INTERNATIONAL FLAVORS & FRAGRANCES INC
Form 424B5
September 10, 2018
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Filed Pursuant to Rule 424(b)(5)
Registration No. 333-209889

This preliminary prospectus supplement relates to an effective registration statement under the Securities Act of 1933, but the information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell and are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted

SUBJECT TO COMPLETION

PRELIMINARY PROSPECTUS SUPPLEMENT DATED SEPTEMBER 10, 2018

PROSPECTUS SUPPLEMENT

(to Prospectus dated August 6, 2018)

$1,500,000,000

INTERNATIONAL FLAVORS & FRAGRANCES INC.

Common Stock

We are offering shares of our common stock, par value $0.125 per share (Common Stock). At an assumed offering price of $127.06, the closing price of our Common Stock on the New York Stock Exchange (the NYSE) on September 7, 2018, we would expect to sell 11,805,446 shares of our Common Stock.

We have granted the underwriters an option, exercisable for 30 days after the date of this prospectus supplement, to purchase up to $150,000,000 of additional shares of our Common Stock at the public offering price less the underwriting discount. See Underwriting in this prospectus supplement.

On May 7, 2018, International Flavors & Fragrances Inc. (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, and in accordance with the Companies Law 5759-1999 of the State of Israel (together with the rules and regulations thereunder, the ICL), 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.

Our Common Stock is listed on the NYSE and Euronext Paris under the symbol IFF . On September 7, 2018, the last reported sale price of our Common Stock on the NYSE was $127.06 per share.

Concurrently with this offering of Common Stock, we are offering $750 million in aggregate amount of our tangible equity units (or up to $825 million in tangible equity units if the underwriters for that offering exercise their option to purchase additional tangible equity units) pursuant to a separate prospectus supplement. The completion of this Common Stock offering is not contingent on the completion of the tangible equity units offering, and the completion of the tangible equity units offering is not contingent on the completion of this Common Stock offering. Neither this offering nor the tangible equity units offering is contingent on the completion of the Merger or any debt financing. If the Merger is not consummated, we intend to use the net proceeds from this offering for general corporate purposes, as described under Use of Proceeds.

Subsequent to this offering, we expect to offer, pursuant to separate prospectus supplements, approximately $2,750 million aggregate principal amount of senior notes at varying maturities, a portion of which may be denominated in currencies other than the U.S. dollar, as additional financing for the Merger. This prospectus supplement is not an offer to sell or a solicitation of an offer to buy any notes being offered in the notes offering.

Investing in our Common Stock involves significant risks. See Risk Factors in this prospectus supplement and the documents incorporated by reference in this prospectus supplement and the accompanying prospectus, including our Annual Report on Form 10-K for the year ended December 31, 2017.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public offering price[(1)]	$	$
Underwriting discount and commissions	$	$
Proceeds, before expenses, to International Flavors & Fragrances Inc.	$	$

The underwriters expect to deliver the shares of Common Stock to purchasers on or about , 2018.

Joint Book-Running Managers

Morgan Stanley	**Citigroup**	**J.P. Morgan**

The date of this prospectus supplement is , 2018.

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Unless we have indicated, or the context otherwise requires, references in this prospectus supplement to IFF, the Company, we, us, our, or similar terms are to International Flavors & Fragrances Inc. and its subsidiaries.

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ABOUT THIS PROSPECTUS SUPPLEMENT

We are providing information to you about this offering in two parts. The first part is this prospectus supplement, which provides the specific details regarding this offering. The second part is the accompanying prospectus, which provides general information. Generally, when we refer to this prospectus, we are referring to both documents combined. This prospectus supplement may add, update or change information contained in or incorporated by reference in the accompanying prospectus. Some of the information contained in or incorporated by reference in the accompanying prospectus may not apply to this offering. If the information in this prospectus supplement or the information incorporated by reference in this prospectus supplement is inconsistent with information contained in or incorporated by reference in the accompanying prospectus, you should rely on the information in this prospectus supplement or the information incorporated by reference in this prospectus supplement.

We are responsible for the information contained and incorporated by reference in this prospectus supplement, the accompanying prospectus and in any free writing prospectus with respect to this offering filed by us with the Securities and Exchange Commission (the SEC). We have not, and the underwriters have not, authorized anyone to give you any other information, and we take no responsibility for any other information that others may give you. This prospectus supplement, the accompanying prospectus and any such free writing prospectus may be used only for the purposes for which they have been prepared. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information contained in this prospectus supplement, the accompanying prospectus, any free writing prospectus and the documents incorporated by reference herein and therein is accurate as of any date other than their respective dates. Our business, financial condition, liquidity, results of operations and prospects may have changed since those dates.

The shares of Common Stock are being offered for sale only in jurisdictions where it is lawful to make such offers. The distribution of this prospectus supplement and the accompanying prospectus and the offering of the shares of Common Stock in certain jurisdictions may be restricted by law. Persons outside the United States who receive this prospectus supplement and the accompanying prospectus should inform themselves about and observe any such restrictions. This prospectus supplement and the accompanying prospectus do not constitute, and may not be used in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation. See Underwriting in this prospectus supplement.

Unless we specifically state otherwise, the information in this prospectus supplement and the accompanying prospectus, including the documents incorporated by reference herein and therein, assumes the completion of the concurrent tangible equity units offering described herein and that the underwriters for this Common Stock offering do not exercise their option to purchase additional shares of Common Stock and the underwriters of the concurrent tangible equity units offering do not exercise their option to purchase additional tangible equity units. In addition, unless we specifically state otherwise, the information in this prospectus supplement and the accompanying prospectus, including the documents incorporated by reference herein and therein, does not give effect to the Merger or the Debt Financings (each as defined below).

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SUMMARY

This summary is not complete and does not contain all of the information that may be important to you. You should read the entire prospectus supplement and accompanying prospectus carefully, including the section entitled Risk Factors, as well as the documents incorporated by reference, before making an investment decision.

The Company

We are a leading innovator of sensory experiences that move the world. We co-create unique products that consumers taste, smell, or feel in fine fragrances and beauty, detergents and household goods, and food and beverages. Our approximately 7,300 team members globally take advantage of our capabilities in consumer insights, research and product development (R&D), creative expertise and customer intimacy to partner with our customers in developing innovative and differentiated offerings for consumer products. We believe that our collaborative approach will generate market share gains for our customers.

Our international presence positions us to serve both our global customers and the increasing number of regional and high-end and middle-market specialty consumer goods producers. We operate thirty-seven manufacturing facilities and sixty-nine creative centers and application laboratories located in thirty-seven different countries. We partner with our customers to develop over 46,000 products that are provided to customers in approximately 162 countries.

We principally compete in the flavors and fragrances market, which is part of a larger market that supplies a wide variety of ingredients and compounds used in consumer products. The broader market includes large multi-national companies and smaller regional and local participants that supply products such as seasonings, texturizers, spices, enzymes, certain food-related commodities, fortified products and cosmetic ingredients. The global market for flavors and fragrances has expanded consistently, primarily as a result of an increase in demand for, and an increase in the variety of, consumer products containing flavors and fragrances. Management estimates that in 2017 the flavors and fragrances market was approximately $24.8 billion, and forecasted to grow approximately 2-3% by 2021, primarily driven by expected growth in emerging markets.

In 2017, we achieved sales of approximately $3.4 billion, making us one of the top four companies in the global flavors and fragrances sub-segment of the broader consumer products ingredients and compounds market. We believe that our global presence, diversified business platform, broad product portfolio and global and regional customer base position us to achieve long-term growth as the flavors and fragrances markets expand.

We operate in two business segments, Flavors and Fragrances. In 2017, our Flavors business represented 48% of our sales, while our Fragrances business represented 52% of sales. Our business is geographically diverse, with sales to customers in the four regions set forth below:

Region	% of 2017 Sales
Europe, Africa, Middle East	31%
Greater Asia	27%
North America	27%
Latin America	15%

We are committed to winning in emerging markets. We believe that more significant future growth potential for the flavors and fragrances industry, and for our business, exists in the emerging markets (all markets except North America, Japan, Australia, and Western, Southern and Northern Europe). Over the past five years our currency neutral sales growth rate in emerging markets has outpaced that of developed markets. We expect this long-term trend to continue for the foreseeable future.

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We have operated in some of the largest emerging markets for multiple decades. As a result of these established operations, sales in emerging markets represented 48% of 2017 sales and 51% of 2016 sales. As our customers seek to grow their businesses in emerging markets, we provide them the ability to leverage our long-standing international presence and extensive market knowledge to help drive their brands in these markets. To stay competitive in our industry, we must adapt to rapidly shifting consumer preferences and customer demands. We believe our consumer insights and customer relationships help to drive innovation that benefits us and our customers. During 2017, our 25 largest customers accounted for 50% of our sales. Sales to our largest customer across all end-use categories accounted for 11% to 12% of our sales for each of the last three fiscal years. These sales were principally in our Fragrances business.

Our Strategic Priorities

We are focused on generating sustainable profitable growth in our business and positioning our portfolio for long-term growth. We have continued to execute against the four pillars of our Vision 2020 strategy originally announced in 2015 and refreshed in 2017, which focuses on building differentiation and accelerating growth to create shareholder value:

(1) **Innovating Firsts** We seek to strengthen our position by driving differentiation in priority R&D platforms across both businesses. In 2017, we launched three captive fragrance molecules and three new flavor modulators. We achieved continued growth of our sweetness and savory modulation portfolio sales and encapsulated-related sales. We also launched Re-Imagine, a program to accelerate flavor innovation and increase agility to capture unmet opportunities in the changing food and beverage market.

(2) **Winning Where We Compete** Our goal is to achieve a #1 or #2 market leadership position in key markets and categories and with specific customers. In 2017, we grew our sales in both our Flavors and Fragrances businesses in North America and the Middle East and Africa geographic area we targeted for growth. We also created Tastepoint by IFF, designed to leverage our expertise in and to service the middle-market customer in North America, and opened an expanded facility in Cairo, Egypt to support our regional focus on growth in the Middle East and Africa.

(3) **Becoming Our Customers Partner of Choice** Our goal is to attain commercial excellence by providing our customers with in-depth, local consumer understanding, industry-leading innovation, outstanding service and the highest quality products. In 2017, we introduced IFF Taste Design, a combination of artisanal, handcrafted techniques and proprietary technologies that drive consumer preference and market differentiation. In addition, we were rated gold by EcoVadis for sustainability, received an A rating and were awarded leadership status for our climate change and an A- for water management strategy by CDP.

(4) **Strengthening and Expanding the Portfolio** We actively pursue value-creation through partnerships, collaborations, and acquisitions within flavors, fragrances and adjacencies. We prioritize opportunities that provide (i) access to new technologies, (ii) the ability to increase our market share in key markets and with key customers or (iii) access to adjacent products or services that will position us to leverage our expertise in science and technology and our customer base. During 2017, we acquired Fragrance Resources to further improve our market position with regional customers in specialty fine fragrances, and PowderPure to further expand product offerings of clean label flavors solutions. We also became the first sensorial innovator of flavors, fragrances and cosmetic actives to join the MIT Media Lab, a leader in research and technologies that transform the everyday for consumers around the world.

General

Our principal executive offices are located at 521 West 57th Street, New York, New York 10019. Our telephone number at that location is (212) 765-5500. Our home page on the internet is *www.iff.com*. Other than the information expressly set forth or incorporated by reference, the information contained, or referred to, on our website is not part of this prospectus supplement or the accompanying prospectus.

