UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported): September 10, 2018

INTERNATIONAL FLAVORS & FRAGRANCES INC.
(Exact Name of Registrant as Specified in Charter)

New York	1-4858	13-1432060
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

521 West 57th Street, New York, New York	10019
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code (212) 765-5500

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 8.01 Other Events.

As previously reported, on May 7, 2018, International Flavors & Fragrances Inc. ("IFF" or the "Company") entered into an Agreement and Plan of Merger (the "Merger Agreement") with Frutarom Industries Ltd., a company organized under the laws of the State of Israel ("Frutarom"), and Icon Newco Ltd., a company organized under the laws of the State of Israel and a wholly owned subsidiary of IFF ("Merger Sub"). Pursuant to the Merger Agreement, subject to the satisfaction or waiver of specified conditions, and in accordance with the Companies Law 5759-1999 of the State of Israel, Merger Sub will merge with and into Frutarom (the "Merger"), with Frutarom continuing as the surviving company in the Merger and a wholly owned subsidiary of IFF. Under the terms of the Merger Agreement, for each share of outstanding stock of Frutarom, Frutarom shareholders will receive $71.19 in cash and 0.2490 of a share of IFF's common stock.

Consummation of the Merger is subject to customary closing conditions. The completion of the Merger is not subject to the approval of IFF shareholders or the receipt of financing by IFF. The Merger Agreement also contains certain termination rights for IFF and Frutarom.

This Current Report on Form 8-K is being filed in connection with the Merger to provide the audited consolidated financial statements and unaudited condensed consolidated interim financial information of Frutarom and the unaudited pro forma condensed combined financial information set forth under Item 9.01 below, which are incorporated herein by reference.

Cautionary Statement Regarding Forward Looking Statements

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements regarding IFF's or Frutarom's expected future financial position, results of operations, cash flows, financing plans, business strategy, budgets, capital expenditures, acquisitions, competitive positions, growth opportunities, plans and objectives of management and statements containing the words such as "anticipate," "approximate," "believe," "plan," "estimate," "expect," "project," "could," "should," "will," "intend," "may" and other similar expressions, are forward-looking statements. Statements in this report concerning IFF's or Frutarom's business outlook or future economic performance, anticipated profitability, revenues, expenses or other financial items, and product or services line growth, together with other statements that are not historical facts, are forward-looking statements that are estimates reflecting management's best judgment based upon currently available information. Such forward-looking statements are inherently uncertain, and stockholders and other potential investors must recognize that actual results may differ materially from expectations as a result of a variety of factors, including, without limitation, those referenced below. Such forward-looking statements are based upon management's current expectations and include known and unknown risks, uncertainties and other factors, many of which IFF and Frutarom are unable to predict or control, that may cause IFF's or Frutarom's actual results, performance or plans to differ materially from any future results, performance or plans expressed or implied by such forward-looking statements. These statements involve risks, uncertainties and other factors referenced below and detailed from time to time in IFF's filings with the Securities and Exchange Commission.

Factors that may affect IFF's plans, results or stock price are set forth in IFF's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K.

Many of these factors are beyond IFF's control and IFF cautions investors that any forward-looking statements made by IFF are not guarantees of future performance. IFF disclaims any obligation to update any such factors or to announce publicly the results of any revisions to any of the forward-looking statements to reflect future events or developments.

Item 9.01 Financial Statements and Exhibits.

(a) Financial statements of businesses acquired

The historical unaudited condensed consolidated statement of financial position as of June 30, 2018 and 2017 and the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in shareholders' equity and condensed consolidated statement of cash flows for the six and three month periods ended June 30, 2018 and 2017 of Frutarom, together with the notes thereto, are filed as Exhibit 99.1 to this Current Report on Form 8-K and are incorporated herein by reference.

(b) Pro forma financial information

The following unaudited pro forma condensed combined financial information is filed as Exhibit 99.2 hereto and is incorporated herein by reference.

- Unaudited pro forma condensed combined balance sheet as of June 30, 2018;
- Unaudited pro forma condensed combined statement of operations for the six months ended June 30, 2018;
- Unaudited pro forma condensed combined statement of operations for the year ended December 31, 2017; and
- Notes to the unaudited pro forma condensed combined financial information.

(d) Exhibits

99.1 Unaudited condensed consolidated statement of financial position as of June 30, 2018 and 2017 and condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in shareholders' equity and condensed consolidated statement of cash flows for the six and three month periods ended June 30, 2018 and 2017 of Frutarom Industries Ltd., together with the notes thereto.

99.2 Unaudited pro forma condensed combined financial information.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

INTERNATIONAL FLAVORS & FRAGRANCES INC.

Date: September 10, 2018

By: /s/ Richard A. O’Leary
Name: Richard A. O’Leary
Title: Executive Vice President and Chief Financial Officer

Exhibit 99.1

FRUTAROM INDUSTRIES LTD.

CONDENSED CONSOLDIATED STATEMENTS OF FINANCIAL POSITION
30 JUNE 2018

	30 June 2018	30 June 2017	31 December 2017
	(Unaudited)	(Unaudited)	(Audited)
	U.S. dollars in thousands		
Assets			
CURRENT ASSETS:			
Cash and cash equivalents	119,807	108,317	118,214
Accounts receivable:			
Trade	296,906	248,360	248,043
Other	24,891	30,750	23,647
Prepaid expenses and advances to suppliers	27,949	21,826	21,265
Inventory	338,881	290,901	308,891
	808,434	700,154	720,060
NON-CURRENT ASSETS:			
Property, plant and equipment	369,517	292,221	312,876
Intangible assets	1,031,897	757,796	829,226
Investment in associates and available for sale assets	27,481	33,348	77,541
Deferred income tax assets	4,512	4,039	3,886
Other	13,573	2,514	3,599
	1,446,980	1,089,918	1,227,128
Total assets	2,255,414	1,790,072	1,947,188

Dr. John Farber)
Chairman of the Board)

Ori Yehudai)
President and CEO)

Alon Granot)
Executive Vice
President and CFO)

Date of approval of the interim financial information by the board of directors: August 22, 2018

FRUTAROM INDUSTRIES LTD.

CONDENSED CONSOLDIATED STATEMENTS OF FINANCIAL POSITION
30 JUNE 2018

	30 June 2018	30 June 2017	31 December 2017
	(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	397,601	359,626	372,135
Accounts payable:			
Trade	104,565	96,526	98,813
Other	156,365	115,789	140,560
Leases	7,757	—	—
	666,288	571,941	611,508
NON-CURRENT LIABILITIES:			
Long-term loans, net of current maturities	399,833	260,339	262,151
Retirement benefit obligations, net	33,690	38,007	34,006
Deferred income tax liabilities	66,234	58,093	58,306
Leases	25,322	—	—
Liability for shareholders of subsidiaries and other	142,627	92,836	102,304
	667,706	449,275	456,767
TOTAL LIABILITIES	1,333,994	1,021,216	1,068,275
EQUITY:			
Equity attributable to owners of the parent:			
Ordinary shares	17,094	17,064	17,086
Other capital surplus	116,132	118,200	120,288
Translation differences	(85,299)	(71,018)	(45,187)
Retained earnings	872,640	700,477	783,029
Less—cost of company shares held by the company	(3,693)	(2,702)	(3,409)
NON-CONTROLLING INTERESTS	4,546	6,835	7,106
TOTAL EQUITY	921,420	768,856	878,913
TOTAL EQUITY AND LIABILITIES	2,255,414	1,790,072	1,947,188

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

FRUTAROM INDUSTRIES LTD.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
FOR THE SIX AND THREE-MONTH PERIOD ENDED 30 JUNE 2018

	6 months ended 30 June		3 months ended 30 June		Year ended 31 December
	2018	2017	2018	2017	2017
	(Unaudited)				(Audited)
	U.S. dollars in thousands except for income per share data				
SALES	786,110	646,120	401,305	343,589	1,362,396
COST OF SALES	466,928	398,243	237,861	211,426	837,271
GROSS PROFIT	319,182	247,877	163,444	132,163	525,125
Selling, marketing, research and development expenses—net	134,697	101,792	67,290	52,629	220,014
General and administrative expenses	51,179	45,601	24,278	23,718	92,155
Other expenses (income)—net	(315)	385	34	665	3,392
Group's share of earnings of companies accounted for at equity	1,326	444	636	45	1,402
INCOME FROM OPERATIONS	134,947	100,543	72,478	55,196	210,966
FINANCIAL EXPENSES—net	12,758	10,204	6,793	8,031	24,606
INCOME BEFORE TAXES ON INCOME	122,189	90,339	65,685	47,165	186,360
INCOME TAX	23,600	19,413	12,777	9,974	34,797
NET INCOME FOR THE PERIOD	98,589	70,926	52,908	37,191	151,563
PROFIT ATTRIBUTED TO:					
Owners of the parent company	97,833	69,843	52,564	36,570	149,679
Non-controlling interest	756	1,083	344	621	1,884
TOTAL INCOME	98,589	70,926	52,908	37,191	151,563
EARNINGS PER SHARE:					
Basic	1.64	1.17	0.88	0.61	2.52
Fully diluted	1.63	1.17	0.88	0.61	2.51

FRUTAROM INDUSTRIES LTD.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX AND THREE-MONTH PERIOD ENDED 30 JUNE 2018

	6 months ended 30 June		3 months ended 30 June		Year ended 31 December
	2018	2017	2018	2017	2017
	(Unaudited)		(Unaudited)		(Audited)
	U.S. dollars in thousands				
INCOME FOR THE PERIOD	98,589	70,926	52,908	37,191	151,563
Other Comprehensive Income:					
Items that will not be reclassified subsequently to profit or loss—					
Remeasurement of net defined benefit liability	—	—	—	—	2,716
ITEMS THAT COULD BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS:					
Gain from available-for-sale financial assets	—	482	—	(471)	—
Transfer of available-for-sale financial assets to profit and loss	—	—	—	—	(41)
Translation differences	(40,194)	38,399	(51,099)	20,470	64,428
Total comprehensive income for the Period	58,395	109,807	1,809	57,190	218,666
ATTRIBUTABLE TO:					
Owners of the parent	57,721	108,350	1,688	56,274	216,210
Non-controlling interest	674	1,457	121	916	2,456
TOTAL COMPREHENSIVE INCOME	58,395	109,807	1,809	57,190	218,666

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

FRUTAROM INDUSTRIES LTD.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX AND THREE-MONTH PERIOD ENDED 30 JUNE 2018

	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 2018 (audited)	17,086	120,288	(45,187)	783,029	(3,409)	871,807	7,106	878,913
CHANGES DURING THE 6 MONTH PERIOD ENDED 30 JUNE 2018 (unaudited):								
Comprehensive income:								
Income for the period	—	—	—	97,833	—	97,833	756	98,589
Other comprehensive income for the period	—	—	(40,112)	—	—	(40,112)	(82)	(40,194)
Total comprehensive income for the period	—	—	(40,112)	97,833	—	57,721	674	58,395
Plans for allotment of company shares to employees of subsidiary:								
Acquisition of the Company shares by the Company	—	—	—	—	(662)	(662)	—	(662)
Receipts in respect of allotment of company shares to employees	—	(252)	—	—	378	126	—	126
Allotment of shares and options to senior employees:								
Recognition of compensation related to employee stock and options grants	—	857	—	—	—	857	—	857
Changes of ownership rights in subsidiary	—	(5,585)	—	—	—	(5,585)	(3,234)	(8,819)
Proceeds from issuance of shares to senior employees	8	824	—	—	—	832	—	832
Dividend	—	—	—	(8,222)	—	(8,222)	—	(8,222)
	8	(4,156)	—	(8,222)	(284)	(12,654)	(3,234)	(15,888)
BALANCE AT 30 JUNE 2018 (unaudited)	17,094	116,132	(85,299)	872,640	(3,693)	916,874	4,546	921,420

