Statements Approval Regulations. The recommendations of the committee were delivered to the Company's Board of Directors two business days prior to the Board meeting at which the financial statements were discussed, which in the opinion of the Board of Directors is a reasonable time period in light of the scope and complexity of the recommendations.

Approval Procedure of the Reports by the Board of Directors

The members of the Board of Directors receive the draft of the financial statements several days prior to the date of the Board meeting at which the statements are submitted for their approval. The Company's independent auditors and members of the Company's senior management are invited to attend the meeting at which the Company’s financial statements are discussed and presented for approval, including Mr. Ori Yehudai, the President and CEO, Mr. Alon Granot, Executive Vice President and CFO, Mr. Amos Anatot, Executive Vice President Global Supply Chain and Operations, Mr. Guy Gill - Vice President of Finance, and Ms. Tali Mirsky - Global Vice President of Legal Affairs and Corporate Secretary or another of the Company’s legal counsel. The Company's internal auditor, Mr. Yoav Barak, is also invited to that meeting. During the meeting, the Board of Directors discusses the recommendations of the Balance Sheet Committee regarding the financial statements, and the President and CEO and Executive Vice President and CFO present the Group's business and financial results for the relevant period in comparison with previous periods, emphasizing special events that occurred during the period, to the Board of Directors. During the presentation of the results of the Group, the Company's management members answer questions and respond to the Directors' comments. Following presentation of the Company's financial results, the Company's independent auditors answer the Directors’ questions. Finally, the Board of Directors votes on approval of the financial statements. All of the members of the Board of Directors were present at the Board meeting held on May 19, 2015 where the financial statements for the first quarter of 2015 were unanimously approved.

Senior Office Holders’ Remuneration

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

In addition, the Board of Directors approved the purchase of Company shares for the purpose of granting such to office holders and others as part of the 2012 Plan. For further details regarding this resolution, see the Company's immediate report dated March 15, 2015.

DISCLOSURE RELATING TO THE CORPORATE FINANCIAL REPORTING

A. EVENTS MENTIONED IN THE FINANCIAL STATEMENTS SUBSEQUENT TO THE DATE OF REPORT ON THE FINANCIAL POSITION

Dividend Distribution

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$ 5,571 thousand as of the date of publication of this report). The dividend was paid out on May 4, 2014.

B. 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 two meetings during Q1 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

May 19, 2015

FRUTAROM INDUSTRIES LTD.

INTERIM FINANCIAL INFORMATION

(Unaudited)

31 MARCH 2015

FRUTAROM INDUSTRIES LTD.

INTERIM FINANCIAL INFORMATION

(Unaudited)

31 MARCH 2015

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

Introduction

We have reviewed the accompanying financial information of Frutarom Industries Ltd. and its subsidiaries (hereafter - the group), which includes the condensed consolidated statement of financial position as of 31 March, 2015 and the related condensed consolidated statement of income, comprehensive income, changes in shareholders' equity and cash flows for the three-month period then ended. The Board of Directors and management are responsible for preparation and presentation of the financial information for this reporting period in accordance with IAS 34 – "Interim Financial Reporting"; our responsibility is to express a conclusion of the financial data for this interim period based on our review.

We did not review the condensed interim financial information of certain consolidated companies, whose assets included in consolidation constitute approximately 20% of total consolidated assets as of 31 March, 2015 and whose revenues included in consolidation constitute approximately 27% of total consolidated revenues for the three-month period ended on that date. The condensed financial information of these companies was reviewed by other auditors, whose review reports have been furnished to us; and our conclusion, insofar as it relates to the financial information included for these companies, is based on review reports of the other auditors.

Scope of review

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

Conclusion

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

Haifa, Israel	Kesselman & Kesselman
19, May, 2015	Certified Public Accountants (lsr.)
	A member firm of PricewaterhouseCoopers International Limited

Kesselman & Kesselman, Building 25, MATAM, P.O BOX 15084 Haifa, 3190500, Israel
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FRUTAROM INDUSTRIES LTD.