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Recent Developments

Acquisition of Frutarom

On May 7, 2018, 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). Frutarom, through its subsidiaries, develops, produces and markets flavors and fine ingredients used in manufacturing food, beverages, flavors and fragrances, pharma/nutraceuticals, cosmetics and personal care products.

We believe that the acquisition of Frutarom will provide us with several strategic and financial benefits, including:

Differentiated Portfolio with Enhanced Capabilities: In addition to IFF s and Frutarom s complementary flavor capabilities, we expect that Frutarom s portfolio will provide opportunities to expand into attractive and fast-growing categories, such as natural colors, enzymes, antioxidants and health ingredients. We believe that the combined company s increased breadth of products will provide complementary offerings and expanded choices to its customers.

Complementary and Growing Customer Base: We expect that Frutarom s customer base will provide IFF with increased exposure to fast-growing small- and mid-sized customers, including private label manufacturers.

Synergy Potential: IFF and Frutarom expect to realize approximately $145 million of run-rate cost synergies by the third full year after the completion of the merger, with approximately 25% of such synergies expected to be achieved in the first full year. We believe that cross-selling opportunities and integrated solutions will provide revenue synergies, creating further value to shareholders over time.

Pursuant to the Merger Agreement, subject to the satisfaction or waiver of specified conditions, and in accordance with the ICL, Merger Sub will merge with and into Frutarom, with Frutarom continuing as the surviving company in the Merger and a wholly owned subsidiary of IFF. We refer in this prospectus supplement to our acquisition of Frutarom pursuant to the Merger Agreement as the Merger. 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, or an aggregate of approximately $4,238.8 million and 14.8 million shares based on the number of Frutarom s outstanding ordinary shares and share-based awards as of May 7, 2018, the date of the Merger Agreement, and without taking into account this Common Stock offering or the tangible equity units offering.

Consummation of the Merger is subject to customary closing conditions. The shareholders of Frutarom approved the Merger on August 6, 2018. The completion of the Merger is not subject to the approval of IFF shareholders or the receipt of financing by IFF. As of the date of this prospectus supplement, the completion of the Merger remains subject to the following closing conditions: (i) the receipt of regulatory clearance under certain foreign antitrust laws, including the European Union; (ii) receipt of all governmental and stock exchange approvals necessary for the issuance and listing of shares of IFF Common Stock as contemplated by the Merger Agreement, (iii) the absence of any order, or the enactment of any law, prohibiting the Merger; (iv) subject to certain exceptions, the accuracy of the representations and warranties of the parties and compliance by the parties with their respective obligations under the Merger Agreement; and (v) the absence of any material adverse effect on Frutarom or the Company since the date of the Merger Agreement. The Merger Agreement also contains certain termination rights for IFF and Frutarom.

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The foregoing description of the Merger Agreement does not purport to be complete and is qualified in its entirety by the full text of such agreement. The Merger Agreement is an exhibit to the registration statement to which this prospectus supplement relates.

Merger Financing

IFF anticipates that approximately $4.3 billion will be required to pay the aggregate cash portion of the Merger consideration to the Frutarom shareholders and to pay fees and expenses relating to the Merger.

In addition to the proceeds from this Common Stock offering, IFF intends to obtain or otherwise incur additional financing for the Merger as follows:

Concurrent Tangible Equity Units Offering

Concurrently with this offering of Common Stock, we are offering $750 million in aggregate amount of our tangible equity units (or up to $825 million in tangible equity units if the underwriters for that offering exercise their option to purchase additional tangible equity units) pursuant to a separate prospectus supplement. However, the amount of tangible equity units sold in that offering may increase or decrease based on market conditions relating to that security. This prospectus supplement is not an offer with respect to the concurrent tangible equity units offering.

Debt Financings

We intend to obtain or otherwise incur up to approximately $3.1 billion of indebtedness to fund the Merger, and related fees and expenses, which we refer to in this prospectus supplement as the Debt Financings. We currently expect that the Debt Financings will include:

- *Notes Offerings*. Subsequent to this Common Stock offering, we expect to offer, pursuant to separate prospectus supplements, approximately $2,750 million aggregate principal amount of senior notes (the New Notes) at varying maturities, a portion of which may be denominated in currencies other than the U.S. dollar. This prospectus supplement is not an offer with respect to the potential New Notes offering.

- *Term Loan.* On June 6, 2018, IFF entered into a senior unsecured term loan credit agreement (the New Term Loan) with the lenders party thereto and Morgan Stanley Senior Funding, Inc., as administrative agent, that provides for a three-year $350 million senior unsecured term loan facility. The commitments under the New Term Loan terminate on February 7, 2019 or, under certain circumstances, on May 7, 2019.

In connection with entering into the Merger Agreement, IFF entered into a debt commitment letter, dated as of May 7, 2018, with Morgan Stanley Senior Funding, Inc., that provided for a commitment for an up to $5.45 billion 364-day bridge loan facility (the Bridge Facility) to the extent IFF has not received $5.45 billion of net cash proceeds (and/or qualified bank commitments) from a combination of (a) the issuance by IFF of a combination of equity securities, equity-linked securities and/or unsecured debt securities and/or (b) unsecured term loans, in each case, at or prior to completion of the Merger. The commitments under the debt commitment letter terminate on February 7, 2019 or, under certain circumstances, on May 7, 2019. Although we do not currently expect to incur any borrowings under the Bridge Facility, there can be no assurance that such borrowings will not be made. In that regard, we may be required to borrow under the Bridge Facility if we do not generate sufficient net proceeds from this Common Stock offering, the concurrent tangible equity units offering, the New Notes offering or unsecured term loans to finance the Merger and related fees and expenses.

The completion of this Common Stock offering is not contingent on the completion of the tangible equity units offering, the Debt Financings or the Merger. Accordingly, even if the Merger or the other financing transactions do not occur, the shares of Common Stock sold in this offering will remain outstanding, and investors will not have any rights to require us to repurchase, redeem or repay any shares of Common Stock sold in this offering.

In addition, if the Merger is not consummated, we do not expect any debt under the New Term Loan to be incurred, and we expect the terms of the New Notes to contain a special mandatory redemption requirement if the Merger is not consummated by a specified date. See Use of Proceeds.

We cannot assure you that we will complete the Merger or any of the other financing transactions on the terms contemplated in this prospectus supplement or at all.

About Frutarom

Frutarom is a global company established in Israel in 1933 and operating in the global flavors and specialty fine ingredients markets. Frutarom, through its subsidiaries, develops, produces and markets flavors and fine ingredients used in manufacturing food, beverages, flavors and fragrances, pharma/nutraceuticals, cosmetics and personal care products. As of December 31, 2017, Frutarom operated 72 production sites, 90 research and development laboratories, and 109 sales offices in Europe, North America, Latin America, Israel, Asia, Africa and New Zealand, and employed 5,223 people throughout the world. In 2017, Frutarom marketed and sold over 70,000 products to more than 30,000 customers in more than 150 countries.

Frutarom operates in two main activities which constitute its core businesses and are reported as business segments in its financial statements: flavors activity and specialty fine ingredients activity. In addition, as part of a comprehensive solution offered to customers, Frutarom imports and markets raw materials manufactured by third parties. This activity is presented as part of trade and marketing operations, which is not a core business.

Frutarom generated sales of $1,362.4 million, $1,147.0 million, and $872.8 million for the twelve months ended December 31, 2017, December 31, 2016, and December 31, 2015, respectively. Sales for the six months ended June 30, 2018 and June 30, 2017 were $786.1 million and $646.1 million, respectively. During the twelve months ended December 31, 2017, December 31, 2016, and December 31, 2015, Frutarom s net income was $151.6 million, $111.1 million, and $96.1 million, respectively. Net income for the six months ended June 30, 2018 and June 30, 2017 was $98.6 million and $70.9 million, respectively.

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The Offering

Issuer	International Flavors & Fragrances Inc., a New York corporation
Securities Offered	shares of Common Stock
Shares of Common Stock Outstanding after this Offering	90,853,499 shares of Common Stock (or up to 92,034,043 shares if the underwriters exercise their option to purchase additional shares), which is based on 79,048,053 shares of Common Stock (excluding treasury shares) outstanding as of September 4, 2018 and an aggregate offering of \$1,500 million of shares of Common Stock at an assumed public offering price of \$127.06 per share (the last reported sale price of our Common Stock on the NYSE on September 7, 2018), and excluding: • an additional 938,995 shares of Common Stock available for issuance under our stock compensation plans as of August 24, 2018; • shares of Common Stock reserved for issuance upon conversion of tangible equity units (assuming no exercise of the underwriters option to purchase additional tangible equity units in the concurrent tangible equity units offering); and • an estimated 14,826,119 shares of Common Stock issuable as consideration upon closing of the Merger.
Common Stock NYSE Symbol	IFF
Underwriters Option	We have granted the underwriters an option, exercisable within a 30-day period, to purchase up to an additional shares of our Common Stock at the public offering price less the underwriting discount.
Use of Proceeds	We estimate that the net proceeds to us from this Common Stock offering, after deducting underwriting discounts and estimated offering expenses payable by us, will be approximately \$1,456 million (or up to approximately \$1,602 million if the underwriters exercise their option to purchase additional shares of our Common Stock). We intend to use the net proceeds from this offering, together with the net proceeds from the concurrent tangible equity units offering, the Debt Financings and cash

	on hand to finance the Merger and to pay related fees and expenses. If for any reason the Merger is not consummated, we intend to use the net proceeds from this offering for general corporate purposes, as described under Use of Proceeds.
Concurrent Tangible Equity Units Offering	Concurrently with this Common Stock offering, we are offering $750 million in aggregate amount of our tangible equity units (or up to $825 million of our tangible equity units if the underwriters for that

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	offering exercise their option to purchase additional tangible equity units solely to cover over-allotments, if any), each with a stated amount of $50, in an underwritten public offering pursuant to a separate prospectus supplement. This prospectus supplement is not an offer with respect to the concurrent tangible equity units offering. There can be no assurance that the tangible equity units offering will be completed. The completion of this Common Stock offering is not contingent on the completion of the tangible equity units offering, and the completion of the tangible equity units offering is not contingent on the completion of this Common Stock offering. Neither this Common Stock offering nor the tangible equity unit offering is contingent on the consummation of the Merger or any debt financing.
Risk Factors	Investing in our Common Stock involves significant risks. See Risk Factors in this prospectus supplement, as well as other information included in or incorporated by reference into this prospectus supplement and the accompanying prospectus, including our Annual Report on Form 10-K for the year ended December 31, 2017, for a discussion of the factors you should carefully consider before deciding to invest in our Common Stock.