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

FRUTAROM INDUSTRIES LTD.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX AND THREE-MONTH PERIOD ENDED 30 JUNE 2018

	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 APRIL 2018 (unaudited)	17,093	115,794	(34,423)	819,827	(3,833)	914,458	4,425	918,883
CHANGES DURING THE 3 MONTH PERIOD ENDED 30 JUNE 2018 (unaudited):								
Comprehensive income:								
Income for the period	—	—	—	52,564	—	52,564	344	52,908
Other comprehensive income for the period	—	—	(50,876)	—	—	(50,876)	(223)	(51,099)
Total comprehensive income for the period	—	—	(50,876)	52,564	—	1,688	121	1,809
Plans for allotment of company shares to employees of subsidiary:								
Acquisition of the Company shares by the company	—	—	—	—	(1)	(1)	—	(1)
Receipts in respect of allotment of Company shares to employees	—	(94)	—	—	141	47	—	47
Allotment of shares and options to senior employees:								
Recognition of compensation related to employee stock and options grants	—	432	—	—	—	432	—	432
Proceeds from issuance of shares to senior employees	1	—	—	—	—	1	—	1
Dividend	—	—	—	249	—	249	—	249
	1	338	—	249	140	728	—	728
BALANCE AT 30 JUNE 2018 (unaudited)	17,094	116,132	(85,299)	872,640	(3,693)	916,874	4,546	921,420

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

FRUTAROM INDUSTRIES LTD.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX AND THREE-MONTH PERIOD ENDED 30 JUNE 2017

	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 2017 (audited)	16,997	114,396	(109,043)	637,868	(3,765)	656,453	8,151	664,604
CHANGES DURING THE 6 MONTH PERIOD ENDED 30 JUNE 2017 (unaudited):								
Comprehensive income:								
Income for the period	—	—	—	69,843	—	69,843	1,083	70,926
Other comprehensive income for the period	—	482	38,025	—	—	38,507	374	38,881
Total comprehensive income for the period	—	482	38,025	69,843	—	108,350	1,457	109,807
Plans for allotment of company shares to employees of subsidiary:								
Acquisition of the Company shares by the Company	—	—	—	—	(707)	(707)	—	(707)
Receipts in respect of allotment of company shares to employees	—	(1,180)	—	—	1,770	590	—	590
Allotment of shares and options to senior employees:								
Recognition of compensation related to employee stock and options grants	—	928	—	—	—	928	—	928
Proceeds from issuance of shares to senior employees	67	3,196	—	—	—	3,263	—	3,263
Changes of ownership rights in subsidiary	—	378	—	—	—	378	(2,773)	(2,395)
Dividend, including erosion	—	—	—	(7,234)	—	(7,234)	—	(7,234)
	—	3,322	—	(7,234)	1,063	(2,782)	(2,773)	(5,555)
BALANCE AT 30 JUNE 2017 (unaudited)	17,064	118,200	(71,018)	700,477	(2,702)	762,021	6,835	768,856

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

FRUTAROM INDUSTRIES LTD.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX AND THREE-MONTH PERIOD ENDED 30 JUNE 2017

	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 APRIL 2017 (unaudited)	17,027	116,817	(91,193)	663,977	(3,791)	702,837	8,692	711,529
CHANGES DURING THE 3 MONTH PERIOD ENDED 30 JUNE 2017 (unaudited):								
Comprehensive income:								
Income for the period	—	—	—	36,570	—	36,570	621	37,191
Other comprehensive income for the period	—	(471)	20,175	—	—	19,704	295	19,999
Total comprehensive income for the period	—	(471)	20,175	36,570	—	56,274	916	57,190
Plans for allotment of company shares to employees of subsidiary:								
Receipts in respect of allotment of company shares to employees	—	(726)	—	—	1,089	363	—	363
Allotment of shares and options to senior employees:								
Recognition of compensation related to employee stock and options grants	—	473	—	—	—	473	—	473
Proceeds from issuance of shares to senior employees	37	1,729	—	—	—	1,766	—	1,766
Changes of ownership rights in subsidiary	—	378	—	—	—	378	(2,773)	(2,395)
Dividend, including erosion	—	—	—	(70)	—	(70)	—	(70)
	37	1,854	—	(70)	1,089	2,910	(2,773)	137
BALANCE AT 30 JUNE 2017 (unaudited)	17,064	118,200	(71,018)	700,477	(2,702)	762,021	6,835	768,856

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

FRUTAROM INDUSTRIES LTD.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	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 2017	16,997	114,396	(109,043)	637,868	(3,765)	656,453	8,151	664,604
CHANGES DURING THE YEAR ENDED 31 DECEBMBER 2017:								
Comprehensive income:								
Income for the year	—	—	—	149,679	—	149,679	1,884	151,563
Other comprehensive income	—	(41)	63,856	2,716	—	66,531	572	67,103
Total comprehensive income for the year	—	(41)	63,856	152,395	—	216,210	2,456	218,666
Plan for allotment of Company shares to employees of subsidiary:								
Acquisition of the Company shares by the Company	—	—	—	—	(1,528)	(1,528)	—	(1,528)
Receipts in respect of allotment of Company shares to employees	—	(1,256)	—	—	1,884	628	—	628
Allotment of shares and options to senior employees-								
Recognition of compensation related to employee stock and option grants	—	1,838	—	—	—	1,838	—	1,838
Proceeds from issuance of shares to senior employees	89	4,296	—	—	—	4,385	—	4,385
Changes of ownership rights in subsidiary	—	1,055	—	—	—	1,055	(3,450)	(2,395)
Dividend paid to the non-controlling interests in subsidiary	—	—	—	—	—	—	(51)	(51)
Dividend paid	—	—	—	(7,234)	—	(7,234)	—	(7,234)
Non-controlling interest from business combination	89	5,933	—	(7,234)	356	(856)	(3,501)	(4,357)
BALANCE AT 31 DECEMBER 2017	17,086	120,288	(45,187)	783,029	(3,409)	871,807	7,106	878,913

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

FRUTAROM INDUSTRIES LTD.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX AND THREE-MONTH PERIOD ENDED 30 JUNE 2018

	6 months ended 30 June		3 months ended 30 June		Year ended 31 December
	2018	2017	2018	2017	2017
	(Unaudited)		(Unaudited)		(Audited)
	U.S. dollars in thousands				
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash generated from operations (see appendix)	96,153	88,985	48,521	41,630	223,210
Income tax paid—net	(18,721)	(13,596)	(6,507)	(8,775)	(35,681)
Net cash provided by operating activities	77,432	75,389	42,014	32,855	187,529
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of property, plant and equipment	(18,666)	(14,160)	(9,304)	(7,288)	(34,394)
Purchase of intangibles	(881)	(1,153)	(173)	(554)	(2,890)
Interest received	385	448	188	218	1,294
Acquisition of subsidiaries—net of cash acquired	(214,229)	(68,254)	(30,549)	(48,799)	(109,265)
Prepayments due to acquisition of subsidiaries	(2,431)	—	—	—	—
Purchase of available for sale securities	—	(5,606)	—	(1,269)	(40,169)
Proceeds from sale of property and other assets	14,168	210	2,158	152	454
Net cash used in investing activities	(221,654)	(88,515)	(37,680)	(57,540)	(184,970)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Dividend paid to the non-controlling interests in subsidiary	(802)	—	(802)	—	(51)
Receipts from senior employees in respect of allotment of shares	831	3,263	—	1,766	4,385
Interest paid	(8,405)	(3,965)	(4,631)	(2,282)	(8,929)
Receipt of long-term bank loans	257,016	59,406	415	5,014	133,373
Repayment of Put option to shareholders in subsidiary	(2,915)	(40,226)	(2,915)	—	(42,227)
Acquisition of non-controlling interests subsidiary	—	(2,395)	—	(2,395)	(2,395)
Repayment of long-term bank and financial institutions Loans	(154,096)	(89,842)	(113,619)	(47,428)	(172,909)
Receipt (repayment) of short-term bank loans and credit-net	73,279	82,412	94,490	65,052	88,455
Operating Lease payments	(4,444)	—	(2,040)	—	—
Acquisition of the Company shares by the Company— net of receipts in respect of the shares	(582)	(117)	—	363	(900)
Dividend paid	(8,222)	(7,234)	(8,222)	(7,234)	(7,234)
Net cash provided (used) in financing activities	151,660	1,302	(37,324)	12,856	(8,432)
INCREASE IN CASH, CASH EQUIVALENTS	7,438	(11,824)	(32,990)	(11,829)	(5,873)
Balance of cash and cash equivalents and bank credit at beginning of year and bank credit	118,214	113,528	161,359	116,261	113,528
Profits (losses) from exchange differences on cash and cash equivalents	(5,845)	6,613	(8,562)	3,885	10,559
BALANCE OF CASH AND CASH EQUIVALENTS AND AT END OF PERIOD	119,807	108,317	119,807	108,317	118,214

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

FRUTAROM INDUSTRIES LTD.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX AND THREE-MONTH PERIOD ENDED 30 JUNE 2018

APPENDIX TO CONDENSED CONSOLIDATED STATEMENTS CASH FLOWS

	6 months ended 30 June		3 months ended 30 June		Year ended 31 December
	2018	2017	2018	2017	2017
	(Unaudited)		(Unaudited)		(Audited)
	U.S. dollars in thousands				
Cash generated from operations:					
Income before tax	122,189	90,339	65,685	47,165	186,360
Adjustments required to reflect the cash flows from operating activities:					
Depreciation and amortization	34,913	21,169	17,361	11,230	46,797
Recognition of compensation related to employee stock and options grants	857	928	432	473	1,838
Liability for employee rights upon retirement—net	3,171	439	2,970	139	(641)
Loss (gain) from sale and write-off of fixed assets and other assets	(1,546)	247	(1,351)	(30)	1,934
Dividend received from companies accounted for at equity	—	2,250	—	—	2,250
Group's share of losses (earnings) of companies accounted for at equity, net	(1,326)	(444)	(636)	(45)	(1,402)
Erosion of long term loans	(1,648)	4,866	(1,518)	4,166	(1,247)
Interest paid—net	8,020	3,517	4,443	2,064	7,635
	42,441	32,972	21,701	17,997	57,164
Changes in operating asset and liability items:					
Decrease (increase) in accounts receivable:					
Trade	(39,030)	(29,333)	(30,341)	(15,005)	(16,804)
Other	(207)	3,091	1,900	1,077	9,263
Increase in other long-term receivables	(47)	(97)	42	47	(1,223)
Increase (decrease) in accounts payable:					
Trade	(2,260)	5,298	3,215	(3,382)	2,036
Other	(15,507)	(1,445)	(13,873)	(3,278)	3,385
Increase (decrease) in other long-term payables	(2,039)	14	511	(20)	1,815
Increase in inventories	(9,387)	(11,854)	(319)	(2,971)	(18,786)
	(68,477)	(34,326)	(38,865)	(23,532)	(20,314)
Net Cash flows from operating activities	96,153	88,985	48,521	41,630	223,210

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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

a. The interim condensed consolidated financial information of the group as of 30 June 2018 and for the 6 and 3 month periods ended on that date (hereinafter—the interim financial information) was prepared in accordance with International Accounting Standard No. 34—“Interim Financial Reporting” (hereafter—“IAS 34”). The interim financial information should be read in conjunction with the audited annual financial statements as of 31 December, 2017 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, 2017.

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 2017 annual financial statements, except for the following:

Income tax in interim periods is recognized based on management’s best estimate of the weighted average annual income tax rate expected.

b. In conjunction with Note 2 to the audited financial statements for the year ended December 31, 2017, the Company has elected to early adopt IFRS 16, commencing January 1, 2018.