CONDESED CONSOLDIATED STATEMENT OF FINANCIAL POSITION

31 MARCH 2015

	31 March		31 December
	2015	**2014**	**2014**
	(Unaudited)		**(Audited)**
	U.S. dollars in thousands		
A s s e t s			
CURRENT ASSETS:			
Cash and cash equivalents	57,690	49,842	63,975
Accounts receivable:			
Trade	154,120	149,134	140,429
Other	12,502	16,166	14,551
Prepaid expenses and advances to suppliers	11,471	12,860	8,696
Inventories	173,957	163,151	171,100
	409,740	391,153	398,751
NON-CURRENT ASSETS:			
Property, plant and equipment	203,235	211,666	198,799
Intangible assets	331,593	382,593	339,810
Deferred income tax assets	2,863	3,557	3,042
Others	309	88	41
	538,000	597,904	541,692
Total assets	947,740	989,057	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: May 19, 2015

FRUTAROM INDUSTRIES LTD.

CONDESED CONSOLDIATED STATEMENT OF FINANCIAL POSITION

31 MARCH 2015

	31 March		31 December
	2015	2014	2014
	(Unaudited)		(Audited)
	U.S. dollars in thousands		
Liabilities and equity			
CURRENT LIABILITIES:			
Short-term bank credit and loans and current maturities of long-term loans	72,864	74,458	67,750
Accounts payable:			
Trade	71,043	65,444	59,771
Other	53,495	52,536	46,378
Dividend payable	5,571	4,672	
	202,973	197,110	173,899
NON-CURRENT LIABILITIES:			
Long-term loans, net of current maturities	159,712	174,426	163,696
Retirement benefit obligations, net	30,173	23,304	30,991
Deferred income tax liabilities	21,799	32,996	23,542
Liability for put option for the shareholders of a subsidiary	27,537	25,750	19,967
Other	8,081	7,490	6,329
	247,302	263,966	244,525
Total liabilities	450,275	461,076	418,424
EQUITY:			
Equity attributable to owners of the parent company:			
Ordinary shares	16,888	16,781	16,822
Other capital surplus	108,850	104,647	106,664
Translation differences	(90,655)	20,890	(48,159)
Retained earnings	461,487	385,339	445,653
Less - cost of company shares held by the company and by subsidiary	(2,763)	(2,563)	(2,587)
Non-controlling interests	3,658	2,887	3,626
Total equity	497,465	527,981	522,019
Total equity and liabilities	947,740	989,057	940,443

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

FRUTAROM INDUSTRIES LTD.

CONDENSED CONSOLIDATED STATEMENT OF INCOME

FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2015

	3 months ended 31 March		Year ended 31 December
	2015	2014	2014
	(Unaudited)		(Audited)
	U.S. dollars in thousands, except for income per share data		
SALES	194,199	188,467	819,547
COST OF SALES	119,067	114,927	498,995
GROSS PROFIT	75,132	73,540	320,552
Selling, marketing, research and development expenses- net	31,262	34,713	140,296
General and administrative expenses	14,386	14,822	60,516
Other expenses - net	320	72	816
INCOME FROM OPERATIONS	29,164	23,933	118,924
FINANCIAL EXPENSES - net	1,838	1,460	10,089
INCOME BEFORE TAXES ON INCOME	27,326	22,473	108,835
INCOME TAX	5,929	4,193	21,219
NET INCOME FOR THIS PERIOD	21,397	18,280	87,616
PROFIT ATTRIBUTED TO:			
Owners of the parent company	21,405	18,144	86,654
Non-controlling interest	(8)	136	962
TOTAL INCOME	21,397	18,280	87,616
EARNINGS PER SHARE:			
Basic	0.37	0.31	1.49
Fully diluted	0.36	0.31	1.47

FRUTAROM INDUSTRIES LTD.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2015