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SUMMARY SELECTED CONSOLIDATED FINANCIAL DATA OF IFF

The following table presents selected historical consolidated financial data for IFF and unaudited pro forma combined financial data for IFF and Frutarom as of the dates and for the periods indicated. The historical statement of income data and cash flow data for IFF for the fiscal years ended December 31, 2017, 2016 and 2015 and the historical balance sheet data as of December 31, 2017 and 2016 have been obtained from IFF s audited consolidated financial statements included in IFF s Annual Report on Form 10-K for the fiscal year ended December 31, 2017, which is incorporated by reference into this prospectus supplement and accompanying prospectus. The historical statement of income data and cash flow data for IFF for the six-month periods ended June 30, 2018 and 2017 and the historical balance sheet data as of June 30, 2018 have been obtained from IFF s unaudited interim consolidated financial statements included in IFF s Quarterly Report on Form 10-Q for the quarter ended June 30, 2018, which is incorporated by reference into this prospectus supplement and accompanying prospectus. The historical balance sheet data as of June 30, 2017 has been derived from IFF s unaudited consolidated financial statements included in IFF s Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, which is not incorporated by reference into this prospectus supplement or accompanying prospectus. The historical statement of income data for IFF included below for the fiscal years ended December 31, 2017, 2016 and 2015 and IFF s Annual Report on Form 10-K for the fiscal year ended December 31, 2017, which is incorporated by reference into this prospectus supplement and accompanying prospectus, have not been revised to reflect the required retrospective adoption of the Financial Accounting Standards Board amendment to Compensation Retirement Benefits guidance (ASU 2017-07), which we refer to as the FASB amendment , as the guidance had no impact on net income and the effect of the revision was not material for those periods. For more information on the adoption of the FASB amendment, please refer to IFF s Quarterly Report on Form 10-Q for the quarter ended June 30, 2018, which is incorporated by reference into this prospectus supplement and accompanying prospectus. The unaudited pro forma combined financial data are based upon the historical consolidated financial data of IFF and Frutarom, after giving effect to the merger as of the dates and for the periods indicated. The unaudited pro forma combined financial data should be read in conjunction with the financial statements presented in Unaudited Pro Forma Condensed Combined Financial Information in this prospectus supplement and the related notes thereto.

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The results of operations for the six-month period ended June 30, 2018 are not necessarily indicative of the results that may be expected for the entire year ending December 31, 2018, and you should not assume the results of operations for any past periods indicate results for any future period. The information set forth below should be read together with the other information contained in IFF s Annual Report on Form 10-K for the fiscal year ended December 31, 2017 and IFF s Quarterly Report on Form 10-Q for the quarter ended June 30, 2018, including the sections entitled Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and related notes therein. See the section entitled Incorporation of Certain Information by Reference.

Dollars in thousands except per share amounts	**Pro Forma Combined Six-Month Period Ended June 30, 2018**	**Historical International Flavors & Fragrances Inc. Six-Month Period Ended June 30, 2018**	**2017**	**Pro Forma Combined Year Ended December 31, 2017**	**Historical International Flavors & Fragrances Inc. Year Ended December 31, 2017**	**2016**	**2015**
Statement of Income Data:							
Net sales	$ 2,637,054	$ 1,850,944	$ 1,671,154	$ 4,761,115	$ 3,398,719	$ 3,116,350	$ 3,023,189
Cost of goods sold	1,513,347	1,046,419	935,088	2,763,527	1,919,718	1,717,280	1,671,590
Gross profit	1,123,707	804,525	736,066	1,997,588	1,479,001	1,399,070	1,351,599
Research and development expenses	184,014	153,244	144,887	339,113	286,026	254,263	246,101
Selling and administrative expenses	429,236	300,051	283,023	816,476	557,311	566,224	494,517
Restructuring and other charges, net	1,903	1,903	10,934	19,371	19,711	(1,700)	7,594
Amortization of acquisition-related intangibles	90,647	18,769	15,561	173,711	34,694	23,763	15,040
Gain on sales of fixed assets	504	1,195	(89)	1,750	(184)	(10,836)	
Operating profit	417,403	329,363	281,750	647,167	581,443	567,356	588,347
Interest expense	125,994	69,841	30,363	159,285	65,363	52,989	46,062
Other (income) expense, net	(33,161)	(21,232)	(29,140)	(36,454)	(20,965)	(9,350)	3,184
Income before taxes	324,570	280,754	280,527	524,336	537,045	523,717	539,101
Taxes on income	60,190	52,190	54,968	233,584	241,380	118,686	119,854

Net income (Including noncontrolling interest)	264,380			290,752			
Less: noncontrolling interest	3,204			4,895			
Net Income	261,176	228,564	225,559	285,857	295,665	405,031	419,247
Net income per share:							
Basic	2.34	2.89	2.85	2.56	3.73	5.07	5.19
Diluted	2.31	2.87	2.84	2.54	3.72	5.05	5.16
Cash dividends declared per share		1.38	1.28		2.66	2.40	2.06
Balance Sheet Data at Period End:							
Total Assets	$ 12,415,264	$ 4,673,442	$ 4,618,875		$ 4,598,926	$ 4,016,984	
Long-term debt	4,078,015	1,717,189	1,636,338		1,632,186	1,066,855	
Total Shareholders Equity including noncontrolling interest	5,632,979	1,756,203	1,680,086		1,689,294	1,631,134	

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SUMMARY SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF FRUTAROM

The following table presents selected historical consolidated financial data for Frutarom as of the dates and for the periods indicated. Frutarom s financial data has been prepared under International Financial Reporting Standards (IFRS), as issued by the International Auditing Standards Board (IASB). The balance sheet data as of December 31, 2017 and 2016 and the statement of income data and cash flow data for the fiscal years ended December 31, 2017, 2016 and 2015 have been obtained from Frutarom s audited annual consolidated financial statements, which are included in this prospectus supplement. The financial data as of and for the six-month periods ended June 30, 2018 and 2017 have been obtained from Frutarom s unaudited, interim consolidated financial statements, which are included in this prospectus supplement.

The results of operations for the six-month period ended June 30, 2018 are not necessarily indicative of the results that may be expected for the entire year ending December 31, 2018, and you should not assume the results of operations for any past periods indicate results for any future period. The information set forth below should be read together with the other information contained in Frutarom s audited annual consolidated financial statements and unaudited interim consolidated financial statements, which are included in this prospectus supplement.

Dollars in thousands except per share amounts	**Six-Month Period Ended June 30,**		**Year Ended December 31,**		
	2018	**2017**	**2017**	**2016**	**2015**
Statement of Income Data:					
Sales	$ 786,110	$ 646,120	$ 1,362,396	$ 1,147,041	$ 872,796
Cost of sales	466,928	398,243	837,271	709,488	534,737
Gross profit	319,182	247,877	525,125	437,553	338,059
Selling, marketing, research and development expenses net	134,697	101,792	220,014	196,001	141,237
General and administrative expenses	51,179	45,601	92,155	81,637	63,742
Other expenses net	(315)	385	3,392	11,772	2,826
Group s share of earnings of companies accounted for at equity	1,326	444	1,402	1,113	
Income from operations	134,947	100,543	210,966	149,256	130,254
Financial Expenses net	12,758	10,204	24,606	12,841	12,197
Income before taxes on income	122,189	90,339	186,360	136,415	118,057
Income tax	23,600	19,413	34,797	25,346	21,972
Net Income	98,589	70,296	151,563	111,069	96,085
Earnings per share:					
Basic	1.64	1.17	2.52	1.85	1.62
Fully diluted	1.63	1.17	2.51	1.84	1.60
Cash dividends declared per share			0.12	0.11	0.09
Balance Sheet Data at Period End:					

Total Assets	$ 2,255,414	$ 1,790,072	$ 1,947,188	$ 1,585,461
Long term loans, net of current maturities	399,833	260,339	262,151	299,576
Total equity	921,420	768,856	878,913	664,604

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RISK FACTORS

An investment in our Common Stock involves significant risks. You should consult with your own financial and legal advisers and carefully consider, among other matters, the following risks and those described in our Annual Report on Form 10-K for the year ended December 31, 2017, our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2018 and June 30, 2018, respectively, and the other documents incorporated herein by reference. You should carefully consider the risks described in those reports and the other information in this prospectus supplement and accompanying prospectus before you decide to invest in our Common Stock. Such risks and uncertainties are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also affect us. If any of those risks were to occur, our financial condition, operating results and prospects, as well as the value of our Common Stock, could be materially adversely affected.

Risks Related to Our Business

For a discussion of risks related to our business and operations, please see Item 1A. Risk Factors and Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for our fiscal year ended December 31, 2017, as well as similar disclosures contained in our other filings with the SEC that are incorporated by reference in this prospectus supplement and the accompanying prospectus. See Incorporation of Certain Information by Reference.

Risks Related to the Merger

If we are unable to complete the Merger, in a timely manner or at all, our business and our stock price may be adversely affected.

Our and Frutarom s obligations to consummate the Merger are subject to the satisfaction or waiver of the following customary conditions, including: (i) the approval of the Merger Agreement and the Merger by the shareholders of Frutarom, which was obtained on August 6, 2018; (ii) the receipt of regulatory clearance under certain foreign antitrust laws, including the European Union; (iii) receipt of all governmental and stock exchange approvals necessary for the issuance and listing of shares of IFF Common Stock as contemplated by the Merger Agreement, (iv) the absence of any order, or the enactment of any law, prohibiting the Merger; (v) subject to certain exceptions, the accuracy of the representations and warranties of the parties and compliance by the parties with their respective obligations under the Merger Agreement; and (vi) the absence of any material adverse effect on Frutarom or our company since the date of the Merger Agreement. Furthermore, our ability to access the bridge financing facility is subject to customary conditions. As many of these conditions are outside of our control, we cannot assure you if the conditions to the completion of the Merger and the associated financings will be satisfied in a timely manner or at all which may affect when and whether the Merger will occur. If the Merger is not completed, our share price could fall to the extent that our current price reflects an assumption that we will complete the Merger. Furthermore, if the Merger is not completed and the Merger Agreement is terminated, we may suffer other consequences that could adversely affect our business, results of operations and share price, including the following:

- we have incurred and will continue to incur costs relating to the Merger (including significant legal and financial advisory fees) and many of these costs are payable by us whether or not the Merger is completed;

matters relating to the Merger (including integration planning) may require substantial commitments of time and resources by our management team, which could otherwise have been devoted to our historical core businesses or other opportunities that may have been beneficial to us;

we may be subject to legal proceedings related to the Merger or the failure to complete the Merger;

the failure to consummate the Merger may result in negative publicity and a negative impression of us in the investment community; and

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- any disruptions to our business resulting from the announcement and pendency of the Merger, including any adverse changes in our relationships with our customers, suppliers and employees, may continue or intensify in the event the Merger is not consummated.

We may not realize the benefits anticipated from the Merger, which could adversely affect our stock price.

The Merger, if completed, will be our largest acquisition to date. The anticipated benefits from the Merger are, necessarily, based on projections and assumptions about the combined businesses of our company and Frutarom, which may not materialize as expected or which may prove to be inaccurate. Our ability to achieve the anticipated benefits will depend on our ability to successfully and efficiently integrate the business and operations of Frutarom with our business and achieve the expected synergies. We may encounter significant challenges with successfully integrating and recognizing the anticipated benefits of the potential Merger, including the following:

- potential disruption of, or reduced growth in, our historical core businesses, due to diversion of management attention and uncertainty with our current customer and supplier relationships;

- challenges arising from the expansion of our product offerings into adjacencies with which we have limited experience, including flavor ingredients, food additives and nutraceuticals;

- challenges arising from the expansion into those Frutarom jurisdictions where we do not currently operate or have significant operations;

- coordinating and integrating research and development teams across technologies and products to enhance product development while reducing costs;

- consolidating and integrating corporate, information technology, finance and administrative infrastructures, and integrating and harmonizing business systems, which may be more difficult than anticipated due to the significant number of acquisitions completed by Frutarom over the past few years;

- coordinating sales and marketing efforts to effectively position our capabilities and the direction of product development;

- difficulties in achieving anticipated cost savings, synergies, business opportunities and growth prospects from combining Frutarom s business with our business;

- limitations prior to the completion of the Merger on the ability of management of our company and of Frutarom to conduct planning regarding the integration of the two companies;

- the increased scale and complexity of our operations resulting from the Merger;

retaining key employees, suppliers and other partners of our company and Frutarom;

retaining and efficiently managing Frutarom s expanded and decentralized customer base;

obligations that we will have to counterparties of Frutarom that arise as a result of the change in control of Frutarom;

difficulties in anticipating and responding to actions that may be taken by competitors in response to the transaction; and

the assumption of and exposure to unknown or contingent liabilities of Frutarom.