NOTE 3—PRINCIPAL ACCOUNTING POLICIES (continued):

1. The main impact of adopting the standard early is the elimination of existing requirement on lessees to classify leases as operating lease (off-balance sheet) or finance lease, and they are now required to use a single accounting model for all leases, similarly to how finance leases are currently accounted for. Accordingly, before first-time adoption, under IAS 17 (the previous standard for leases), the Group classified leases where it served as lessee as operating, because it did not have substantially all risks and rewards incidental to ownership of the asset.

   In agreements where the Group is the lessor, it applies IFRS 16 using a single accounting model under which it recognizes a right-of-use asset and a lease liability upon inception of the lease contract. It does so for all leases in which the Group has right to control the use of identified assets for a period of time in exchange for consideration. Accordingly, the Group recognizes depreciation and depreciation charges on the right-of-use asset and tests the need for recognizing impairment of the right-of-use asset in compliance with IAS 36 "Impairment of Assets", and also recognizes finance expenses in relation to a lease liability. Therefore, beginning on first-time adoption, rent expenses relating to properties rented under operating leases, which were presented within administrative and general expenses in the income statement, are now presented as assets that are depreciated through depreciation and depreciation assets.

   The Group adopted the standard using the cumulative effect method, without restatement of comparative information.

   Regarding all leases, the Group applied the transitional provisions such that it initially recognized a liability at the commencement day at an amount equal to the present value of the lease payments during the lease, discounted using the effective interest rate as of that date, and concurrently recognized a right-of-use asset at an amount identical to the liability. As a result, the standard had no impact on equity and retained earnings of the Group as of initial application.

   As part of initial application, the Group elected to adopt the following practical expedients, as permitted by the standard:

   a. Use a single discount rate for a portfolio of leases with similar characteristics;

   b. Not to separate lease and non-lease components of a contract and account for all components as a single lease;

   c. Exclude initial direct costs from the measurement of the right-of-use asset as of initial application;

   d. Use hindsight, such as determining the lease term if the contract contains options to extend or terminate the lease;

2. The new significant accounting policy for agreements in which the Group is the lessee as applied beginning on January 1, 2018 following initial application of the standard:

   (1) Leased assets and lease liabilities

   Contracts conveying the Group a right to control an identified asset for a period of time in exchange for consideration, are accounted for as leases. Upon initial recognition, the Group recognizes a liability for the present value of the minimum future lease payments (those

NOTE 3—PRINCIPAL ACCOUNTING POLICIES (continued):

payments do not include variable lease payments that are not index-dependent or change in any interest rate or change in exchange rate) and concurrently, the Group recognizes a right-of-use asset at the amount of the liability, adjusted by the amount of any previously recognized prepaid or accrued lease payments plus direct costs incurred in the lease. Since the interest rate implicit in a lease is not readily determined, the effective interest rate of the Group is used (the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment). Subsequent initial recognition, an asset is accounted for using the cost model, and is depreciated over the earlier of the term of the lease or the useful life of the assets.

(2) Lease term

The term of a lease is determined as the non-cancellable period for which a lessee has the right to use an underlying asset, together with both periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

(3) Depreciation of a right-of-use asset

Subsequent to the inception of the lease, a right-of-use asset is measured using the cost method, less accumulated depreciation and accumulated impairment losses, and is adjusted for remeasurements of the lease liability. Depreciation is measured using the straight-line method over the useful life or contractual lease term, whichever ends earlier.

3. On the date of initial application of IFRS 16, the Group recognized right-of-use assets and lease liabilities at $ 37,370 thousands.

4. The following tables present a summary of the impact on the consolidated condensed interim statement of financial position as of June 30, 2018 and the consolidated condensed interim income statement and consolidated condensed interim statement of cash flows for the six-month period then ended, assuming that the previous accounting policy of the Group for leases would have continued in that period.

a. The impact on the consolidated condensed interim statement of financial position as of June 30, 2018:

	Under previous policy (Unaudited)	The change (Unaudited)	Under IFRS 16 (Unaudited)
		$ in thousands	
Non-current assets:			
Property, plant and equipment (net)	336,591	32,926	369,517
Current liabilities:			
Liabilities for lease payment	—	(7,757)	(7,757)
Non-current liabilities:			
Liabilities for lease payment	—	(25,322)	(25,322)

NOTE 3—PRINCIPAL ACCOUNTING POLICIES (continued):

b. The impact on the consolidated condensed interim income statement for the six-month period ended June 30, 2018:

	Under previous policy (Unaudited)	The change (Unaudited)	Under IFRS 16 (Unaudited)
		$ in thousands	
Operating expenses	155,092	(4,444)	150,648
Depreciation and amortization charges	30,469	4,444	34,913
Operating income	134,947	—	134,947

c. The impact on the consolidated condensed interim statement of cash flows for the six-month period ended June 30, 2018:

	Under previous policy (Unaudited)	The change (Unaudited)	Under IFRS 16 (Unaudited)
		$ in thousands	
Net cash provided by operating activity	73,580	4,444	78,024
Net cash provided by financing activity	155,950	(4,444)	151,506

NOTE 4—BUSINESS COMBINATIONS

a. Acquisition of Enzymotec

On January 11, 2018, Frutarom completed the acquisition of 100% of the share capital of Enzymotec Ltd., an Israeli public company whose shares were traded on NASDAQ (under the symbol ENZY) (“Enzymotec”) that upon the completion of the merger ceased from being a public company and became, an indirectly fully-owned subsidiary of Frutarom. The overall consideration that was paid by Frutarom for 100% of Enzymotec’s shares, stands at approx. $ 287 million (including cost of vested options RSU’s). On May 14, 2018, Frutarom received approval from the tax authorities in Israel to merge Enzymotec into Frutarom, and the company is taking action to merge the companies; the merger will be completed over the following months.

In order to finance the merger transaction with Enzymotec, the company entered into loan agreements with banking corporations for the extending of loans totaling USD 235 million. According to the agreements, the loans bear interest of Libor plus 1.52% per year and shall be repaid in up to 5 years by quarterly amounts. Half of the loan will be repaid after 12 months from receiving the loan by 16 quarterly installments and the rest will be repaid in the end of the period.

Enzymotec, which was founded in 1998, develops, produces and markets nutritional ingredients and medical foods based on cutting-edge, proprietary technologies Enzymotec has developed a unique technology for processing lipids (organic compounds which includes fat) that are an important nutritional element, supporting various biological functions. Enzymotec’s proprietary technology enables extraction of lipids from natural sources, separation and analysis of lipid molecules, and use enzymes to synthesize lipid

NOTE 4—BUSINESS COMBINATIONS (continued):

a. Acquisition of Enzymotec (continued):

molecules familiar to the human body. Enzymotec utilizes an innovative toolset that allows it to efficiently transform lipids from natural raw materials into those that have unique structural and functional characteristics, essential to the human body. Enzymotec, with approx. 127 employees, mainly in Israel and the United States, including 20 in R&D, has an advanced GMP certified factory in Migdal HaEmek, Israel which includes an R&D center, laboratories, a production plant and offices.

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 intangible assets which were recognized include: product formulas, customer relations and goodwill. The product formulas and customer relations are amortized over economic useful lives of 20 years and 10 years, respectively. 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 Enzymotec at date of acquisition:

	Fair value U.S. dollars In thousands
Current assets:	
Cash and cash equivalents	76,291
Trade	12,426
Inventory	25,247
Others	1,843
Non-current assets:	
Property, plant and equipment	23,019
Intangible assets	176,417
Other long-term assets	95
Investments	2,664
Current liabilities :	
Trade payables	(8,753)
Other payables	(19,370)
Non-current liabilities:	
Deferred taxes	(2,562)
	287,317

From the date it was consolidated with the financial statements of the Company through June 30, 2018, the acquired operations have yielded revenues of $ 44,101 thousands and net profit of $ 8,159 thousands (net of acquisition costs).

NOTE 4—BUSINESS COMBINATIONS (continued):

b. Acquisition of IBR

On February 1, 2018, Frutarom purchased 100% of the share capital of the Israeli company I.B.R—Israeli Biotechnology Research Ltd. ("IBR") in exchange for approx. $ 21 million. The transaction was completed upon signing and financed through bank debt.

Established in 1995, IBR researches, develops, manufactures and markets innovative and proprietary natural active ingredients for the cosmetics and dietary supplements industries, mainly for cellular anti-aging, skin protection from UV rays and air pollution, skin whitening and pigmentation prevention. IBR has R&D labs and a production facility in the town of Yavne, Israel and it employs approx. 30 employees. IBR's activity has been added to Frutarom's existing activities in the fields of algae-growth and active ingredients extraction, for skin care and protection.

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 intangible assets which were recognized include: product formulas, customer relations and goodwill. The product formulas and customer relations are amortized over economic useful lives of 20 years and 10 years, respectively. 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 IBR at date of acquisition:

	Fair value U.S. dollars In thousands
Current assets:	
Cash and cash equivalents	471
Trade	715
Inventory	2,316
Others	582
Non-current assets:	
Property, plant and equipment	799
Intangible assets	17,631
Other long-term assets	24
Current liabilities :	
Trade payables	(97)
Other payables	(1,019)
Non-current liabilities:	
Deferred taxes	(422)
	21,000

From the date it was consolidated with the financial statements of the Company through June 30, 2018, the acquired operations have yielded revenues of $ 3,057 thousands and net profit of $ 1,280 thousands (net of acquisition costs).

NOTE 4—BUSINESS COMBINATIONS (continued):

c. Acquisition of Bremil

On December 20, 2017 Frutarom signed an agreement for the purchase of 51% of the shares of the Brazilian company Bremil Indústria De Produtos Alimenticios Ltda. ("**Bremil**"). The purchase agreement includes a mutual option for the purchase of the balance of shares of Bremil to take effect starting five years from the date of the transaction's completion at a price based on Bremil's business performance during that period. On May 30, 2018, Frutarom completed the acquisition of 51% of Bremil's shares in exchange for approx. US$ 21 million (BRL 78 million) and a future consideration based on Bremil's future business performance in 2017 and 2018, which as of the date of the transaction amounted approx. US$ 9 million. The transaction was financed through bank debt.

Bremil was established in 1987 in Brazil and operates in Brazil's savory solutions market, with an emphasis on convenience foods, prepared foods and processed meats. Bremil, which employs about 250 workers, serves about 450 customers in Brazil and countries of the region, with substantial presence among top processed meat producers, and has two production sites, in southern and central Brazil, with significant excess production capacity which Frutarom intends to utilize towards raising output and growth in Brazil and neighboring countries.

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 intangible assets which were recognized include: product formulas, customer relations and goodwill. The product formulas and customer relations are amortized over economic useful lives of 20 years and 10 years, respectively. 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 Bremil at date of acquisition:

	Fair value U.S. dollars In thousands
Current assets:	
Cash and cash equivalents	262
Trade	8,272
Inventory	3,790
Others	1,329
Non-current assets:	
Property, plant and equipment	11,140
Intangible assets	74,325
Other long-term assets	117
Current liabilities :	
Trade payables	(1,929)
Other payables	(9,604)
Non-current liabilities:	
Other non-current payables	(55,913)
Deferred taxes	(11,036)
	20,753

NOTE 4—BUSINESS COMBINATIONS (continued):
c. Acquisition of Bremil (continued)

From the date it was consolidated (May 30, 2018) with the financial statements of the Company through June 30, 2018, the acquired operations have yielded revenues of $ 4,327 thousands and net profit of $ 701 thousands (net of acquisition costs).

d. Acquisition of Mighty

On October 18, 2017 Frutarom signed an agreement for the purchase of 60% of the shares of the Thai company The Mighty CO. LTD. (including the activity of Maharaj Food Co. Ltd. and Mighty International Co. Ltd., and hereinafter collectively: "Mighty") for approx. $ 12 million (approx. THB 393 million) (not including debt). All, according to value of approx. $ 20 million (net of debt) (approx. THB 655 million).