	3 months ended 31 March		Year ended 31 December
	2015	**2014**	**2014**
	(Unaudited)		**(Audited)**
	U.S. dollars in thousands		
INCOME FOR THE PERIOD	21,397	18,280	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	(42,456)	(6,458)	(75,504)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(21,059)	11,822	3,956
ATTRIBUTABLE TO:			
OWNERS OF THE PARENT	(21,091)	11,738	3,043
NON-CONTROLLING INTERESTS	32	84	913
TOTAL INCOME	(21,059)	11,822	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 THREE-MONTH PERIOD ENDED 31 MARCH 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 3 MONTHS ENDED 31 MARCH 2015 (unaudited):								
Comprehensive income :								
Income for the period	-	-	-	21,405	-	21,405	(8)	21,397
Other comprehensive income for the period	-	-	(42,496)	-	-	(42,496)	40	(42,456)
Total comprehensive income for the period	-	-	(42,496)	21,405	-	(21,091)	32	(21,059)
Plans for allotment of company shares to employees of subsidiary:								
Acquisition of the Company shares by the company	-	-	-	-	(356)	(356)	-	(356)
Receipts in respect of allotment of Company shares to employees		(120)			180	60	-	60
Allotment of shares and options to senior employees:								
recognition of compensation related to employee stock and options grants	-	400	-	-	-	400	-	400
Proceeds from issuance of shares to senior employees	66	1,906	-	-	-	1,972	-	1,972
Dividend including erosion	-	-	-	(5,571)	-	(5,571)	-	(5,571)
	66	2,186	-	(5,571)	(176)	(3,495)	-	(3,495)
BALANCE AT 31 MARCH 2015 (unaudited)	16,888	108,850	(90,655)	461,487	(2,763)	493,807	3,658	497,465

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

(Continued) - 2

FRUTAROM INDUSTRIES LTD.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2014

	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT							
	Ordinary Shares	Other capital surplus	Translation differences	Retained earnings	Cost of Company shares held by the company	Total Attributed to Owners Parent company	Non-controlling interests	Total
	U.S. dollars in thousands							
BALANCE AT 1 JANUARY 2014 (audited)	16,781	104,293	27,296	371,867	(1,981)	518,256	2,803	521,059
CHANGES DURING THE 3 MONTHS ENDED 31 MARCH 2014 (unaudited):								
Comprehensive income :								
income for the period	-	-	-	18,144	-	18,144	136	18,280
Other comprehensive income for the period	-	-	(6,406)	-	-	(6,406)	(52)	(6,458)
Total comprehensive income for the period	-	-	(6,406)	18,144	-	11,738	84	11,822
Plans for allotment of company shares to employees of subsidiary:								
Acquisition of the Company shares by the company	-	-	-	-	(582)	(582)	-	(582)
Allotment of shares and options to senior employees-recognition of compensation related to employee stock and options grants	-	354	-	-	-	354	-	354
Dividend including erosion	-	-	-	(4,672)	-	(4,672)	-	(4,672)
	-	354	-	(4,672)	(582)	(4,900)	-	(4,900)
BALANCE AT 31 MARCH 2014 (unaudited)	16,781	104,647	20,890	385,339	(2,563)	525,094	2,887	527,981

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

(Concluded) - 3

FRUTAROM INDUSTRIES LTD.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT							
	Ordinary shares	Other capital surplus	Translation differences	Retained earnings	Cost of company shares held by the company	Total attributed to owners of parent company	Non-controlling interest	Total
	U.S. dollars in thousands							
BALANCE AT 1 JANUARY 2014 (audited)	16,781	104,293	27,296	371,867	(1,981)	518,256	2,803	521,059
CHANGES DURING THE YEAR ENDED DECEMBER 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
Plan for allotment of Company shares to employees of subsidiary:								
Purchase of 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 option 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)
Non-controlling interest from business combination								
BALANCE AT 31 DECEMBER 2014 (audited)	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 THREE-MONTH PERIOD ENDED 31 MARCH 2015