In addition, our anticipated benefits of the transaction with Frutarom contemplate significant cost-saving synergies. Consequently, even if we are able to successfully integrate the operations of Frutarom with ours, we may not realize the full benefits of the transactions if we are unable to identify and implement the anticipated cost savings or if the actions taken to implement such cost-savings have unintended consequences on our other business operations.

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If we do not successfully manage these issues and the other challenges inherent in integrating an acquired business of the scale of Frutarom, then we may not achieve the anticipated benefits of the Merger, we could incur unanticipated expenses and charges and our operating results and the value of our Common Stock could be materially and adversely affected.

Uncertainty about the Merger may adversely affect our relationships with customers and employees, which could negatively affect our business, whether or not the Merger is completed.

The announcement of the Merger on May 7, 2018, whether or not completed, may cause uncertainties in our relationships with our customers which could impair our ability to or expand our historical customer sales growth. Furthermore, uncertainties about the Merger may cause our current and prospective employees to experience uncertainty about their future with us. These uncertainties may impair our ability to retain, recruit or motivate key employees which could affect our business.

The Merger may result in significant charges or other liabilities that could adversely affect the financial results of the combined company.

The financial results of the combined company, following IFF s acquisition of Frutarom, may be adversely affected by cash expenses and non-cash accounting charges incurred in connection with our integration of the business and operations of Frutarom. Furthermore, as a result of the transaction we will record a significant amount of goodwill and other intangible assets on our consolidated financial statements, which could be subject to impairment based upon future adverse changes in our business or prospects including our inability to recognize the benefits anticipated by the transaction.

In addition, upon the acquisition of Frutarom we will assume all their liabilities, including unknown and contingent liabilities that Frutarom assumed in connection with their acquisitions, that we failed or were unable to identify in the course of performing due diligence. Frutarom has completed 47 acquisitions since 2011, including 22 since the beginning of 2016. Our ability to accurately identify and assess the magnitude of the liabilities assumed by Frutarom in these acquisitions may be limited by, among other things, the information available to us and Frutarom and the limited operating experience that Frutarom has with these acquired entities. Furthermore, Frutarom has additional future obligations regarding certain of these acquisitions including outstanding earn-out obligations and put options requiring Frutarom to purchase additional shares in the target company, which we will assume upon consummation of the transaction. If we are not able to completely assess the scope of these liabilities or if these liabilities are neither probable nor estimable at this time, our future financial results could be adversely affected by unanticipated reserves or charges, unexpected litigation or regulatory exposure, unfavorable accounting charges, unexpected increases in taxes due, a loss of anticipated tax benefits or other adverse effects on our business, operating results or financial condition. The price of our Common Stock following the Merger could decline to the extent the combined company s financial results are materially affected by any of these events.

The regulatory approvals required in connection with the Merger may not be obtained or may contain materially burdensome conditions.

Completion of the Merger is conditioned upon the receipt of certain regulatory approvals, and we cannot provide assurance that these approvals will be obtained. If any conditions or changes to the proposed structure of the Merger are required to obtain these regulatory approvals, they may have the effect of jeopardizing or delaying completion of the Merger or reducing the anticipated benefits of the Merger. If we agree to any material conditions in order to obtain any approvals required to complete the Merger, the business and results of operations of the combined company may be adversely affected.

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The use of cash and incurrence of significant indebtedness in connection with the financing of the Merger may have an adverse impact on our liquidity, limit our flexibility in responding to other business opportunities and increase our vulnerability to adverse economic and industry conditions.

The Merger will be financed in part by the use of our cash on hand, the incurrence of a significant amount of indebtedness and issuances of equity. As of June 30, 2018, we had approximately $322.4 million of cash and cash equivalents and approximately $1,723.7 billion of total debt outstanding. In connection with the Merger, we expect to incur significant new debt. The proceeds from the new debt are expected to be used to pay part of the purchase price, refinance existing debt of both our company and Frutarom and pay transaction related fees and expenses. If we are unable to raise financing on acceptable terms, we may need to rely on our bridge loan facility, which may result in higher borrowing costs and a shorter maturity than those from other anticipated financing alternatives. The use of cash on hand and indebtedness to finance the Merger will reduce our liquidity and could cause us to place more reliance on cash generated from operations to pay principal and interest on our debt, thereby reducing the availability of our cash flow for working capital, dividend and capital expenditure needs or to pursue other potential strategic plans. The increased indebtedness may also have the effect, among other things, of limiting our ability to obtain additional financing, if needed, limiting our flexibility in the conduct of our business and making us more vulnerable to economic downturns and adverse competitive and industry conditions.

Risks Related to our Common Stock

The market price of our Common Stock may be volatile and could fall.

The market price of our Common Stock has experienced, and may continue to experience, significant volatility. Between January 1, 2017 and September 7, 2018, the closing sale price of our Common Stock on the NYSE has ranged from a low of $115.26 per share to a high of $156.87 per share. Numerous factors, including many over which we have no control, may have a significant impact on the market price of our Common Stock. These risks include those described or referred to in this Risk Factors section and in the other documents incorporated herein by reference as well as, among other things:

- failure to complete the Merger and, if completed, failure to realize the anticipated benefits of the Merger;
- our operating and financial performance and prospects that vary from expectations of management, securities analysts and investors;
- developments in our business or in sectors in which we operate generally;
- our ability to repay our debt or adverse market reaction to any additional debt that we may incur;
- the market valuation and operating and securities price performance of companies that investors consider to be comparable to us;

investor perceptions of us and the industry and markets in which we operate;

announcements of strategic developments, acquisitions and other material events by us or our competitors;

our dividend policy;

proposed or adopted regulatory changes or developments affecting the industries in which we operate;

future sales of equity or equity-related securities;

changes in earnings estimates or buy/sell recommendations by analysts;

anticipated or pending investigations, proceedings, or litigation that involve or affect us

actions by institutional shareholders; and

general financial, domestic, international, economic and other market conditions.

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In addition, the stock market experiences extreme price and trading volume fluctuations that have often been unrelated or disproportionate to the operating performance of individual companies. These broad market fluctuations may adversely affect the price of our Common Stock, regardless of our operating performance. Furthermore, stockholders may initiate securities class action lawsuits if the market price of our stock drops significantly, which may cause us to incur substantial costs and could divert the time and attention of our management. As a result of these factors, among others, the value of your investment may decline because a decrease in the market price of our Common Stock would likely adversely impact the trading price of the amortizing notes.

Future sales of substantial amounts of our Common Stock could affect the market price of our Common Stock.

Future sales of substantial numbers of shares of our Common Stock, or securities convertible or exchangeable into shares of our Common Stock, into the public market, future issuances of substantial numbers of additional shares of Common Stock in connection with any future acquisitions or pursuant to employee benefit plans and future issuances of shares of Common Stock upon exercise of options or warrants or settlement of the purchase contracts, or perceptions that those sales, issuances and/or exercises or settlements could occur, could adversely affect the prevailing market price of our Common Stock and our ability to raise capital in the future.

This offering, the concurrent offering of tangible equity units and the issuance of additional stock in connection with acquisitions (including the Merger) or otherwise will dilute all other shareholdings.

Upon the issuance of the shares of Common Stock in this offering and the concurrent offering of tangible equity units, holders of our Common Stock will incur immediate and substantial net tangible book value dilution on a per share basis. After this offering and the concurrent offering of tangible equity units, we will have an aggregate of approximately 372.3 million (or as few as approximately 371.2 million if the underwriters for this offering exercise their option) authorized but unissued shares of Common Stock assuming a public offering price of $127.06 per share, the last reported sale price of our Common Stock on the NYSE on September 7, 2018 (excluding shares reserved for issuance under our stock compensation plans and under the tangible equity units being offered in the concurrent tangible equity units offering). Subject to certain volume limitations imposed by the NYSE, we may issue all of these shares without any action or approval by our stockholders, including, without limitation, in connection with acquisitions. Upon the completion of the Merger, in particular, based on the exchange ratio of 0.2490, the estimated number of shares of our Common Stock issuable as a portion of the Merger consideration is expected to be approximately 14.8 million shares. Any shares issued in connection with the activities described in this paragraph, our stock compensation plans or otherwise would dilute the percentage ownership held by holders of our Common Stock.

Risks Related to Frutarom

In addition to the risks we face, Frutarom also faces the following risks.

Frutarom s operations are subject to effects of the global economy.

Due to the nature and type of its global activity, Frutarom is exposed to fluctuations in the global economy. Economic crisis and recession in various countries in which Frutarom operates could curb demand for Frutarom s products and significantly slow down the development and launch of new products by Frutarom customers.

Frutarom s operations in emerging markets are subject to political, economic and legal developments that are less predictable than those in developed markets.

Frutarom operates in a number of countries besides the United States and Western Europe, such as Russia, Ukraine, Turkey, Slovenia, Kazakhstan, China, countries in South and Central America (including Brazil, Guatemala, Peru, Chile and Mexico) and countries in northern, southern and western Africa, and is therefore exposed to political, economic and legal developments in these countries which are generally less predictable than in developed countries. Frutarom s facilities in these countries could be subject to disruption as a result of economic and/or political instability as well as from nationalization and/or expropriation of assets situated there. There is also substantial risk relating to restrictions on Frutarom in collecting payment from its customers, distributors, or agents, as well as foreign exchange restrictions which could impede Frutarom s ability to realize its profits or to sell its assets in these countries. While none of the emerging market countries in which Frutarom operates impose foreign exchange restrictions that affect Frutarom, such restrictions existed not long ago and there is no assurance that they will not be reinstated in the future.

Fluctuations or devaluations in currencies may negatively affect Frutarom s results of operations.

Over 70% of Frutarom s sales in 2017 were conducted in currencies other than the U.S. dollar, mainly the Euro, Russian Ruble, Pound Sterling, Swiss Franc, New Israeli Shekel, Chinese Yuan, Canadian Dollar, Brazilian Real, South African Rand, Peruvian Nuevo Sol and Mexican Peso, and changes in exchange rates affect Frutarom s reported results in US dollar terms. In addition, in cases of extreme fluctuations in exchange rates, and since a large part of the raw materials used in the manufacture of Frutarom s products is paid for in U.S. dollars, in Euros, or other currencies, there is no assurance that Frutarom can completely update its selling prices denominated in local currency (which is different from the currency used in buying the raw material) and maintain its margin. Frutarom does not generally undertake external hedging action nor does it use other financial instruments for protection against currency fluctuations. For further information see Frutarom s audited financial statements included in this prospectus supplement.

Frutarom operates in a highly competitive industry.

Frutarom faces competition from large multinationals as well as medium-sized, small and local companies across the sectors in which it operates. Some of Frutarom s competitors have greater financial and technological resources, larger sales and marketing platforms and more established reputation, and may therefore be better equipped to adapt to changes and industry trends.