In the framework of the transaction Frutarom initially acquired 49% of Mighty and, subject to a number of conditions precedent and regulatory approvals in Thailand, will raise its holdings to 60%.
The transaction includes a mechanism for future consideration subject to Mighty's future performance and a mutual option for the purchase of the balance of holdings in Mighty in two stages in periods beginning three years and five years from the date the transaction is completed, at a price based on Mighty's future business performance.

In February 2018, the conditions of the first part were met, hence the Company holds, as of the date of this report 49% of the share capital of Mighty. According to the Company expectation, raising the holdings to 60% will be completed in several months. The transaction will be financed through bank debt and by the Company own means.

e. On a proforma basis—assuming that the companies acquired in 2017 has been consolidated as from 1.1.2017 and the companies acquired in 2018 had been consolidated in the corresponding period in 20 17—the H1 2017 sale would have amounted to approx. $ 708.0 million. This figure is based on unaudited data provided by the owners of the acquired activities in accordance with the pre-acquisition accounting policies of the acquired activities.

NOTE 5—DIVIDEND:

On March 19, 2018 the Company's Board of Directors announced the distribution of dividend in the amount of NIS 0.50 per share, the dividend was paid to the shareholders on 7 of May, 2018 in the total amount of approx. $ 8,222 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.

NOTE 6—SEGMENT REPORTING (continued):

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

	Flavors operations	Fine ingredients operations	Trade and marketing operations	Eliminations	Total consolidated
	U.S. dollars in thousands				
6 months ended 30 June 2018: (unaudited):					
Revenues	577,524	175,486	40,054	(6,954)	786,110
Segment results	101,410	33,229	308	—	134,947
6 months ended 30 June 2017: (unaudited):					
Revenues	473,612	133,157	44,304	(4,953)	646,120
Segment results	81,656	18,037	880	(30)	100,543
3 months ended 30 June 2018 (unaudited):					
Revenues	296,044	88,777	20,947	(4,463)	401,305
Segment results	55,071	17,109	298	—	72,478
3 months ended 30 June 2017 (unaudited):					
Revenues	254,260	66,404	25,259	(2,334)	343,589
Segment results	45,707	9,099	378	12	55,196
Year ended 31 December 2017 (audited):					
Revenues	1,025,359	260,122	90,962	(14,047)	1,362,396
Segment results	177,680	31,638	1,664	(16)	210,966

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

	6 months ended 30 June		3 months ended 30 June		Year ended 31 December
	2018	2017	2018	2017	2017
	(Unaudited)		(Unaudited)		(Audited)
	U.S. dollars in thousands				
Reported segment profits	134,947	100,543	72,478	55,196	210,966
Financing expenses	12,758	10,204	6,793	8,031	24,606
Profit before taxes on income	122,189	90,399	65,685	47,165	186,360

NOTE 7—SUBSEQUENT EVENTS:

a. Termination of agreement to acquire Meroar

On July 1, 2018 the company announced that following its entering into an agreement to acquire 70% of the Argentinean companies Meroar S.A. and Meroaromas S.A. (“Meroar”) on March 13, 2018, the parties have reached a mutual consent to terminate the agreement without costs due to significant changes in the business environment in Argentina, including a significant devaluation of the local currency.

b. Shareholders’ approval of the merger agreement with IFF:

Following the signing of the agreement, on May 7, 2018, with IFF (the “Merger Agreement”), an international public company whose securities are listed for trading on the New York Stock Exchange (the “Purchaser”) and Icon Newco Ltd., a private company incorporated under the laws of the State of Israel that is wholly-owned by the Purchaser (“Merger Sub”), the general meeting of the shareholders approved the merger with IFF on August 6, 2018, according to the merger agreement and all transactions and actions related to the merger agreement.

Under the Merger Agreement, a reverse triangular merger (the “Merger”) shall take place, pursuant to which, upon closing, the Merger Sub shall be merged with and into Frutarom (as a result of the merger, Frutarom will turn into a subsidiary (100%) of the purchaser), such that for each Ordinary Share, par value NIS 1.00, of the Company immediately prior to the consummation of the Merger, the Purchaser shall (a) pay a cash amount of US$ 71.19; and (b) issue 0.249 shares of the Purchaser’s common stock.
The Merger Consideration reflects a Company valuation of approximately US$ 6.37 billion, on a fully-diluted basis, and an enterprise value (taking into account estimated amount of the Company’s net debt) of approximately US$ 7.1 billion.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

On May 7, 2018, IFF, Frutarom and Merger Sub entered into a merger agreement that provides for the acquisition of Frutarom by IFF. Subject to the satisfaction or waiver of certain other closing conditions, IFF will acquire Frutarom through the merger of Merger Sub with and into Frutarom, with Frutarom surviving the merger and becoming a wholly owned subsidiary of IFF.

The following unaudited pro forma condensed combined financial information is presented to illustrate the estimated effects of the merger and certain other adjustments listed below.

The unaudited pro forma condensed combined balance sheet as of June 30, 2018, and the unaudited pro forma condensed combined statements of operations for the six months ended June 30, 2018 and the year ended December 31, 2017, respectively, are presented herein. The unaudited pro forma condensed combined balance sheet combines the unaudited consolidated balance sheets of IFF and Frutarom as of June 30, 2018, and gives effect to the merger as if it occurred on June 30, 2018. The unaudited pro forma condensed combined statements of operations combine the historical results of IFF and Frutarom for the six months ended June 30, 2018, and the year ended December 31, 2017, and give effect to the merger as if it occurred on January 1, 2017. The historical financial information has been adjusted to give effect to pro forma adjustments that are (i) directly attributable to the merger, (ii) factually supportable, and (iii) with respect to the unaudited condensed combined statements of operations, expected to have a continuing impact on the combined entity's condensed results.

The merger of IFF and Frutarom will be accounted for using the acquisition method of accounting as per the provisions of Accounting Standards Codification 805, "Business Combinations", which we refer to as ASC 805, with IFF representing the accounting acquirer under this guidance. The unaudited pro forma condensed combined financial statements were prepared in accordance with Article 11 of Regulation S-X and primarily give effect to the merger adjustments, which include:

- Adjustments to reconcile Frutarom's historical audited and unaudited financial statements prepared in accordance with IFRS as issued by the IASB to U.S. GAAP;
- Conforming accounting policies and presentation;
- Application of the acquisition method of accounting in connection with the merger;
- Adjustments to reflect repayment of certain existing debt facilities of Frutarom and IFF as well as financing arrangements entered into in connection with the merger; and
- Effect of acquisition-related costs in connection with the merger.

The pro forma adjustments included in this document are subject to modification based on changes in interest rates, changes in share prices, the final determination of the fair value of the assets acquired and liabilities assumed, additional analysis, and additional information that may become available, which may cause the final adjustments to be materially different from the pro forma condensed combined financial statements presented below. Following the consummation of the merger, IFF management will perform a detailed review of Frutarom's accounting policies in an effort to determine if differences in accounting policies require further reclassification of Frutarom's results of operations or reclassification of assets or liabilities to conform to IFF's accounting policies and classification. As a result, IFF may subsequently identify additional material differences in the accounting policies which could have a material impact on the unaudited pro forma combined financial information.

The unaudited pro forma condensed combined financial information presented is for informational purposes only and is not necessarily indicative of the financial position or results of operations that would have been realized if the merger had been completed on the dates set forth above, nor is it indicative of future results or financial position of the combined company. Additionally, the final determination of the purchase price and the purchase price allocation, upon the completion of the merger, will be based on Frutarom's net assets acquired as of that date and will depend on a number of factors that cannot be predicted with certainty at this time. The unaudited pro forma condensed combined financial information does not reflect any anticipated synergies or dis-synergies, operating efficiencies or cost savings that may result from the merger or potential divestitures that may occur prior to, or subsequent to, the completion of the merger or any acquisition and integration costs that may be incurred. The pro forma adjustments, which IFF believes are reasonable under the circumstances, are preliminary and are based upon available information and certain assumptions described in the accompanying notes to the unaudited pro forma condensed combined financial information. Actual results and valuations may differ materially from the assumptions within the accompanying unaudited pro forma condensed combined financial information. Any changes to IFF's stock price, from September 5, 2018 through the date the merger is completed, will also change the purchase price, which may include the recording of a lower or higher amount of goodwill. The final adjustments may be materially different from the pro forma condensed combined financial statements presented in this document.

The unaudited pro forma condensed combined financial information should be read in conjunction with the notes to the unaudited pro forma condensed combined financial information, Frutarom's audited financial statements for the year ended December 31, 2017 and Frutarom's unaudited quarterly financial statements for the quarterly period ended June 30, 2018, as well as IFF's consolidated financial statements and related notes thereto contained in its Annual Report on Form 10-K for the year ended December 31, 2017 and IFF's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2018.

Unaudited Pro Forma Condensed Combined Balance Sheet

As of June 30, 2018

(In thousands, except shares and per-share data)

	Historical IFF (US GAAP)	Historical FRUTAROM (US GAAP)	Purchase Accounting Adjustments	Notes	Other Pro Forma Adjustments	Notes	Total
Assets							
Current Assets:							
Cash and Cash Equivalents	$ 322,423	$ 119,807	$(4,258,273)	3	$4,113,214	6k	$ 297,171
Trade receivables, net	723,855	321,797	—		—		1,045,652
Inventory	695,192	338,881	33,119	6c	—		1,067,192
Prepaid expenses and other current assets	285,110	27,949	—		(26,141)	6h	286,918
Total Current Assets	2,026,580	808,434	(4,225,154)		4,087,073		2,696,933
Property, plant and equipment, net	867,629	336,591	—	4	—		1,204,220
Goodwill	1,148,586	589,250	3,630,062	6b	—		5,367,898
Other intangible assets, net	391,426	442,647	2,027,353	4	—		2,861,426
Deferred income taxes assets	82,204	4,512	—		—		86,716
Other assets	157,017	41,054	—		—		198,071
Total Assets	**$ 4,673,442**	**$ 2,222,488**	**$ 1,432,261**		**$4,087,073**		**$12,415,264**
LIABILITIES AND SHAREHOLDERS' EQUITY							
Current Liabilities:							
Short term borrowings	6,500	397,601	—		194,611	6f	598,712
Accounts payable	315,656	225,998	—		—		541,654
Dividends payable	54,488	—	10,843	3	—		65,331
Other current liabilities	322,726	26,359	46,392	4	(36,792)	6l	358,685
Total Current Liabilities	699,370	649,958	57,235		157,819		1,564,382
Long-term debt	1,717,189	399,833	—		1,960,993	6f	4,078,015
Retirement liabilities	226,221	33,690	—		—		259,911
Deferred income tax liabilities	—	66,234	390,270	6d	—		456,504
Other liabilities	274,459	19,802	(2,186)	4	—		292,075
Total Other Liabilities	2,217,869	519,559	388,084		1,960,993		5,086,505
Redeemable Noncontrolling Interest	—	131,398	—		—		131,398
Shareholders' Equity:							
Common Stock	14,470	17,094	(17,094)	6e	1,468	6f	15,938
Capital in excess of par value	167,432	116,132	1,086,447	6e	2,057,638	6f	3,427,649
Treasury stock, at cost	(1,732,001)	(3,693)	705,083	6e	—		(1,030,611)
Other equity	3,299,954	787,494	(787,494)	6e	(90,845)	6e	3,209,109
Total Shareholders' Equity	1,749,855	917,027	986,942		1,968,261		5,622,085
Noncontrolling interest	6,348	4,546	—		—		10,894
Total Shareholders' Equity including NCI	1,756,203	921,573	986,942		1,968,261		5,632,979
Total Liabilities and Shareholders' Equity	**$ 4,673,442**	**$ 2,222,488**	**$ 1,432,261**		**$4,087,073**		**$12,415,264**

See the accompanying "*Notes to the Unaudited Pro Forma Condensed Combined Financial Information*", which are an integral part hereof. The pro forma adjustments are explained in the notes below.