	3 months ended 31 March		Year ended 31 December
	2015	2014	2014
	U.S. dollars in thousands		
	(Unaudited)		(Audited)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash generated from operations (see appendix)	22,970	11,553	99,201
Income tax paid – net	(3,026)	(2,602)	(18,358)
Net cash provided by operating activities	19,944	8,951	80,843
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment	(8,018)	(4,843)	(21,392)
Purchase of intangibles	(100)	(284)	(1,197)
Interest received	87	110	493
Acquisition of subsidiaries - net of cash acquired	(15,806)	(10,090)	(34,723)
Proceeds from sale of property	139	316	800
Net cash used in investing activities	(23,698)	(14,791)	(56,019)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Dividend paid to the non-controlling interests in subsidiary	-	-	(90)
Receipts from senior employees in respect of allotment of shares	1,972	-	1,282
Interest paid	(816)	(937)	(2,414)
Receipt of long-term bank loans	7,149	-	32,892
Repayment of long-term bank loans	(5,862)	(9,919)	(52,214)
(Repayment) receipt of short-term bank credit and loans	(2,081)	9,268	14,980
Purchase of company shares by subsidiary – net of receipts in respect of the shares	(296)	(582)	(956)
Dividend paid	-	-	(4,712)
Net cash used in financing activities	66	(2,170)	(11,232)
INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND BANK CREDIT	(3,688)	(8,010)	13,592
Balance of cash and cash equivalents and bank credit at beginning of year	63,975	57,612	57,612
Profits (losses) from exchange differences on cash, cash equivalents and bank credit	(2,597)	240	(7,229)
BALANCE OF CASH, CASH EQUIVALENTS AND BANK CREDIT AT END OF PERIOD	57,690	49,842	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 THREE-MONTH PERIOD ENDED 31 MARCH 2015

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

	3 months ended 31 March		Year ended 31 December
	2015	2014	2014
	U.S. dollars in thousands		
	(Unaudited)		(Audited)
Income before tax	27,326	22,473	108,835
Adjustments required to reflect the cash flows from operating activities:			
Depreciation and amortization	7,013	7,834	30,551
Recognition of compensation related to employee stock and options grants	400	354	1,480
Liability for employee rights upon retirement – net	340	73	586
Loss from sale and write-off of fixed assets and other assets	(7)	(127)	(147)
Erosion of long term loans	(2,807)	(121)	(1,336)
Erosion of Liability for put option for the shareholders of a subsidiary	5,647	(1,974)	(4,108)
Interest paid – net	729	827	1,921
	11,315	6,866	28,947
Operating changes in working capital:			
Increase in accounts receivable:			
Trade	(19,122)	(11,975)	(10,937)
Other	109	(4,780)	1,868
Decrease in other long-term receivables	(268)	27	80
Increase in accounts payable:			
Trade	9,291	7,366	1,911
Other	236	(189)	(5,922)
Decrease in other long-term payables	1,121	4	(230)
Increase in inventories	(7,038)	(8,239)	(25,351)
	(15,671)	(17,786)	(38,581)
Net cash flow from operating activities	22,970	11,553	99,201

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

NOTE 1 - GENERAL:

Frutarom Industries Ltd. is a global company, founded in 1933. The Company operates through the consolidated company (hereafter - Frutarom Ltd.) and the companies under its control (hereafter – the Group). The Group has two main operations: the Flavours activity and the Fine Ingredients activity, which are considered as core business by management.
In addition, the Company imports and markets raw materials produced by others as part of its services and strive to provide complete solutions for customers. This activity is presented as part of trade and marketing operations.
The Group develops, manufactures, markets and sells flavours and fine ingredients used by producers of food and beverage, pharma-nutraceutical, flavours and fragrances, and personal care and cosmetics products as well as other products.

NOTE 2 - BASIS OF PREPARATION OF CONDESED CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 3 - PRINCIPAL ACCOUNTING POLICIES (continued):

b. The first-time implementation of additional new IFRSs and amendments to existing standards which are yet to be effective and the group did not elect to early adopt are detailed in the 2014 financial statements of the group.

NOTE 4 – BUSINESS COMBINATIONS

a. Acquisition of FoodBlenders

On February 2nd, 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 expected to stand at about 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	2,906
Current liabilities :	
Trade	(309)
Accounts payable	(1,100)
Non-current liabilities:	
Deferred income taxes	(9)
Other	(113)
	2,190

From the date it was consolidated with the financial statements of the Company through March 31, 2015, the acquired operations have yielded revenues of $ 473 thousands and net profit of $47 thousands (net of acquisition costs relating to the acquisition of $ 83 thousands).

b. Acquisition of Ingredientes Naturales Seleccionados, S.L

On February 2nd, 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 1.1 million (€ 1 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	3,627
Current liabilities :	
Trade	(747)
Accounts payable	(1,009)
Bank credit and loans	(2,841)
Non-current liabilities:	
Other	(949)
	4,103

From the date it was consolidated with the financial statements of the Company through March 31, 2015, the acquired operations have yielded revenues of $ 1,561 thousands and net profit of $ 170 thousands (net of acquisition costs relating to the acquisition).