The global market for flavors is characterized by close relations between flavor manufacturers and their customers, particularly with regard to large multinationals. Furthermore, many large multinational customers, along with increasing numbers of medium-sized customers in recent years, sometimes limit the number of their suppliers and work predominantly with a list of approved suppliers. To compete more effectively under these conditions, Frutarom must invest more resources in customer relations, in R&D and in matching products to customers needs in order to provide high quality and efficient service. Any failure to maintain good relations with its customers, forge strong relations with new customers, or secure the status of approved supplier with some of its customers could lead to substantial adverse effects on Frutarom s business, operating results and financial condition.

The specialty fine ingredients market is more price sensitive than the flavors market and is characterized by relatively lower profit margins. Some fine ingredients products manufactured by Frutarom are less unique and more replaceable by competitors products. Production overcapacity for fine ingredients globally could also negatively impact Frutarom s sales and profitability. Although as part of its strategy Frutarom focuses on specialty fine ingredients with higher profit margins, there is no assurance that operating margins will not erode in the future, which could substantially impact Frutarom s business, operating results and financial condition.

Increased environmental, health and safety regulations or the loss of necessary environmental permits could adversely affect Frutarom s operating results and financial condition.

Frutarom is subject to a variety of international and domestic health, safety and environmental statutes in the various countries in which it operates. In general, there is a trend towards increased regulation in the fields of Frutarom s activities. This trend stems from, among other things, growing consumer sensitivity concerning the inclusion of flavor additives in food products and the fact that regulators perceive nutraceuticals, medical food and functional food products as having medicinal attributes. In some countries such products may be subjected to the same standards and regulations as applied to drugs or targeted regulation for these categories. In addition, regulators in different countries can change regulations applying to infant nutrition or clinical nutrition for the elderly in a way that might affect Frutarom s sales in these categories. Frutarom has identified the markets for nutraceuticals, functional food, specialty fine ingredients for infant nutrition, especially infant formulas, and clinical nutrition for the elderly as important to its future growth. The subjecting of these markets to increased regulation could give rise to additional expenses which might have an adverse effect on Frutarom s business, operating results and financial condition.

Companies such as Frutarom that operate in the flavor and fine ingredients industry make use of, manufacture, sell, and distribute substances that are sometimes considered hazardous and are therefore subject to extensive regulation concerning the storage, handling, manufacture, transport, use and disposal of such substances and their components and byproducts. Frutarom s production and R&D activities in the various countries where it operates are subject to various regulations and standards relating to air emissions, sewage treatment and the use, handling and discharge of hazardous material as well as clean-up of existing environmental contamination. Any further tightening of such laws and regulations could have a substantial adverse effect on Frutarom s business, operating results and financial condition.

In addition to covering its ongoing environmental compliance costs, Frutarom might also incur nonrecurring charges associated with remedial action needed to be taken at its production sites. As environment-related incidents cannot be foreseen with any certainty, the sums that Frutarom allocates or will allocate for such matters may turn out to be inadequate. Ongoing and nonrecurring environment-related expenses could each have a substantial adverse effect on Frutarom s business, operating results and financial condition.

Frutarom is required to obtain various environmental permits concerning operations at its various production facilities and to meet the conditions set by these permits. The expansion of existing plants is also subject to securing necessary permits. Such permits might be unilaterally revoked or modified by the issuer, or might be for a limited amount of time. Any cancellation, modification and/or failure to renew or obtain a permit could have a significant adverse effect on Frutarom s business, operating results and financial condition.

Failure to comply with environmental, health and safety laws and regulations may expose Frutarom to civil and criminal liability.

The laws and regulations concerning the environment, health and safety may subject Frutarom to civil and/or criminal liability for non-compliance or environmental pollution. Environmental, health and safety laws may include criminal sanctions (including substantial penalties) for violating them. Some environmental laws also include provisions imposing complete responsibility for the release of hazardous substances into the environment which could result in Frutarom becoming liable for clean-up efforts without any negligence or fault on its part. Other environmental laws impose liability jointly and severally, which could expose Frutarom to responsibility for cleaning up environmental pollution caused by others.

In addition, some environmental, health and safety laws are applied retroactively and could impose responsibility for acts done in the past even if such acts were carried out in accordance with the relevant legal provisions in force at the time. Criminal or civil liability under such laws may have significant adverse effects on Frutarom s business, operating results and financial condition.

Frutarom may also become subjected to claims for personal injury or property damage arising from exposure to hazardous substances. Laws in the major countries where Frutarom operates permit legal proceedings to be instituted against it if personal injury or environmental contamination was ostensibly caused by activity at its production sites in these countries. Such legal proceedings could also be instituted by private individuals or non-governmental organizations.

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Fluctuations in prices of raw materials needed for producing Frutarom s products may negatively impact its results of operations.

The price, quality and availability of the main raw materials that Frutarom uses, especially in the field of natural products, are subject to fluctuations arising from global supply and demand. Many raw materials used by Frutarom are agricultural products whose prices, quality and availability could be affected by, among other things, poor weather conditions. Frutarom does not normally conduct futures transactions in raw materials and is exposed to price fluctuations in the raw materials it uses according to changes in global trends for prices of these raw materials. In recent periods, there has been a rise in the prices of a number of principal raw materials used by Frutarom, and such trends may have a significant adverse effect on Frutarom s business, operating results and financial condition.

The inability to obtain raw materials due to the loss of third party suppliers or unavailability of raw materials could impair Frutarom s sales and adversely affect its operating results.

Frutarom is dependent on third parties for the supply of raw materials needed for manufacturing its products. Although Frutarom purchases raw materials from a very wide range of suppliers and no individual supplier accounted for more than 3% of its total raw material usage in 2017, and even though there is more than one supplier for most of the raw materials bought by Frutarom and they are usually readily available, there is no assurance that this will also continue to be the case in the future. Severe weather conditions may cause a significant shortage of natural raw materials used by Frutarom. A shortage of these raw materials could impair Frutarom s sales for a certain period of time and adversely affect its operating results.

Product liability claims against Frutarom and potential damages under those claims could have significant adverse effects on Frutarom s business, operating results and financial condition.

Frutarom is exposed to product liability risk, particularly due to the fact that it supplies flavors to the food and beverage, flavor and fragrance, functional food, pharma/nutraceutical and personal care industries. Should Frutarom be found responsible in a large claim of this type, its insurance coverage might be inadequate to cover damages and/or legal expenses. A lack of adequate insurance coverage could result in a significant adverse effect on Frutarom s business, operating results and financial condition. Product liability claims brought against Frutarom could damage its reputation as well as put heavy demand on management s time and efforts, and this could have significant adverse effects on Frutarom s business regardless of the outcome of the claim.

The inability to integrate the businesses acquired by Frutarom during its recent growth period may lead to disruptions in its business and failure to capitalize on anticipated synergies.

A key element of Frutarom s growth strategy has been growth through the acquisition of flavor and specialty fine ingredients manufacturers. In line with this strategy, Frutarom has made many strategic acquisitions of companies and business activities in recent years. The integration of acquired activities involves a number of risks, including possible adverse effects on Frutarom s operating results, the loss of customers, the consuming of senior management s time and attention, and the failure to retain key personnel including managers of the acquired activities, along with risks associated with unanticipated events in the integration of the operations, technologies, systems and services of the acquired business. In addition, Frutarom may be unable to capitalize on the anticipated synergies (including those aimed at cost savings) inherent in such acquisitions. Failure in successfully integrating its acquisitions could have adverse effects on Frutarom s business, operating results and financial condition.

The rapid growth, as in recent years, in both Frutarom s activities and its geographical spread requires effective management to ensure that the financial benefits, tapping of synergies and the economies of scale are achieved. An inability to adapt to the rapid growth could result in losses or acquisition costs that will not be recovered as quickly as anticipated, if at all. Such circumstances could have significant adverse effects on Frutarom s business, its operating results and financial condition.

The loss of skilled personnel, members of senior management or other key employees could negatively impact Frutarom s ability to compete and implement its strategy.

Frutarom s continued future success depends on its ability to attract and retain proficient flavorists (flavor developers), lab technicians and other skilled personnel. Frutarom operates in a highly specialized market where product quality is of critical importance and having skilled personnel is necessary for ensuring the supply of high quality products. If a number of such employees were to leave at the same time, Frutarom could encounter difficulties in finding replacements with equivalent experience and abilities, a situation which could impair Frutarom s R&D capabilities. Furthermore, Frutarom s continued success depends to a large extent on its senior management team. The loss of services from members of senior management or other key employees could have a negative impact on Frutarom s results and its ability to implement its strategy. A failure to recruit and retain skilled personnel or members of senior management could have a significant adverse effect on Frutarom s business, operating results and financial condition.

The inability to protect its intellectual property or the loss of exclusive use of its proprietary formulas to create flavors may have a significant adverse impact on Frutarom s business, operating results and financial condition.

Frutarom s business relies on intellectual property, mainly consisting of formulas used to create its flavors. Frutarom does not register these formulas but they are kept highly confidential and considered trade secrets and, as such, are accessible to just a very limited circle of people within Frutarom. Although Frutarom believes it is not significantly reliant on any individual intellectual property right, proprietary formula, patent or license, a breach of confidentiality with respect to the formulas or loss of access to them and/or the future expiration of intellectual property rights could have a significant adverse impact on Frutarom s business, operating results and financial condition.

Frutarom relies, in part, on confidentiality agreements, ownership of intellectual property, and non-competition agreements with employees, vendors and third parties in order to protect its intellectual property. It is possible that these agreements will be breached and that Frutarom may lack an adequate remedy for any such breach. Disputes may arise concerning the ownership of intellectual property or the extent to which the confidentiality agreements remain in force. Furthermore, Frutarom s trade secrets may become revealed to its competitors or developed independently by them, in which case Frutarom will not be able to enjoy exclusive use of some of its formulas or maintain confidentiality concerning its products.