Unaudited Pro Forma Condensed Combined Statement of Operations

For the Six Months Ended June 30, 2018

(In thousands, except shares and per-share data)

	Historical						
	IFF (US GAAP)	FRUTAROM (US GAAP)	Purchase Accounting Adjustments	Notes	Other Pro Forma Adjustments	Notes	Total
Revenue:							
Net sales	1,850,944	786,110	—		—		2,637,054
Cost of goods sold	1,046,419	466,928	—		—		1,513,347
Gross profit	804,525	319,182	—		—		1,123,707
Expenses:							
Research and development expenses	153,244	30,770	—		—		184,014
Selling and administrative expenses	300,051	141,640	—		(12,455)	6h	429,236
Restructuring and other charges, net	1,903	—	—		—		1,903
Amortization of acquisition-related intangibles	18,769	13,466	58,412	6a	—		90,647
Gain on sales of fixed assets	1,195	(691)	—		—		504
Total expenses	475,162	185,185	58,412		(12,455)		706,304
Operating profit	329,363	133,997	(58,412)		12,455		417,403
Other income (expense):			—				—
Interest expense	69,841	12,758	—		43,395	6f	125,994
Other (income) expense, net	(21,232)	(950)	—		(10,979)	6g	(33,161)
Total other (income) expense	48,609	11,808	—		32,416		92,833
Income before taxes	280,754	122,189	(58,412)		(19,961)		324,570
Taxes on income	52,190	23,600	(11,215)	6a	(4,385)	6j	60,190
Net income (Including Noncontrolling Interests)	228,564	98,589	(47,197)		(15,576)		264,380
Less: noncontrolling interests	—	3,204	—		—		3,204
Net Income	228,564	95,385	(47,197)		(15,576)		261,176
Net income per share—basic	2.89	1.61					$ 2.34
Net income per share—diluted	2.87	1.63					$ 2.31
Basic shares outstanding	79,041	59,530					111,564
Diluted shares outstanding	79,347	60,339					113,045

See the accompanying "*Notes to the Unaudited Pro Forma Condensed Combined Financial Information*", which are an integral part hereof. The pro forma adjustments are explained in the notes below.

Unaudited Pro Forma Condensed Combined Statement of Operations

For the Year Ended December 31, 2017

	IFF (US GAAP)	FRUTAROM (US GAAP)	Purchase Accounting Adjustments	Notes	Other Pro Forma Adjustments	Notes	Total
Revenue:							
Net sales	$3,398,719	$1,362,396	$ —		$ —		$4,761,115
Cost of goods sold	1,919,718	$ 837,271	—		6,538	6i	$2,763,527
Gross profit	1,479,001	525,125	—		(6,538)		1,997,588
Expenses:							
Research and development expenses	286,026	43,644	—		9,443	6i	339,113
Selling and administrative expenses	557,311	246,332	—		12,833	6i	816,476
Restructuring and other charges, net	19,711	(340)	—		—		19,371
Amortization of acquisition-related intangibles	34,694	22,193	116,824	6a	—		173,711
Gain on sales of fixed assets	(184)	1,934	—		—		1,750
Total expenses	897,558	313,763	116,824		22,276		1,350,421
Operating profit	581,443	211,362	(116,824)		(28,814)		647,167
Other (income) expense:							
Interest expense	65,363	10,075	—		83,847	6f	159,285
Other (income) expense, net	(20,965)	13,325	—		(28,814)	6i	(36,454)
Total other (income) expense	44,398	23,400	—		55,033		122,831
Income before taxes	537,045	187,962	(116,824)		(83,847)		524,336
Taxes on income	241,380	35,105	(22,898)	6a	(20,003)	6j	233,584
Net income (Including Noncontrolling Interests)	295,665	152,857	(93,926)		(63,844)		290,752
Less: noncontrolling interests	—	4,895	—		—		4,895
Net Income	295,665	147,962	(93,926)		(63,844)		285,857
Net income per share—basic	3.73	2.49					2.56
Net income per share—diluted	3.72	2.48					2.54
Basic shares outstanding	79,070	59,342					111,593
Diluted shares outstanding	79,370	59,632					113,068

See the accompanying "*Notes to the Unaudited Pro Forma Condensed Combined Financial Information*", which are an integral part hereof. The pro forma adjustments are explained in the notes below.

(In US$ thousands, except share and per share data and as otherwise noted)

Note 1—Description of Business Combination

On May 7, 2018, International Flavors & Fragrances ("IFF") entered into an Agreement and Plan of Merger (the "merger agreement") with Frutarom Industries Ltd., a company organized under the laws of the State of Israel ("Frutarom") and Icon Newco Ltd., a company organized under the laws of the State of Israel and a wholly owned subsidiary of IFF ("Merger Sub"). Pursuant to the merger agreement, subject to the satisfaction or waiver of specified conditions, Merger Sub will merge with and into Frutarom (the "merger"), with Frutarom continuing as the surviving company in the merger and a wholly owned subsidiary of IFF.

At the completion of the merger, each ordinary share, par value Israeli New Shekel (to be referred as "NIS") 1.00 per share, of Frutarom (the "Frutarom ordinary shares") issued and outstanding immediately prior to the completion of the merger (other than Frutarom ordinary shares held by Frutarom as treasury stock (dormant shares) or held directly or indirectly by IFF, Merger Sub or any wholly owned subsidiary of Frutarom) will be converted into the right to receive (i) $71.19 in cash (the "cash consideration") and (ii) 0.249 of a validly issued, fully paid and non-assessable share of common stock, par value $0.125 per share, of IFF ("IFF common stock"), with cash in lieu of fractional shares of IFF common stock otherwise issuable (such shares of IFF common stock and any such cash in lieu of fractional shares, together with the cash consideration, the "merger consideration"), in each case without interest and subject to applicable tax withholding.

At the completion of the merger, each Frutarom stock option and Frutarom restricted stock award that is outstanding and vested as of immediately prior to the completion of the merger, will be canceled in exchange for the right to receive the merger consideration in respect of each net share subject to such vested Frutarom stock option or Frutarom restricted stock award, less applicable tax withholding. For this purpose, "net share" means, with respect to a Frutarom stock option or Frutarom restricted stock award, the quotient of (i) the product of (A) the excess, if any, of the value of the merger consideration (calculated as specified in the merger agreement) over the exercise price or purchase price per Frutarom ordinary share (as applicable) subject to such Frutarom stock option or Frutarom restricted stock award, multiplied by (B) the number of Frutarom ordinary shares subject to such Frutarom stock option or Frutarom restricted stock award, divided by (ii) the value of the merger consideration.

The merger agreement provides for the Frutarom board of directors to declare a special dividend, on a per share basis, equal to the product of (a) 0.249 and (b) the aggregate per share value of IFF dividends with a record date after the date of the merger agreement and prior to the closing of the merger.

Note 2—Basis of Presentation

The accompanying unaudited pro forma condensed combined financial information was prepared in accordance with Article 11 of Regulation S-X and was based on the historical financial statements of IFF and Frutarom as of and for the year ended December 31, 2017 and as of and for the six months ended June 30, 2018. IFF is deemed to be the accounting acquirer and the pro forma adjustments are preliminary and are based on estimates that are subject to change. The combined group will not be a "foreign private issuer" as defined in Rule 405 under the Securities Act and Rule 3b-4(c) under the Exchange Act, accordingly the pro forma information of the combined group is prepared in accordance with U.S. GAAP.

The unaudited pro forma condensed combined statements of operations were prepared using:

- the historical unaudited consolidated statements of operations and comprehensive income of IFF for the six months ended June 30, 2018;

- the historical audited consolidated statements of operations and comprehensive income of IFF for the year ended December 31, 2017;
- the historical unaudited condensed consolidated statements of operations of Frutarom for the six months ended June 30, 2018; and
- the historical audited consolidated income statement of Frutarom for the year ended December 31, 2017.

IFF's historical audited and unaudited financial statements were prepared in accordance with U.S. GAAP and presented in thousands of U.S. dollars. Frutarom's historical audited and unaudited financial statements were prepared in accordance with IFRS as issued by the IASB and presented in thousands of U.S. dollars. Certain reclassifications were made to align Frutarom's financial statement presentation with that of IFF (see Note 5).

Frutarom's historical audited and unaudited financial statements were reconciled to U.S. GAAP. In addition, a preliminary review of IFRS to U.S. GAAP differences and related accounting policies has been completed based on information made available to date (see Note 5 for further information). However, following the consummation of the merger, IFF management will conduct a detailed review. As a result of that review, IFF management may identify differences that, when finalized, could have a material impact on the unaudited pro forma condensed combined financial information.

The unaudited pro forma condensed combined statements of operations also include certain purchase accounting adjustments, including items expected to have a continuing impact on the condensed combined results.

Note 3—Estimated Purchase Price

Pursuant to the merger, shareholders of Frutarom will receive $71.19 in cash and 0.249 shares of IFF's common stock for each Frutarom ordinary share held prior to the merger. If the aggregate number of shares of IFF common stock to be issued pursuant to the merger agreement would exceed 19.9% of the issued and outstanding shares of IFF common stock immediately prior to the entry into the merger agreement, rounded down to the nearest whole share, the exchange ratio will be reduced by the minimum extent necessary such that the foregoing clause is no longer true, and the cash component of the merger consideration will also be increased accordingly.

The following table summarizes the components of the preliminary estimated purchase price:

(In USD thousands, except share data and exchange ratio)		
Estimated Frutarom's shares outstanding(i)		59,654,657
Cash consideration per share(ii)		71.19
Total cash paid to shareholders of Frutarom		$ 4,246,815
Estimated cash paid to vested stock option holders(iii)		11,458
Estimated accrual for unvested stock option holders(iv)		16,392
Estimated closing dividend payable(v)		10,843
Estimated cash portion of purchase price	**A**	**$ 4,285,508**
Estimated Frutarom's shares outstanding		59,654,657
Exchange ratio(vi)		0.249
Total common shares of IFF to be issued(viii)		14,854,010
IFF's share price(vii)		127.72
Total equity consideration paid to shareholders of Frutarom		1,897,154
Estimated equity consideration paid to vested stock Frutarom option holders(iii)		6,815
Estimated equity portion of purchase price	**B**	**$ 1,903,969**
Total estimated consideration to be paid	**A+B**	**$ 6,189,477**

(i) Number of shares outstanding as of June 30, 2018.
(ii) Cash consideration per share as per the merger agreement.
(iii) Estimated cash and equity consideration payable to the vested Frutarom stock option holders on a diluted basis
(iv) Estimated pro rata portion of the unvested Frutarom stock options attributable to pre-combination services. The pro forma adjustment has been recorded in other current liabilities.
(v) Estimated dividend payable to Frutarom shareholders prior to closing considering the exchange ratio, as set forth in the merger agreement, and IFF dividend rate. IFF's current dividend rate ($0.73 per share) has been considered for the purpose of this computation. The amount is subject to change if IFF's dividend rate changes prior to closing. The pro forma adjustment has been recorded in dividends payable.
(vi) Exchange ratio as set forth in the merger agreement.
(vii) Closing price of IFF's common stock on the New York Stock Exchange on September 5, 2018.
(viii) Common shares of IFF to be issued to Frutarom as merger consideration will be issued out of treasury shares of IFF (See note 6(f))

The final estimated merger consideration could significantly differ from the amounts presented in the unaudited pro forma condensed combined financial information due to movements in IFF's common stock price up to the closing date of the merger. A sensitivity analysis related to the fluctuation in the IFF's common stock price was performed to assess the impact a hypothetical change of 10% on the closing price of IFF's common stock on September 5, 2018, would have on the estimated merger consideration and goodwill as of the closing date. The following table shows the change in stock price, estimated merger consideration and goodwill:

	Purchase Price	Estimated Goodwill
As presented in the pro forma combined financial statements	6,189,477	4,219,312
10% increase in common stock price	6,380,771	4,410,606
10% decrease in common stock price	5,998,183	4,028,018

Note 4—Preliminary Purchase Price Allocation

Under the acquisition method of accounting, Frutarom's assets and liabilities will be recorded at fair value at the date of the completion of the merger and combined with the historical carrying amounts of the assets and liabilities of IFF. In the unaudited pro forma condensed combined balance sheet, IFF's cost to acquire Frutarom has been allocated to the assets acquired, liabilities assumed and goodwill based upon management's preliminary estimate of what their respective fair values would be as if the merger closed on June 30, 2018. Accordingly, the unaudited pro forma condensed combined financial information includes a preliminary allocation of the purchase price based on assumptions and estimates that, while considered reasonable under the circumstances, are subject to changes, which may be material.