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	2,142
Current liabilities :	
Trade	(120)
Accounts payable	(245)
	2,952

From the date it was consolidated with the financial statements of the Company through March 31, 2015, the acquired operations have yielded revenues of $ 336 thousands and net profit of $44 thousands (net of acquisition costs relating to the acquisition of $ 70 thousands).

NOTE 4 – BUSINESS COMBINATIONS (continued):

b. 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$5.2 million and the assumption of debts amounting to approximately US$ 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):

b. 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
Deferred taxes	18
Intangible assets	2,191
Current liabilities :	
Trade	(2,134)
Accounts payable	(1,182)
Non-current liabilities:	
Loans	(3,400)
Other	(418)
	5,217

From the date it was consolidated with the financial statements of the Company through March 31, 2015, the acquired operations have yielded revenues of $ 1,587 thousands and net profit of $ 37 thousands (net of acquisition costs relating to the acquisition of $ 61 thousands).

NOTE 5 – DIVIDEND

On 15, March 2015, the Company's Board of Directors declared the distribution of a dividend of NIS 0.38 per share, in the total amount of $ 5,571 thousands.

NOTE 6 – SEGMENT REPORTING

For management purposes, the Group is organized on a worldwide basis into two major operating activities: Flavour and Fine Ingredients. Another operating activity is Trade and Marketing.
Results of operation of the segments are being measured based on operating profit.

Segment data provided to the President and the CEO in respect of the reported segments is as follows:

	Flavors operations	Fine Ingredients Operations	Trade and Marketing operations	Eliminations	Total Consolidated
	U.S. dollars in thousands				
3 months ended 31 March 2015 (unaudited):					
Revenues	133,353	43,248	18,571	(973)	194,199
Segment results	22,877	5,410	1,170	(293)	29,164
3 months ended 31 March 2014 (unaudited):					
Revenues	134,163	40,974	15,657	(2,327)	188,467
Segment results	18,392	5,118	314	109	23,933
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

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

	3 months ended 31 March		Year ended 31 December
	2015	2014	2014
	(Unaudited)		(Audited)
	U.S. dollars in thousands		
Reported segment profits	29,164	23,933	118,924
Financing expenses	1,838	1,460	10,089
Profit before taxes on income	27,326	22,473	108,835

NOTE 7 – SUBSEQUENT EVENTS

Acquisition of Sonarome

On May 14, 2015 Frutarom acquired 60% of the shares of the Indian company Sonarome Private Ltd. ("Sonarome") in consideration for a cash payment of US $ 17.2 million (reflecting a company value of US $ 28.6 million). The acquisition agreement includes an option to acquire the remaining shares of Sonarome starting two years after the date of acquisition at a price which is conditional upon the company's business performance. The transaction will be financed using a bank debt.

Sonarome, which was established in 1981, is engaged in the development, manufacture and marketing of fragrances and flavors. In 2014, Sonarome's sales amounted to $ 12.1 million. Sonarome has a marketing, production, research & development facility in Bangalore; this facility has further production capacity. The company has app. 140 employees. In addition to its operations in India, Sonarome has extensive activities in app. 20 African markets, principally Nigeria, South Africa, Ethiopia, Kenia and Mozambique; these markets are emerging high-growth markets, which play an important part of Frutarom's growth strategy. Sonarome has an extensive client base which includes local and global food and beverage manufacturers.

Acquisition of BSA

On May 15, 2015, Frutarom acquired a 95% interest stake in Investissements BSA Inc. ("BSA") in exchange for C$42.75 million in cash (some US$35.6 million). The acquisition agreement features an option to purchase the remainder of share interest beginning two years after closing at a price that is contingent on the business performance of BSA. The deal will be financed through bank borrowings and will be closed over the next few weeks.

BSA was established in 1989 and has a production site in Montreal and some 140 employees. The main activity of BSA is developing, manufacturing and marketing of specialized and innovative flavor solutions (in the savory spectrum), including spice mixes and functional raw materials for the food industry, with particular focus on processed meat and comfort food. BSA's sales in 2014 (the 12 months ended in August 2014) were C$37 (US$34 million).