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FORWARD-LOOKING STATEMENTS

Statements in this prospectus supplement and the documents incorporated by reference, which are not historical facts or information, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are based on management s current assumptions, estimates and expectations and include statements concerning (i) our ability to achieve long-term sustainable growth and increase shareholder value, (ii) growth potential in the emerging markets, (iii) the anticipated impact of our acquisitions on our market position within key markets, (iv) our competitive position in the market and expected financial results in 2018, (v) expected savings from profit improvement initiatives, (vi) expected capital expenditures and cost pressures in 2018, (vii) the impact of the Tax Cuts and Jobs Act (the Tax Act) on the Company s effective tax rate in 2018, (viii) the expected level of share repurchases under the Company s share repurchase program, (ix) our ability to innovate and execute on specific consumer trends and demands, (x) timing of completion or relocation of our plants in China, (xi) expected increases in raw material costs in 2018, (xii) the impact of operational performance, cost reduction efforts and mix enhancement on margin improvement, and (xiii) the amount of expected pension contributions in 2018. These forward-looking statements should be evaluated with consideration given to the many risks and uncertainties inherent in our business that could cause actual results and events to differ materially from those in the forward-looking statements. Certain of such forward-looking information may be identified by such terms as expect, anticipate, believe, intend, outlook, may, estimate, should, and predict and similar terms c thereof. Such forward-looking statements are based on a series of expectations, assumptions, estimates and projections about the Company, are not guarantees of future results or performance, and involve significant risks, uncertainties and other factors, including assumptions and projections, for all forward periods. Our actual results may differ materially from any future results expressed or implied by such forward-looking statements. Such factors include, among others, those discussed in the Risk Factors section of this prospectus supplement and the following:

- the impact of the Merger;
- our ability to effectively compete in our market, and to successfully develop new products that appeal to our customers and consumers;
- our ability to provide our customers with innovative, cost-effective products;
- the impact of a disruption in our manufacturing operations;
- the impact of the BASF Group supply chain disruption on the supply and price of a key ingredient in 2018;
- our ability to implement our Vision 2020 strategy;
- the impact of the recently-enacted Tax Act on our effective tax rate in 2018 and beyond;

our ability to successfully market to our expanding and decentralized Flavors customer base;

our ability to react in a timely manner to changes in the consumer products industry related to health and wellness;

our ability to establish and maintain collaborations, joint ventures or partnerships, which lead to the development or commercialization of products;

our ability to benefit from our investments and expansion in emerging markets;

the impact of international operations that are subject to regulatory, political, economic, currency exchange and other risks, including in countries such as Turkey and Argentina;

the impact of economic uncertainty which may adversely affect demand for consumer products using flavors and fragrances;

our ability to attract and retain talented employees;

- our ability to comply with, and the costs associated with compliance with, U.S. and foreign environmental protection laws;

- our ability to realize the expected cost savings and efficiencies from our profitability improvement initiatives and the optimization of our manufacturing facilities;

- volatility and increases in the price of raw materials, energy and transportation;

- our ability to maintain the integrity of our raw materials, supply chain and finished goods, and comply with applicable regulations;

- our ability to successfully manage our inventory and/or working capital balances;

- the impact of violations of the U.S. Foreign Corrupt Practices Act or similar U.S. or foreign anti-bribery and anti-corruption laws and regulations in the markets in which we operate;

- our ability to protect our intellectual property rights;

- uncertainties regarding the outcome of, or funding requirements, related to litigation or settlement of pending litigation, uncertain tax positions or other contingencies;

- the impact of any future impairment of our tangible or intangible long-lived assets;

- the impact of changes in our tax rates, tax liabilities, the adoption of new United States or international tax legislation, or changes in existing tax laws;

- our ability to successfully estimate the impact of certain accounting and tax matters; and

- the potential adverse impact of Brexit on currency exchange rates, global economic conditions and cross-border agreements that affect our business.

The foregoing list of important factors does not include all such factors, nor necessarily present them in order of importance. In addition, you should consult other disclosures made by the Company (such as in our other filings with the SEC or in company press releases) for other factors that may cause actual results to differ materially from those projected by the Company. For additional information regarding factors that could affect the Company s results of operations, financial condition and liquidity, see Risk Factors in this prospectus supplement and the accompanying prospectus, as well as the risks described in the Risk Factors section of the Company s most recent Annual Report on Form 10-K and our Quarterly Reports on Form 10-Q and as may be included from time to time in our reports filed with the SEC.

The Company intends its forward-looking statements to speak only as of the time of such statements and does not undertake or plan to update or revise them as more information becomes available or to reflect changes in expectations, assumptions or results. The Company can give no assurance that such expectations or forward-looking statements will prove to be correct. An occurrence of, or any material adverse change in, one or more of the risk factors or risks and uncertainties referred to in this prospectus supplement and the accompanying prospectus, or included in any of our periodic reports filed with the SEC and incorporated by reference into this prospectus supplement could materially and adversely impact our results of operations, financial condition and liquidity and our future financial results.

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USE OF PROCEEDS

We estimate that the net proceeds to us from this Common Stock offering, after deducting underwriting discounts and estimated offering expenses payable by us, will be approximately $1,456 million (or up to approximately $1,602 million if the underwriters exercise their option to purchase additional shares of our Common Stock). We intend to use the net proceeds from this offering, together with the net proceeds from the concurrent tangible equity units offering, the Debt Financings and cash on hand to finance the Merger and to pay related fees and expenses. If for any reason the Merger is not consummated, we intend to use the net proceeds from this offering for general corporate purposes. See Summary Recent Developments.

A $1.00 increase (decrease) in the assumed public offering price of $127.06 per share, the last reported sale price of our Common Stock on September 7, 2018 on the NYSE, would (decrease) increase the number of shares of Common Stock to be sold by approximately (92,187) and approximately 93,649, respectively, assuming the aggregate dollar amount of shares of Common Stock offered by us remains the same and after deducting the estimated underwriting discounts and our estimated offering expenses. We do not anticipate increasing the dollar amount of the net proceeds from this offering even if the price per share of Common Stock is above the assumed price.

Completion of this Common Stock offering is not contingent on completion of the concurrent tangible equity units offering, the Debt Financings or the Merger. The concurrent tangible equity units offering, the Debt Financings and the Merger are not contingent on the completion of this offering. Accordingly, even if the Merger is not consummated, our shares of Common Stock sold in this offering will remain outstanding, and we will not have any obligation to offer to repurchase any or all of the shares of Common Stock sold in this offering.

The following table outlines the sources and uses of funds for the Merger, assuming the underwriters do not exercise their respective options to purchase additional shares of Common Stock in this offering and additional tangible equity units in the concurrent tangible equity units offering. The table assumes that the Merger, this Common Stock offering, the concurrent tangible equity units offering and the Debt Financings are completed simultaneously, but this Common Stock offering, the concurrent tangible equity units offering and the Debt Financings are expected to occur before completion of the Merger. Amounts in the table are in millions of dollars and are estimated, and actual amounts may vary from the estimated amounts.

Sources of Funds	**(in millions)**	**Uses of Funds**	
Cash and cash equivalents	$ 241	Merger consideration(2)	$ 6,189
New Term Loan	350	Merger and offering fees and expenses(3)	179
New Notes(1)	2,750	Repayment of outstanding indebtedness(4)(5)	1,047
Tangible equity units offering(1)	750	Breakage costs related to debt repayment(6)	40
Common Stock offered hereby(1)	1,500	General corporate purposes	40
Equity consideration to Frutarom shareholders and option holders(2)	1,904		
Total Sources	$ 7,495	Total Uses	$ 7,495

(1)

Before underwriting discounts and expenses and, with respect to the Common Stock offering and the tangible equity units offering, assumes no exercise of the underwriters respective options.

(2) Based on the number of Frutarom s outstanding ordinary shares and share-based awards as of June 30, 2018 and a price per share of our common stock of $127.72, which was the closing price of our common stock on the NYSE on September 5, 2018.

(3) Includes estimated underwriting discounts and expenses of this offering, the concurrent tangible equity units offering and the Debt Financings and the Merger.

(4) We intend to prepay in full our (i) $100 million in aggregate principal amount of 6.35% Series B Senior Notes due 2019, (ii) $50 million in aggregate principal amount of 6.50% Series C Senior Notes due 2022 and (iii) $100 million in aggregate principal amount of 6.79% Series D Senior Notes due 2027.

(5) We intend to repay $797 million of outstanding Frutarom debt. The calculation of the amount of Frutarom s debt to be repaid is as of June 30, 2018, and reflects the conversion into U.S. dollars of indebtedness denominated in foreign currencies (primarily euros) based on exchange rates as of June 30, 2018.

(6) The make-whole amounts included are estimated amounts calculated based on relevant treasury yields as of August 15, 2018.

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CAPITALIZATION

The following sets forth our capitalization on a consolidated basis as of June 30, 2018:

- on an actual basis;
- on an as adjusted basis to reflect the issuance and sale of Common Stock offered hereby (but not the application of the proceeds therefrom), assuming a public offering price of $127.06 per share of our Common Stock, which is equal to the last reported sale price of our Common Stock on the NYSE on September 7, 2018, after deducting underwriting discounts and estimated offering expenses payable by us (assuming no exercise of the underwriters option to purchase additional shares of our Common Stock);
- on an as further adjusted basis to reflect the concurrent issuance and sale of our tangible equity units after deducting the underwriting discounts and estimated offering expenses (but not the application of the proceeds therefrom), assuming no exercise of the underwriters option to purchase additional tangible equity units; and
- on a pro forma as further adjusted basis to give further effect to (i) the Debt Financings and the payment of related fees and expenses and (ii) the Merger.

This table should be read in conjunction with the other sections of this prospectus supplement and our consolidated financial statements and related notes incorporated by reference in this prospectus supplement and the accompanying prospectus. See Incorporation of Certain Information by Reference in this prospectus supplement. In addition, investors should not place undue reliance on the as adjusted, as further adjusted or pro forma as further adjusted information included below because this offering is not contingent upon completion of any of the transactions reflected in the adjustments below.

	As of June 30, 2018			
(in thousands)	Actual	As Adjusted	As Further Adjusted	Pro Forma As Further Adjusted
Cash and cash equivalents	$ 322,423	$ 1,778,673	$ 2,504,798	$ 297,171
Commercial paper				
Long-term debt:				
Credit facilities	103,988	103,988	103,988	103,988
Series B, C, D Senior Notes[(1)]	249,776	249,776	249,776	
3.20% Senior Notes due 2023	298,823	298,823	298,823	298,823
1.75% Senior Notes due 2024	573,514	573,514	573,514	573,514
4.375% Senior Notes due 2047	492,941	492,941	492,941	492,941
			123,269	123,269

Senior amortizing notes that are components of the tangible equity units being offered concurrently[(2)]				
New Notes				2,732,116
New Term Loan				347,429
Other	4,647	4,647	4,647	4,647
Total debt[(3)]	1,723,689	1,723,689	1,846,958	4,676,727
Shareholders equity:				
Common Stock	14,470	15,938	15,938	15,938
Capital in excess of par value[(4)]	167,432	1,622,214	2,225,070	3,427,649
Retained earnings	3,992,452	3,992,452	3,992,452	3,901,607
Accumulated other comprehensive loss	(692,498)	(692,498)	(692,498)	(692,498)
Treasury stock, at cost	(1,732,001)	(1,732,001)	(1,732,001)	(1,030,611)
Total shareholders equity[(5)]	1,749,855	3,206,105	3,808,961	5,622,085
Total capitalization	$ 3,473,544	$ 4,929,794	$ 5,655,919	$ 10,298,812

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(1) Includes (i) $100,000,000 aggregate principal amount 6.35% Series B Senior Notes due 2019, (ii) $50,000,000 aggregate principal amount 6.50% Series C Senior Notes due 2022 and (iii) $100,000,000 aggregate principal amount 6.79% Series D Senior Notes due 2027.
(2) Each tangible equity unit will include an amortizing note. The exact amount of the principal amount of these amortizing notes will not be determined until the pricing of the concurrent tangible equity units offering. We have assumed that 17% of the stated amount of the tangible equity units will be represented by the amortizing notes. For each additional $1.0 million of the stated amount of the units represented by the amortizing notes, we would incur an additional $0.17 million of indebtedness.
(3) As of June 30, 2018, we had approximately $104.0 million outstanding under our revolving credit facility (including 90 million euro converted at an exchange rate of U.S. $1.1554 per euro as of June 30, 2018) and no borrowings outstanding under our commercial paper program.
(4) Each tangible equity unit will include a purchase contract. We will account for the purchase contracts that are components of the Units as equity and expect to record the initial fair value of these purchase contracts, net of the underwriting discounts and estimated offering expenses allocated to the purchase contracts, as additional paid-in capital. The exact amount we record as additional paid-in capital will not be determined until the pricing of this offering and our determination of the final offering expenses. We have assumed that 83% of the stated amount of the Units will be represented by the purchase contracts and assumed the underwriting discounts and estimated offering expenses will be allocated to the purchase contracts.
(5) Does not include noncontrolling interest.