IFF has not completed a full, detailed valuation analysis necessary to determine the fair values of Frutarom's identifiable assets to be acquired, liabilities to be assumed and redeemable and non-redeemable noncontrolling interest. The preliminary calculation of assets acquired and liabilities assumed performed for the purposes of these unaudited pro forma condensed combined financial statements was primarily limited to the identification and calculation of preliminary values for the intangible assets, property and equipment, inventory, deferred taxes and contingent consideration. The calculations necessary to estimate the fair values of the assets acquired and liabilities assumed have been performed based on publicly available benchmarking information as well as a variety of other assumptions, including market participant assumptions, as there are limitations on the type of information that can be exchanged between IFF and Frutarom at this time. Where applicable, the benchmark information was corroborated with an income approach methodology such as the relief from royalty or multi-period excess earnings method. IFF will continue to refine its identification and valuation of assets to be acquired and the liabilities to be assumed as further information becomes available.

The estimated values of the assets acquired, liabilities assumed and redeemable and non-redeemable noncontrolling interest will remain preliminary until after closing of the merger, at which time IFF will determine the fair values of assets acquired and liabilities assumed. The final determination of the purchase price allocation is anticipated to be completed as soon as practicable after completion of the merger and will be based on the fair values of the assets acquired and liabilities assumed as of the merger closing date. The final amounts allocated to assets acquired and liabilities assumed could differ significantly from the amounts presented in the unaudited pro forma condensed combined financial statements.

The following is a preliminary estimate of the assets to be acquired and the liabilities to be assumed by IFF in the merger, reconciled to the estimate of total consideration expected to be transferred (in USD thousands):

	Frutarom's U.S. GAAP (Note 5)	Fair Value Adjustments	Fair value
Purchase Consideration			6,189,477
Identifiable net assets:			
Inventories	338,881	33,119	372,000
Property, plant and equipment	336,591	—	336,591
Identifiable intangible assets	442,647	2,027,353	2,470,000
Deferred tax assets	4,512	—	4,512
All other assets (excluding goodwill)	510,607	—	510,607
Existing contingent consideration	(42,186)	2,186	(40,000)
Transaction bonus	—	(30,000)	(30,000)
Deferred tax liabilities	(66,234)	(390,270)	(456,504)
All other liabilities	(1,061,098)	—	(1,061,098)
Total identifiable net assets	463,720	1,642,388	2,106,108
Redeemable Noncontrolling interest	(131,397)	—	(131,397)
Noncontrolling interest	(4,546)	—	(4,546)
Goodwill	589,250	3,630,062	4,219,312
Total	$ 917,027	$5,272,450	$ 6,189,477

The amount allocated to identifiable intangible assets has been attributed to the following assets (in thousands):

	Estimated Useful Life	Amount
Product Formulas	10 years	$ 340,000
Trade name	20 years	130,000
Customer relationships	20 years	2,000,000
Total identifiable intangible assets		**$2,470,000**

These intangible assets will be amortized over the estimated useful lives on a straight line basis. IFF believes that it represents the pattern in which economic benefits will be consumed.

In addition, pursuant to the merger agreement, the Frutarom board has the right to grant a transaction bonus to its CEO and selected employees before the merger is consummated to the extent of up to $20 million each. The transaction bonus to the CEO will be payable immediately prior to the closing of the merger. As of the date of this filing, management believes that the Frutarom board will approve the transaction bonus. The transaction bonus to employees is payable in two installments (i) 50% at closing and (ii) 50% after the completion of one year of service (subject to the terms of the merger agreement). IFF has determined that $30 million is a pre-merger expense to be accrued by Frutarom due to the fact that the transaction bonus was entered into by or on behalf of Frutarom. See table below (*in USD thousands*):

	Pre-combination expense	Post-combination expense
CEO	$ 20,000	—
Selected employees	10,000	10,000
Total bonus	$ 30,000	$ 10,000

Accordingly, pro forma condensed combined balance sheet has been adjusted to reflect an adjustment of $30,000 for transaction bonus payable by Frutarom, declared before the merger is consummated. This amount together with $16,392 for the accrual for unvested Frutarom stock options attributable to pre-combination services (see Note 3) has been shown as an adjustment to other current liabilities.

Note 5—Adjustments to Frutarom's Historical Financial Statements to Conform to U.S. GAAP

Frutarom's consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB, which differs in certain material respects from U.S. GAAP.

The unaudited U.S. GAAP information includes a statement of financial position and statements of income of Frutarom derived from the historical consolidated financial statements as of and for the six months ended June 30, 2018 and the year ended December 31, 2017, prepared in accordance with IFRS as issued by the IASB. This balance sheet as of June 30, 2018 and statements of operations for the year ended December 31, 2017 and for the six months ended June 30, 2018 have been adjusted to reflect Frutarom's consolidated statement of financial position and statements of profit or loss on a U.S. GAAP basis.

Certain balances presented in the historical Frutarom's financial statements included within the unaudited pro forma condensed combined financial information have been reclassified to conform the presentation to that of IFF as indicated in the tables as below:

UNAUDITED FRUTAROM US GAAP BALANCE SHEET
As of June 30, 2018

	Frutarom (IFRS)	Reclassification Adjustments	Notes	IFRS to U.S. GAAP Adjustments	Notes	FRUTAROM (U.S. GAAP)
Assets						
Current Assets:						
Cash and Cash Equivalents	$ 119,807	—		—		$ 119,807
Accounts receivable:				—		—
Trade	296,906	(296,906)	5a	—		—
Other	24,891	(24,891)	5a	—		—
Trade receivables, net		321,797	5a	—		321,797
Prepaid expenses and advances to suppliers	27,949	(27,949)	5b	—		—
Prepaid expenses and other current assets		27,949	5b	—		27,949
Inventory	338,881	—		—		338,881
	808,434	—		—		808,434
Non-Current Assets:						
Property, plant and equipment	369,517	—		(32,926)	5o	336,591
Intangible assets	1,031,897	(589,250)	5c	—		442,647
Goodwill	—	589,250	5c	—		589,250
Investment in associates and available for sale assets	27,481	(27,481)	5d	—		—
Deferred income tax assets	4,512	—		—		4,512
Others	13,573	(13,573)	5d	—		—
Other assets		41,054	5d	—		41,054
	1,446,980	—		(32,926)		1,414,054
Total Assets	$2,255,414	—		$ (32,926)		$ 2,222,488
Liabilities and equity						
Current liabilities						
Short term bank credit and loans and current maturities of long-term loans	397,601	(397,601)	5e	—		—
Short-term borrowings	—	397,601	5e	—		397,601
Accounts payable:				—		—
Trade	104,565	(104,565)	5f			—
Other	156,365	(156,365)	5g	—		—
Accounts Payable	—	225,998	5f, 5g	—		225,998
Leases	7,757	—		(7,757)	5o	—
Dividends payable	—	—		—		—
Other current liabilities	—	34,932	5g	(8,572)	5n	26,360
	666,288	—		(16,329)		649,959
NON-CURRENT LIABILITIES:						
Long-term loans, net of current maturities	399,833	—		—		399,833
Retirement benefit obligations, net	33,690	—		—		33,690
Deferred income tax liabilities	66,234			—		66,234
Leases	25,322	—		(25,322)	5o	—
Liability for shareholders of subsidiaries and other	142,627	(19,802)	5h	(122,825)	5n	—
Other liabilities	—	19,802	5h	—		19,802
	667,706	—		(148,147)		519,559
TOTAL LIABILITIES	1,333,994	—		(164,476)		1,169,518
Redeemable Noncontrolling Interest				131,397	5n	131,397
Equity attributable to owners of the parent:						
Ordinary shares	17,094	—		—		17,094
Other capital surplus	116,132	(116,132)	5i	—		—
Capital in excess of par value		116,132	5i	—		116,132
Translation differences	(85,299)	85,299	5j	—		—
Retained earnings	872,640	(872,640)	5j	—		—
Less-cost of company shares held by the company	(3,693)	3,693	5j	—		—
Treasury stock, at cost	—	(3,693)	5j	—		(3,693)
Other equity		787,341	5j	153	5n	787,494
Total Shareholders' Equity	916,874	—		153		917,027
Noncontrolling interest	4,546	—		—		4,546
TOTAL EQUITY	$ 921,420	—		$ 153		$ 921,573
TOTAL EQUITY AND LIABILITIES	$2,255,414	—		$ (32,926)		$ 2,222,488

UNAUDITED FRUTAROM US GAAP STATEMENT OF OPERATIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2018

	Frutarom IFRS	Reclassification Adjustments	Notes	IFRS to U.S. GAAP Adjustments	Notes	Frutarom U.S. GAAP
Revenue:						
Net sales	786,110	—		—		786,110
Cost of Sales	466,928	(466,928)	5k	—		—
Cost of goods sold	—	466,928	5k	—		466,928
Gross profit	319,182	—		—		319,182
Selling, marketing, research and development expenses—net	134,697	(134,697)	5l	—		—
Research and development expenses	—	30,770	5l	—		30,770
Selling and administrative expenses	—	141,640	5l	—		141,640
General and administrative expenses	51,179	(51,179)	5l	—		—
Amortization of acquisition-related intangibles	—	13,466	5l	—		13,466
Other expenses—net	(315)	315	5l	—		—
Gain on sales of fixed assets	—	(691)	5l	—		(691)
Group’s share of earnings of companies accounted for at equity	(1,326)	1,326	5l	—		—
Income From Operations	134,947	(950)		—		133,997
Financial Expenses—net	12,758	(12,758)	5m	—		—
Interest Expense	—	12,758	5m	—		12,758
Other (income) expense, net		(950)	5l	—		(950)
Income Before Taxes on Net Income	122,189	—		—		122,189
Income Tax	23,600	—		—		23,600
Net income (Including Noncontrolling Interests)	98,589	—		—		98,589
Less: noncontrolling interests	756	—		2,449	5n	3,205
Net Income	97,833	—		(2,449)		95,384
Net income per share—basic	1.64					1.61
Net income per share—diluted	1.63					1.63

UNAUDITED FRUTAROM US GAAP STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Frutarom IFRS	Reclassification Adjustments	Notes	IFRS to U.S. GAAP Adjustments	Notes	Frutarom U.S. GAAP
Revenue:						
Net sales	$1,362,396	$ —		$ —		$1,362,396
Cost of Sales	837,271	(837,271)	5k	—		—
Cost of goods sold	—	837,271	5k	—		837,271
Gross profit	525,125	—		—		525,125
Selling, marketing, research and development expenses—net	220,014	(220,014)	5l	—		—
Research and development expenses	—	43,644	5l	—		43,644
Selling and administrative expenses	—	246,332	5l	—		246,332
General and administrative expenses	92,155	(92,155)	5l	—		—
Amortization of acquisition-related intangibles	—	22,193	5l			22,193
Restructuring and other charges, net	—	(340)	5l			(340)
Other expenses—net	3,392	(3,392)	5l	—		—
Gain on sales of fixed assets	—	1,934	5l	—		1,934
Group's share of earnings of companies accounted for at equity	(1,402)	1,402	5l	—		—
Income From Operations	210,966	396		—		211,362
Financial Expenses—net	24,606	(24,606)	5m	—		—
Interest Expense	—	10,075	5m	—		10,075
Other (income) expense, net		14,927	5l, 5m	(1,602)	5p	13,325
Income Before Taxes on Net Income	186,360	—		1,602		187,962
Income Tax	34,797	—		308	5p	35,105
Net income (Including Noncontrolling Interests)	151,563	—		1,294		152,857
Less: noncontrolling interests	1,884	—		3,011	5n	4,895
Net Income	$ 149,679	$ —		$ (1,717)		$ 147,962
Net income per share—basic	$ 2.52					$ 2.49
Net income per share—diluted	$ 2.51					$ 2.48

Adjustments included in the column "Reclassification Adjustments" are as follows:

Represents certain reclassifications of historical Frutarom's financial statement line items to conform to the expected financial statement line items of the combined group including:

Balance sheet items:

a) Accounts receivable: Trade and Other have been reclassified to Trade receivables, net;

b) Prepaid expenses and advances to suppliers have been reclassified to Prepaid expenses and other current assets;

c) The portion of intangible assets that relates to goodwill was classified separately as goodwill;

d) Investment in associates and available for sale assets and Others have been reclassified to Other assets;

e) Short term bank credit and loans and current maturities of long-term loans have been reclassified to Short-term borrowings;

f) Accounts payable: Trade has been reclassified to Accounts Payable;

g) Accounts payable: Other has been reclassified as follows: (i) an amount of $34,932 that represents $8,572 of Put-Option liability and $26,360 of the current portion of Contingent consideration, has been reclassified to Other current liabilities, and (ii) the remaining balance of $121,433 has been reclassified to Accounts Payable. See Note 5(h) for the reclassification for the long-term portion of the contingent consideration.

h) The portion of liability for shareholders of subsidiaries and other that relates to long term portion of contingent consideration has been reclassified to Other liabilities;

i) Other capital surplus has been reclassified to Capital in excess of par value; and

j) Translation differences and Retained earnings have been condensed into other equity. Cost of company shares held by Frutarom have been reclassified to Treasury stock, at cost.

Statement of income items:

k) Cost of Sales have been reclassified to Cost of goods sold;

l) Selling, marketing, research and development expenses—net, General and administrative expenses, Other expenses—net and Group's share of earnings of companies accounted for at equity have been reclassified in accordance with IFF's presentation as below:

Frutarom's Presentation	Year ended Dec 31, 2017	Period ended June 30, 2018	IFF's Presentation	Year ended Dec 31, 2017	Period ended June 30, 2018
Selling, marketing, research and development expenses—net	$ 220,014	$ 134,697	Research and development expenses	$ 43,644	$ 30,770
General and administrative expenses	92,155	51,179	Selling and administrative expenses	246,332	141,640
Other expenses—net	3,392	(315)	Restructuring and other charges, net	(340)	—
Group's share of earnings of companies accounted	(1,402)	(1,326)	Amortization of acquisition-related intangibles	22,193	13,466
			Losses (Gain) on sales of fixed assets	1,934	(691)
			Other (income) expense, net	396	(950)
	$ 314,159	**$ 184,235**		**$ 314,159**	**$ 184,235**

m) The Portion of Financial Expenses – net that relates to expenses on debt have been reclassified to Interest Expense and the remaining portion that relates to foreign exchange gain or loss has been reclassified to Other (income) expenses, net.

Adjustments included in the column "IFRS to U.S. GAAP Adjustments" are as follows:

The following adjustments have been made to convert Frutarom's historical balance sheet as of June 30, 2018 and statement of operations for the six months ended June 30, 2018 and the year ended December 31, 2017 to U.S. GAAP for purposes of the pro forma presentation:

n) Reflects an adjustment to reclassify put option liability as redeemable noncontrolling interest to mezzanine equity. As part of several acquisitions effected by Frutarom, the noncontrolling interest holders of the acquired entities were granted an option to sell ("Put option") their respective interests to Frutarom. In accordance with IFRS, Frutarom recognized a liability for such put options. Under U.S. GAAP, IFF determined the put options cannot be separated from the noncontrolling interest and the combination of a noncontrolling interest and the redemption feature require classification of such noncontrolling interest as a redeemable noncontrolling interest in the combined balance sheet. Further, those noncontrolling interests which are not currently redeemable but are probable to become redeemable are measured using the present value of the redemption value as of the earliest redemption date and the noncontrolling interests which are currently redeemable are measured at the maximum redemption amount. IFF has reviewed the computation of liabilities for put option under IFRS and determined that the amounts to be recorded for redeemable non-controlling interest under U.S. GAAP would be materially the same as the amount of such liabilities for put option recorded under IFRS. Accordingly, the unaudited pro forma condensed combined balance sheet as at June 30, 2018 was adjusted to reclassify the current and non-current portion of liability for put option that represented redeemable portion of noncontrolling interest as mezzanine equity which is presented between total liabilities and shareholders' equity. In addition, as a result of the reclassification to mezzanine equity, a portion of the profit has been allocated to the relevant NCI in accordance with U.S. GAAP.

o) For the year ended December 31, 2017, Frutarom accounted for the lease arrangements entered into under IAS 17—Leases ("IAS 17"). Frutarom has elected to early adopt IFRS 16—*Leases* ("IFRS 16") issued by the IASB, as of January 1, 2018, which requires entities to recognize a lease liability that reflects future lease payments and a "right-of-use" asset in all lease arrangements, with no distinction between capital/finance and operating leases subject to an exemption of certain short term leases or leases of low value assets. As a result of the early adoption of IFRS 16, Frutarom has recorded its operating leases as a "right to use" asset along with a corresponding lease liability in its historical balance sheet for the six months ended June 30, 2018. Regarding all leases, Frutarom applied the transitional provisions under IFRS 16 such that it initially recognized a liability at the commencement date at an amount equal to the present value of the lease payments during the lease, discounted using the effective interest rate as of of that date, and concurrently recognized a right-of-use asset at an amount identical to the liability. As a result, adoption of the standard had no impact on equity and retained earnings of Frutarom as of initial application. IFF will adopt ASC 842 beginning January 1, 2019. Accordingly, IFF will reverse changes made by Frutarom under IFRS 16 and leases are accounted for under ASC 840 for the six months ending June 30, 2018.

p) Expected return on plan assets—Under IFRS, companies calculate a net interest cost (income) by applying the discount rate to the net pension benefit obligation or asset, while U.S. GAAP requires companies to calculate a separate return on plan assets using an estimated long-term rate of return on plan assets. The interest cost on the pension benefit obligation is generally the same under both IFRS and U.S. GAAP.

The following is a summary of the calculation of the pro forma statement of operations adjustment of $1.6 million for the year ended December 31, 2017 relating to the expected return on plan assets. This adjustment is due to the different asset return rates used for IFRS versus U.S. GAAP and has been calculated using the following methodology:

Plan Asset	$ 28,699
Rate Differential:	
Expected rate on plan assets	6.63%
Weighted average discount rate	1.04%
Difference in rates	5.58%
Pro forma adjustment	$ 1,602

The expected long-term rate of return on pension plan assets was estimated based on the plan's investment strategy and asset allocation, historical capital market performance, and historical performance.

The tax impact of the pro forma statement of operations adjustment was estimated using Frutarom's statutory tax rate in the jurisdictions expected to be impacted.

An adjustment for the six months ended June 30, 2018 has not been calculated since management believes that the adjustment is not material.

No pro forma balance sheet adjustment is required because the amounts recorded for pension assets and obligations will not change materially as a result of purchase accounting.

Note 6—Pro Forma Adjustments

Adjustments included in the unaudited pro forma condensed combined balance sheet are represented by the following:

a) Represents the adjustments to recognize additional amortization expense related to the increased basis of intangible assets (see Note 4), which have been recorded at estimated fair value on a pro forma basis and will be amortized over the estimated useful lives on a straight line basis. As part of the preliminary valuation analysis, IFF identified intangible assets related to product formulas, trade name and customer relationships.

The following table summarizes the estimated fair values of Frutarom's identifiable intangible assets and their estimated useful lives and uses a straight line method of amortization (in USD thousands):

	Estimated Fair Value	Estimated Useful Life (in Years)	For the Six Months Ended June 30, 2018	For the Year Ended December 31 2017
Intangible assets				
Product formulas	340,000	10	17,000	34,000
Trade name	130,000	20	3,250	6,500
Customer relationships	2,000,000	20	50,000	100,000
	2,470,000		70,250	140,500
Less: Historical amortization expense			(11,838)	(23,676)
Pro forma adjustment			**$ 58,412**	**$ 116,824**

The estimated tax impact of the fair market value adjustments on the amortization expense is reflected in the statements of operations using the weighted average statutory tax rate of the jurisdictions expected to be impacted.

A 10% change in the valuation of definite lived intangible assets would cause a corresponding increase or decrease in the balance of goodwill and would also cause a corresponding increase or decrease in the annual amortization expense of approximately $14,050.

b) The pro forma condensed combined balance sheet has been adjusted to reflect the elimination of Frutarom's historical goodwill of $589,250 and to record goodwill resulting from the merger of $4,219,312. Recorded goodwill is calculated as the difference between the fair value of the purchase price paid and the preliminary values assigned to the identifiable tangible and intangible assets acquired and liabilities assumed. See Note 4 for the calculation of the amount of preliminary goodwill recognized in connection with the merger.

c) The pro forma condensed combined balance sheet has been adjusted to step up Frutarom's inventory to a fair value of approximately $372,000, an increase of $33,119 from the carrying value. This fair value estimate of inventory is preliminary and is determined based on the assumptions that market participants would use in pricing an asset, based on the most advantageous market for the asset (i.e., its highest and best use). This preliminary fair value estimate could include assets that are not intended to be used, may be sold or are intended to be used in a manner other than their best use. The final fair value determination for inventories may differ from this preliminary determination. No adjustment to the unaudited pro forma condensed combined statement of operations has been recorded since the step up of inventory does not have a continuing impact on the combined company.

d) The pro forma condensed balance sheet has been adjusted to include the adjustment to deferred tax liabilities, on a preliminary basis, of $390,270 resulting from the pro forma fair value adjustments for inventory, intangible assets (excluding goodwill which is not tax deductible), and liabilities utilizing a weighted average statutory rate for the jurisdictions expected to be impacted. Because the tax rate used for these pro forma financial statements is an estimate, it will likely vary from the actual rate in periods subsequent to the completion of the merger and those differences may be material.

e) The pro forma condensed combined balance sheet has been adjusted to reflect an adjustment of $917,027 to eliminate Frutarom's historical shareholders' equity, which represents the historical book value of Frutarom's net assets, as a result of the merger. The pro forma adjustment to equity also reflects the issue of IFF shares to Frutarom out of the treasury shares of the Company as part of the purchase consideration (Note 3). The cost to reissue treasury stock is determined using the average cost method. See table below for more details:

	Reversal of Frutarom's equity	Issue of IFF's shares to Frutarom	Pro forma adjustment
Common Stock	(17,094)	—	(17,094)
Capital in excess of par value	(116,132)	1,202,579	1,086,447
Treasury stock, at cost	3,693	701,390	705,083
Other equity	(787,494)	—	(787,494)
Total	**$(917,027)**	**$ 1,903,969**	**$ 986,942**

In addition, other pro forma adjustments to other equity include the following adjustments:

	Amount	Tax impact	Pro forma adjustment
Adjustment related to extinguishment of IFF's debt (Note 6f)	39,838	(8,382)	31,456
Adjustment related to acquisition related cost (Note 6h)	38,047	—	38,047
Adjustment related to bridge finance commitment fee (Note 6h)	29,224	(6,838)	22,386
Adjustment related to fair valuation of derivatives (Note 6g)	(1,322)	278	(1,044)
Total		**$(14,942)**	**$ 90,845**

f) IFF expects to finance the merger with a combination of up to $3.1 billion of new debt, cash on hand and up to $2.1 billion in equity. The financing is expected to consist of (i) issuing new par value debt in the form of notes of approximately $2,750 million at a weighted average interest rate of 3.3% per annum with maturities ranging from 2 – 30 years, a portion of which will be denominated in currencies other than the U.S. dollar (ii) obtaining a new term loan facility of up to $350 million (iii) issuing new Tangible Equity Units (TEU) of approximately $750 million, securities consisting of (a) 3-year prepaid common stock purchase contract of $623 million and (b) 3-year amortizing bond of $127 million at an effective interest rate of 5.71%, and (iv) issuance of new common shares for $1,500 million.