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PRICE RANGE OF COMMON STOCK AND DIVIDENDS

Shares of our Common Stock are traded on the NYSE and Euronext Paris under the symbol IFF.

On September 7, 2018, the closing price of our Common Stock on the NYSE was $127.06 per share. As of September 6, 2018, we had approximately 1,668 shareholders of record holding shares of our Common Stock.

Although we have paid dividends in the past, all future declarations of dividends are subject to the final determination of our board of directors, in its discretion, based on a number of factors that it deems relevant, including our financial position, results of operations, available cash resources, cash requirements, applicable law and alternative uses of cash that our board of directors may conclude would be in the best interest of the IFF and our shareholders.

The table below shows the high and low closing prices for our Common Stock, and the cash dividends we paid per share for the quarterly periods indicated.

	High	Low	Dividends declared per share
Fiscal Year 2018:			
First Quarter	$ 156.87	$ 132.60	$ 0.69
Second Quarter	143.04	122.13	0.69
Third Quarter (through September 7, 2018)	134.45	122.95	0.73
Fiscal Year 2017:			
First Quarter	$ 136.89	$ 115.26	$ 0.64
Second Quarter	139.73	128.98	0.64
Third Quarter	145.01	131.69	0.69
Fourth Quarter	155.44	144.47	0.69
Fiscal Year 2016:			
First Quarter	$ 122.38	$ 97.24	$ 0.56
Second Quarter	131.30	114.65	0.56
Third Quarter	143.43	124.77	0.64
Fourth Quarter	143.64	116.64	0.64

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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

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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.

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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.

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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
		3,204					3,204

Less: noncontrolling interests						
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.

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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.

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NOTES TO THE UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

(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.

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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

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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.

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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

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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

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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

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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**

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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 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.

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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**

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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.

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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.

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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.

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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

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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

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UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

The following is a summary of the material U.S. federal income and, to a limited extent, estate tax consequences of the purchase, ownership and disposition of our Common Stock. This summary is based on the provisions of the Internal Revenue Code of 1986, as amended (the Code), and final, temporary and proposed regulations, rulings, administrative pronouncements and judicial decisions thereunder as of the date hereof. Those authorities may be changed, perhaps retroactively, so as to result in U.S. federal income and estate tax consequences different from those discussed below. This summary deals only with holders that will hold our Common Stock as a capital asset. This summary does not describe all of the income or estate tax consequences that may be relevant to a holder in light of the holder s particular circumstances or to holders subject to special rules, such as certain financial institutions; insurance companies; dealers or traders subject to a mark-to-market method of tax accounting with respect to our Common Stock; persons holding our Common Stock as part of a hedge, straddle, integrated transaction or similar transaction; U.S. holders (as defined below) whose functional currency is not the U.S. dollar; U.S. expatriates; non-resident alien individuals who are present in the United States for more than 182 days in a taxable year; any person that actually or constructively owns 10% or more of the total combined voting power of our stock entitled to vote; partnerships or other entities or arrangements classified as partnerships for U.S. federal income tax purposes; or tax exempt entities.

This summary addresses only U.S. federal income and, to a limited extent, estate tax consequences and does not address consequences arising under foreign, state, local or other tax laws, the alternative minimum tax or the Medicare tax on net investment income. Prospective investors should consult their own tax advisors in determining the tax consequences to them of holding our Common Stock under such tax laws, as well as the application to their particular situation of the U.S. federal income and estate tax considerations discussed below.

U.S. Holders

The following discussion applies only to a U.S. holder of our Common Stock. As used herein, a U.S. holder is a beneficial owner of our Common Stock that is a citizen or resident of the United States or a U.S. domestic corporation or that otherwise will be subject to U.S. federal income taxation on a net income basis in respect of the Common Stock.

Distributions on Common Stock. If we make a distribution of cash or property to a U.S. holder in respect of a share of our Common Stock (other than certain *pro rata* distributions of common shares), the distribution generally will be treated first as a dividend to the extent of our current and accumulated earnings and profits as determined under U.S. federal income tax principles, then as a tax-free return of capital to the extent of the U.S. holder s tax basis in the share, and thereafter as capital gain from the sale or exchange of the share as described below under Sale or Other Taxable Disposition of Common Stock. Dividends received by a non-corporate U.S. holder will be eligible to be taxed at reduced rates if the U.S. holder meets certain holding period and other applicable requirements. Dividends received by a corporate U.S. holder will be eligible for the dividends-received deduction if the U.S. holder meets certain holding period and other applicable requirements.

Sale or Other Taxable Disposition of Common Stock. A U.S. holder generally will recognize capital gain or loss upon the sale, exchange or other disposition of a share of our Common Stock equal to the difference between the amount realized and the U.S. holder s adjusted tax basis in the Common Stock. Any such capital gain or loss will be long-term capital gain or loss if the U.S. holder s holding period for the share exceeds one year. Long-term capital gains of a non-corporate U.S. holder are generally eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

Non-U.S. Holders

The following discussion applies only to non-U.S. holders. A non-U.S. holder is a beneficial owner of our Common Stock that is an individual, corporation, estate, or trust that is not a U.S. holder.

Distributions on Common Stock. Any distribution on our Common Stock generally will be treated as a dividend, return of capital or capital gain (as described above under U.S. Holders Distributions on Common Stock). Dividends paid (or deemed paid) to a non-U.S. holder of our Common Stock generally will be subject to withholding tax, currently at a 30% rate or a lower rate provided by an applicable income tax treaty. In order to obtain a reduced treaty rate of withholding, a non-U.S. holder will be required to provide a properly executed IRS Form W-8BEN or Form W-8BEN-E (or appropriate substitute form) to the applicable withholding agent certifying the non-U.S. holder s entitlement to benefits under the relevant treaty.

Sale or Other Taxable Disposition of Common Stock. Subject to the discussions below under Information Reporting and Backup Withholding and FATCA, a non-U.S. holder generally will not be subject to U.S. federal income tax on gain recognized on a sale, exchange, or other disposition of our Common Stock, unless we are or have been a United States real property holding corporation for U.S. federal income tax purposes at any time within the five-year period preceding the disposition or the non-U.S. holder s holding period, whichever period is shorter. We believe that we are not, and do not anticipate becoming, a United States real property holding corporation.

Information Reporting and Backup Withholding

Information returns will be filed with the IRS in connection with payments on our Common Stock made to certain U.S. holders and may be filed in connection with the proceeds from a sale or other disposition (or deemed disposition) of our Common Stock by such U.S. holders. In addition, certain U.S. holders may be subject to backup withholding in respect of payments on our Common Stock or in connection with the proceeds from a sale or other disposition (or deemed disposition) of our Common Stock if they do not provide their taxpayer identification numbers to the applicable withholding agent. Non-U.S. holders may be required to comply with applicable certification procedures to establish that they are not U.S. holders in order to avoid the application of such information reporting requirements and backup withholding. The amount of any backup withholding from a payment to a U.S. or non-U.S. holder will be allowed as a credit against the holder s U.S. federal income tax liability and may entitle the holder to a refund, provided that the required information is timely furnished to the IRS.

FATCA

Under the U.S. tax rules known as the Foreign Account Tax Compliance Act (commonly known as FATCA), a holder of our Common Stock generally will be subject to 30% U.S. withholding tax on dividend payments made (or deemed made) on (and, after December 31, 2018, gross proceeds from the sale or other taxable disposition of) of our Common Stock if the holder (i) is, or holds our Common Stock through, a foreign financial institution that has not entered into an agreement with the U.S. government to report, on an annual basis, certain information regarding accounts with or interests in the institution held by certain United States persons and by certain non-U.S. entities that are wholly or partially owned by United States persons, or that has been designated as a nonparticipating foreign financial institution if it is subject to an intergovernmental agreement between the United States and a foreign country, or (ii) fails to provide certain documentation (usually an IRS Form W-8BEN or W-8BEN-E) containing information about its identity, its FATCA status, and if required, its direct and indirect U.S. owners. The adoption of, or implementation of, an intergovernmental agreement between the United States and an applicable foreign country, or future U.S. Treasury regulations, may modify these requirements. If any taxes were to be deducted or withheld from any payments in respect of our Common Stock as a result of a beneficial owner or intermediary s failure to comply with the foregoing rules, no additional amounts will be paid to holders as a result of the deduction or withholding of such tax. Prospective investors should consult their own tax advisors on how these rules may apply to their investment in our Common Stock.

U.S. Federal Estate Tax

Shares of our Common Stock owned by a non-U.S. holder at the time of the non-U.S. holder s death will be subject to U.S. federal estate tax unless an applicable estate tax treaty provides otherwise.

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UNDERWRITING

Under the terms and subject to the conditions in an underwriting agreement dated the date of this prospectus supplement, the underwriters named below, for whom Morgan Stanley & Co. LLC, Citigroup Global Markets Inc. and J.P. Morgan Securities LLC are acting as joint book-running managers and representatives, have severally agreed to purchase, and we have agreed to sell to them, severally, the number of shares indicated below:

Underwriters	Number of Shares
Morgan Stanley & Co. LLC	
Citigroup Global Markets Inc.	
J.P. Morgan Securities LLC	
Total	

The underwriters and the representatives are collectively referred to as the underwriters and the representatives, respectively. The underwriters are offering the shares of Common Stock subject to their acceptance of the shares from us and subject to prior sale. The underwriting agreement provides that the obligations of the several underwriters to pay for and accept delivery of the shares of Common Stock offered by this prospectus supplement are subject to the approval of certain legal matters by their counsel and to certain other conditions. The underwriters are obligated to take and pay for all of the shares of Common Stock offered by this prospectus supplement if any such shares are taken. However, the underwriters are not required to take or pay for the shares covered by the underwriters option to purchase additional shares described below.

The underwriters initially propose to offer part of the shares of Common Stock directly to the public at the offering price listed on the cover page of this prospectus supplement and part to certain dealers. After the initial offering of the shares of Common Stock, the offering price and other selling terms may from time to time be varied by the representatives.

We have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus supplement, to purchase up to additional shares of Common Stock at the public offering price listed on the cover page of this prospectus supplement, less underwriting discounts. To the extent the option is exercised, each underwriter will become obligated, subject to certain conditions, to purchase about the same percentage of the additional shares of Common Stock as the number listed next to the underwriter s name in the preceding table bears to the total number of shares of Common Stock listed next to the names of all underwriters in the preceding table.

The following table shows the per share and total public offering price, underwriting discounts, and proceeds before expenses to us. These amounts are shown assuming both no exercise and full exercise of the underwriters option to purchase up to an additional shares of Common Stock.

		Total	
	Per Share	No Exercise	Full Exercise
Public offering price	$	$	$
Underwriting discounts to be paid by us	$	$	$

Proceeds, before expenses, to us	$	$	$

The estimated offering expenses payable by us, exclusive of the underwriting discounts, are approximately $1,000,000. We have agreed to reimburse the underwriters for expense relating to clearance of this offering with the Financial Industry Regulatory Authority.

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Our Common Stock is listed on the NYSE and Euronext Paris under the symbol IFF .