Based on the expected structure of the TEUs, IFF expects the purchase contract component of the TEUs to meet equity classification which has been reflected as such in the unaudited pro forma condensed combined balance sheet. The classification of the TEU will be subject to detailed assessment once finalized and a different conclusion may result in a material impact on these unaudited pro forma condensed combined financial information.

IFF has entered into a debt commitment letter with Morgan Stanley Senior Funding, Inc. to obtain a 364-day bridge facility of up to $5,450 million to the extent IFF does not receive $5,450 million of net cash proceeds from the financing arrangements discussed above. This bridge facility is not expected to be utilized, and thus the fee of the bridge facility financing totaling $39.8 million is not included in the calculation of pro forma interest expense but will be considered an acquisition related cost (see Note 6(g)). On June 6, 2018, IFF entered into a term loan credit agreement to replace a portion of the bridge facility, reducing the amount of the bridge facility by $350 million. If IFF is not able to consummate the financing discussed above, and instead must utilize the bridge facility to fund the acquisition, the adjustment to annual interest expense is expected to be approximately $104.6 million for the six months ended June 30, 2018 and $209.1 million for the year ended December 31, 2017 respectively. Financial expenses related to the amortization of the fee for bridge financing recognized by IFF during the six months ended June 30, 2018, amounting to $10.6 million, have been removed for pro forma purposes, since it does not have a continuing impact (see Note 6(h)). In addition, the accrual created by the Company for the bridge financing fee of $12 million as of June 30, 2018 has been reversed to reflect the total impact of estimated bridge facility financing to cash and retained earnings on pro forma balance sheet (see Note 6(l))

IFF intends to retire all of Frutarom's existing debt utilizing funds raised by the expected financing arrangements above. Additionally, in connection with the merger, IFF intends to prepay in full IFF's current outstanding senior secured notes due 2019-2027. Pursuant to this, IFF will incur certain pre-payment penalties and swap unwind costs. These transactions will be treated as an extinguishment of debt, with a loss of $39.8 million associated with the pre-payment of senior secured notes due 2019-2027 along with swap unwind fee. The loss on extinguishment is reflected in the unaudited pro forma balance sheet as a reduction of retained earnings and a reduction of cash as it will be expensed by IFF. It is not reflected in the pro forma statement of operations due to its nonrecurring nature.

The following pro forma adjustments have been recorded in the pro forma condensed combined balance sheet in relation to the new debt (in USD thousands):

	As of June 30, 2018
Term loan	350,000
Senior notes	2,750,000
Debt portion of TEUs	127,322
Debt issuance costs	(24,508)
Extinguishment of Frutarom's existing debt	(797,434)
Repayment of IFF's existing debt	(249,776)
Pro forma adjustment	**$2,155,604**
Allocated to:	
Short-term borrowings	194,611
Long-term debt	1,960,993
Pro forma adjustment	**$2,155,604**

The following pro forma adjustments have been recorded in the pro forma condensed combined balance sheet in relation to the issuance of equity (in USD thousands):

	Issue of common stock	Equity portion of Tangible equity units	Pro forma adjustment
Common Stock	1,468	—	1,468
Capital in excess of par value	1,454,782	602,856	2,057,638
Total	**$ 1,456,250**	**$ 602,856**	**$2,059,106**

The following pro forma adjustments have been recorded in the pro forma condensed combined statements of operations (in USD thousands):

	Six Months Ended June 30, 2018	Year Ended December 31, 2017
Interest expense on Term Loan	4,528	12,679
Interest expense TEU notes	2,268	6,216
Interest on Senior Notes	41,057	91,465
Frutarom Interest Expense	(10,600)	(10,075)
Retirement of IFF Senior Notes	(8,219)	(16,438)
Reversal of fee recognized for bridge financing	(10,576)	—
Reversal of mark-to-market gain recognized foreign currency forward (note 6g)	24,937	—
Total pro forma adjustment	$ 43,395	$ 83,847

The weighted-average interest rate on the new term loan, new senior notes and amortizing bond (TEU) as of the issuance is expected to be 3.60%. The actual financing and terms of the financing will be subject to market conditions. A 1/8% change in interest rates on the debt to be incurred as part of the merger would result in a change in interest expense of $5.1 million annually.

g) IFF entered into deal contingent foreign currency forward contract and interest rate swaps. The deal contingent foreign currency forward serves as an economic hedge of the Euro denominated portion of the senior notes to be issued, while the deal contingent interest rate swaps serve as an economic hedge of the underlying interest rate of the USD denominated senior notes. Upon securing the permanent financing, IFF intends to net settle these derivatives with the financial institutions by making or receiving payment. The foreign currency forward and interest rate swaps have not been considered to be designated as a hedge for the purposes of pro forma financial information. As of September 5, 2018, the foreign currency forward had a fair value of a gain of approximately $18.6 million and the interest rate swaps had a fair value of a loss of approximately $17.3 million. For the purpose of the unaudited pro forma financial statements, recognition of these derivatives have been considered an event that is directly attributable to the merger, however, since these are deal contingent, there is no continuing impact. Accordingly, the pro forma balance sheet has been adjusted to reflect the fair value of these derivatives as of September 5, 2018, as if these derivatives were settled on the said date increasing cash and retained earnings. No future impact on pro forma statement of operations is considered due its non-recurring nature. However, during the six months ended June 30, 2018, IFF recognized $24,937 of mark-to-market gain related to interest rate swaps under Financing expenses – net, and $10,979 of mark-to-market loss relates to foreign current forward under Other (income) expenses, net. The unrealized gain/loss recognized by IFF on mark-to-market valuation of these derivatives during the six months ended June 30, 2018, has been eliminated from the pro forma statement of operations, since it does not have a continuing impact. The pro forma adjustments were tax effected using the worldwide weighted average statutory tax rate in the jurisdictions to which the adjustments are expected to relate.

h) The pro forma condensed combined balance sheet has been adjusted to reflect an adjustment of $93,802 for estimated acquisition-related costs consisting of bridge facility financing fees of $39,800 and professional, legal and other acquisition-related fees of $50,502. Pursuant to the requirements for the preparation of pro forma financial information under Article 11 of Regulation S-X, these acquisition-related costs are not included in the pro forma condensed combined statements of operations, since these costs are nonrecurring. During the six months ended June 30, 2018, IFF recognized $12,455 as acquisition-related expenses. The Company paid $2,605 of these expenses and $9,850 are accrued as liability in the balance sheet as of June 30, 2018. The remaining costs expected to be paid in the future are reflected in the unaudited pro forma condensed combined balance sheet as a decrease to cash and cash equivalents, with the related tax benefits reflected as a decrease in other current liabilities and the after tax impact presented as a decrease to retained earnings. The acquisition-related costs recognized by IFF during the six months ended June 30, 2018, have been eliminated from the pro forma statement of operation, since it does not have a continuing impact. The adjustment related to acquisition-related cost in the pro forma financial statements is summarized below:

	Total estimated cost	Paid until June 30, 2018	Pro Forma adjustment to cash	Expense recognized during Six Months ended June 30, 2018	Pro forma adjustment to retained earnings
Bridge financing fee	39,800	(24,716)	15,084	(10,576)	29,224
Acquisition-related cost	50,502	(2,605)	47,897	(12,455)	38,047
			$ 62,981		**$ 67,271**

i) The pro forma condensed combined statement of operation has been adjusted for the impact of the adoption of ASU 2017-07—Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost, to present the non-service components of periodic pension cost to “Other (income) expense, net” in the pro forma condensed combined statements of operations.

j) The estimated tax impact of the interest expense adjustments have been reflected in the pro forma condensed combined statement of operation using the weighted average statutory tax rate of the jurisdictions expected to be impacted. Because the tax rate used for these pro forma financial statements is an estimate, it will likely vary from the actual rate in periods subsequent to the completion of the business combination and those differences may be material.

k) The following table summarizes the pro forma adjustments to cash and cash equivalent (in USD thousands):

	Pro Forma adjustment
Proceeds from debt financing (Note 6f)	2,155,605
Proceeds from equity financing (Note 6f)	2,059,106
Prepayment penalty and loss-unwind fee (Note 6f)	(39,838)
Payment of Acquisition-related cost (Note 6h)	(62,981)
Net payment upon settlement of derivatives (Note 6g)	1,322
Total	**$4,113,214**

l) The following table summarizes the pro forma adjustments to other current liabilities (in USD thousands):

	Pro Forma adjustment
Tax impact of adjustment posted (Note 6e)	14,942
Reversal of accrual created for bridge financing fee (Note 6f)	12,000
Reversal of accrual created for acquisition related cost (Note 6h)	9,850
Total	**$ 36,792**

Note 7—Pro Forma Earnings Per Share

The following table presents the calculation of pro forma combined basic and diluted net loss per share of common stock, after giving effect to:

(a) the preliminary estimated number of shares of IFF common stock to be issued as part of purchase consideration calculated using the exchange ratio;

(b) the preliminary estimated number of shares of IFF common stock to be issued in order to finance the acquisition; and

(c) the dilutive impact of equity portion of the tangible equity units for the year ended December 31, 2017 and the six months ended June 30, 2018 (in USD thousands, except per share amounts):

	Year Ended December 31, 2017	Six Months Ended June 30, 2018
Pro forma net profit attributable to stockholders	285,857	261,176
Weighted average number of IFF shares outstanding—Basic	79,070	79,041
IFF shares issued to Frutarom as part of purchase consideration (Note 3)	14,907	14,907
Fresh equity of common stock to finance the acquisition (Note 6f)	11,744	11,744
Common stock issuable upon conversion of Tangible equity units	5,872	5,872
Pro forma weighted average number shares outstanding—Basic	111,593	111,564
Weighted average number of IFF shares outstanding—Diluted	79,370	79,347
IFF shares issued to Frutarom as part of purchase consideration (Note 3)	14,907	14,907
Fresh equity of common stock to finance the acquisition (Note 6f)	11,744	11,744
Diluted common stock issuable upon conversion of Tangible equity units	7,047	7,047
	113,068	113,045
Pro forma net income per share of common stock—Basic	2.56	2.34
Pro forma net income per share of common stock—Diluted	2.54	2.31