We and all of our directors and officers have agreed that, without the prior written consent of the representatives on behalf of the underwriters, we and they will not, during the period ending 90 days after the date of this prospectus supplement (the restricted period): (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any shares of Common Stock or any securities convertible into or exercisable or exchangeable for shares of Common Stock or make any public announcement of its intention to enter into any of the foregoing transactions; (ii) file any registration statement with the SEC relating to the offering of any shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock; or (iii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Common Stock, whether any such transaction described above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise. In addition, we and each such person agrees that, without the prior written consent of the representatives on behalf of the underwriters, we or such other person will not, during the restricted period, make any demand for, or exercise any right with respect to, the registration of any shares of Common Stock or any security convertible into or exercisable or exchangeable for Common Stock.

The restrictions described in the immediately preceding paragraph do not apply to:

- the sale of shares of Common Stock in this offering or pursuant to the Merger Agreement;

- transactions by any person other than us relating to shares of Common Stock or other securities acquired in open market transactions after the completion of this Common Stock offering; *provided* that no filing under Section 16(a) of the Securities Exchange Act of 1934, as amended (the Exchange Act), is required or voluntarily made in connection with subsequent sales of Common Stock or other securities acquired in such open market transactions;

- transfers of shares of Common Stock or other securities as a bona fide gift or as a donation to a charitable organization; *provided* that the transferee will sign a substantially similar lock-up agreement; and *provided further* that no filing under Section 16(a) of the Exchange Act is required or voluntarily made;

- distributions of shares of Common Stock (i) to a corporation, partnership, or limited liability company or other entity that controls or is controlled by, or is under common control with the signatory, or to any investment fund or other entity controlled or managed by the signatory, (ii) by operation of law, including by way of testate or intestate succession or in connection with any partition of community property or otherwise associated with a proceeding or settlement involving domestic relations or (iii) to any immediate family member, in each case in a transaction not involving a disposition for value; *provided* that in each case the transferee will sign a substantially similar lock-up agreement; and *provided further* that in the case of clauses (i) and (iii) no filing under Section 16(a) of the Exchange Act is required or voluntarily made,

- the tangible equity units to be sold in the concurrent tangible equity unit offering and any shares of Common Stock issued pursuant to the terms of the purchase contracts;

the establishment of a trading plan pursuant to Rule 10b5-1 under the Exchange Act for the transfer of shares of common stock or sales of shares of Common Stock pursuant to a Rule 10b5-1 trading plan currently in effect; *provided* that (i) any such plan established after the date of the lock-up agreement does not provide for the transfer of Common Stock during the restricted period and (ii) to the extent a public announcement or filing under the Exchange Act, if any, is required or voluntarily made regarding the establishment of such plan, such announcement or filing shall include a statement to the effect that no transfer of common stock may be made under such plan during the restricted period;

the issuance by the Company of shares of Common Stock upon the exercise of an option or a warrant or the conversion of a security outstanding on the date of this prospectus supplement that is described in the registration statement to which this prospectus supplement relates; *provided* that the restrictions described above shall apply to Common Stock issued upon such exercise; and

dispositions or transfers of shares of Common Stock solely on a cashless or net exercise basis (i) to the Company upon a vesting event of the Company s restricted stock units to cover tax withholding obligations of the securityholder in connection with such vesting or (ii) relating to options to purchase Common Stock under a plan described in the registration statement to which this prospectus supplement relates that are scheduled to expire during the restricted period; *provided* that, in each case, to the extent a filing under the Exchange Act or public announcement, if any, is made regarding a reduction in beneficial ownership of shares of Common Stock during the restricted period, the securityholder shall include a statement in such report to the effect that such disposition was made pursuant to the foregoing circumstances; and *provided further* that no voluntary filing under the Exchange Act or other voluntary public announcement reporting a reduction in beneficial ownership of shares of Common Stock during the restricted period shall be made by any party in connection with such disposition.

The representatives, in their sole discretion, may release the common stock and other securities subject to the lock-up agreements described above in whole or in part at any time.

In order to facilitate the offering of the common stock, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the common stock. Specifically, the underwriters may sell more shares than they are obligated to purchase under the underwriting agreement, creating a short position. A short sale is covered if the short position is no greater than the number of shares available for purchase by the underwriters under the option. The underwriters can close out a covered short sale by exercising the option or purchasing shares in the open market. In determining the source of shares to close out a covered short sale, the underwriters will consider, among other things, the open market price of shares compared to the price available under the option. The underwriters may also sell shares in excess of the option, creating a naked short position. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market after pricing that could adversely affect investors who purchase in this offering. As an additional means of facilitating this offering, the underwriters may bid for, and purchase, shares of common stock in the open market to stabilize the price of the common stock. These activities may raise or maintain the market price of the common stock above independent market levels or prevent or retard a decline in the market price of the common stock. The underwriters are not required to engage in these activities and may end any of these activities at any time.

We and the underwriters have agreed to indemnify each other against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that underwriters may be required to make in respect of those liabilities.

A prospectus supplement in electronic format may be made available on websites maintained by one or more underwriters, or selling group members, if any, participating in this offering. The representatives may agree to allocate a number of shares of common stock to underwriters for sale to their online brokerage account holders. Internet distributions will be allocated by the representatives to underwriters that may make Internet distributions on the same basis as other allocations.

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging. financing and brokerage activities. Certain of the underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for us, for which they received or will receive customary fees and expenses. In addition, Morgan Stanley & Co. LLC has acted as our financial adviser

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in connection with the Merger. In connection with the Merger, we entered into a term loan credit agreement with an affiliate of Morgan Stanley & Co. LLC, as administrative agent, and the lenders party thereto, including affiliates of Morgan Stanley & Co. LLC, Citigroup Global Markets Inc. and J.P. Morgan Securities LLC, pursuant to which the lenders committed to provide, subject to certain conditions, a senior unsecured term loan facility in an original aggregate principal amount of up to $350 million, maturing three years after the funding date thereunder. Also in connection with the Merger, we and certain of our subsidiaries entered into Amendment No. 2 to the Credit Agreement with Citibank, N.A. as administrative agent, and the lenders party thereto, including affiliates of Morgan Stanley & Co. LLC, Citigroup Global Markets Inc. and J.P. Morgan Securities LLC, which amended and restated the Credit Agreement, dated as of November 9, 2011, amended and restated as of December 2, 2016 and amended as of May 21, 2018 among us, certain of our subsidiaries, the lenders party thereto, and Citibank, N.A. as administrative agent (as so amended and restated, the Revolving Credit Agreement). The Revolving Credit Agreement, among other things, provides a five-year $1.0 billion senior unsecured revolving loan credit facility. Some of the underwriters and their respective affiliates are or will be lenders under the senior unsecured term loan facility, the senior unsecured revolving loan credit facility and the Bridge Facility, and funding of the Merger with the proceeds from this Common Stock offering, the concurrent tangible equity units offering and the Debt Financing will result in the reduction of the lenders obligations under the Bridge Facility.

In addition, in the ordinary course of their various business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve our securities and instruments. The underwriters and their respective affiliates may also make investment recommendations or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long or short positions in such securities and instruments.

Selling Restrictions

Canada

The shares of our Common Stock may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the shares of our common stock must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser s province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

European Economic Area

The shares of Common Stock are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (EEA). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, MiFID II); or (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the Insurance Mediation Directive), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the Prospectus Directive). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the PRIIPs Regulation) for offering or selling the shares of Common Stock or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the shares of Common Stock or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation. This prospectus supplement and the accompanying prospectus have been prepared on the basis that any offer of shares of Common Stock in any Member State of the EEA will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of shares of Common Stock. This prospectus supplement and the accompanying prospectus are not a prospectus for the purposes of the Prospectus Directive.

United Kingdom

In addition, this document is being distributed only to, and is directed only at, and any offer subsequently made may only be directed at: (i) in the United Kingdom, persons having professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the Order), and/or persons falling within Article 49(2)(a) to (d) of the Order; (ii) persons who are outside the United Kingdom; and (iii) any other persons to whom it may otherwise lawfully be distributed (all such persons together being referred to as relevant persons). This document must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to, and will be engaged in only with, relevant persons.

Israel

This prospectus does not constitute a prospectus under the Israeli Securities Law, 5728-1968, and has not been filed with or approved by the Israel Securities Authority. In Israel, this prospectus is being distributed only to, and is directed only at, qualified investors listed in the first addendum, or the Addendum, to the Israeli Securities Law. Qualified investors will be required to submit written confirmation that they fall within the scope of the Addendum.

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LEGAL MATTERS

Certain legal matters with respect to the validity of the Common Stock offered under this prospectus supplement will be passed upon for us by Cleary Gottlieb Steen & Hamilton, LLP, New York, New York. Certain legal matters relating to the offering will be passed upon for the underwriters by Davis Polk & Wardwell LLP, New York, New York.

EXPERTS

The financial statements of International Flavors & Fragrances Inc. and management s assessment of the effectiveness of internal control over financial reporting (which is included in Management s Report on Internal Control over Financial Reporting) incorporated in this prospectus supplement by reference to International Flavors & Fragrances Inc. s Annual Report on Form 10-K for the year ended December 31, 2017 have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

The financial statements of Frutarom Industries Ltd. as of December 31, 2017 and 2016 and for each of the three years in the period ended December 31, 2017 included in this prospectus supplement have been so included in reliance on the report of Kesselman & Kesselman, a member of PricewaterhouseCoopers International Limited, independent accountants, given on the authority of said firm as experts in auditing and accounting.

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INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

We are incorporating by reference into this prospectus supplement specific documents that we file with the SEC, which means that we can disclose important information to you by referring you to those documents that are considered part of this prospectus supplement. Information that we file subsequently with the SEC will automatically update and supersede this information. We incorporate by reference the documents listed below, and any future documents that we file with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Exchange Act until we sell all of the securities offered by this prospectus supplement.

We incorporate by reference into this prospectus supplement the following documents filed by us with the SEC, other than information furnished pursuant to Item 2.02 or Item 7.01 of Form 8-K, each of which should be considered an important part of this prospectus supplement:

Commission Filing (File No. 001-04858)	**Period Covered or Date of Filing**
Annual Report on Form 10-K (including the portions of our Proxy Statement on Schedule 14A for our 2018 Annual Meeting of Shareholders filed with the Commission on March 23, 2018 that are incorporated herein by reference)	Year Ended December 31, 2017
Quarterly Reports on Form 10-Q	Quarter Ended March 31, 2018 and June 30, 2018
Current Reports on Form 8-K	May 3, 2018, May 7, 2018, May 9, 2018, May 24, 2018, June 8, 2018, August 3, 2018, August 27, 2018 and September 10, 2018
All subsequent documents filed by us under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act until we sell all of the securities offered by this prospectus supplement	

We will provide to each person to whom a prospectus supplement and the accompanying prospectus is delivered, a copy of any or all of the information that has been incorporated by reference in this prospectus supplement and the accompanying prospectus but not delivered with this prospectus supplement and the accompanying prospectus.

You may request a copy of each of our filings at no cost, by writing or telephoning us at the following address or telephone number:

International Flavors & Fragrances Inc.

Attention: Investor Relations

521 West 57th Street

New York, NY 10019

Phone: (212) 765-5500

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FRUTAROM INDUSTRIES LTD. INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT AUDITORS

To the Shareholders of

FRUTAROM INDUSTRIES LTD.

We have audited the accompanying consolidated financial statements of Frutarom Industries Ltd. (hereafter the Company) which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of income, of comprehensive income, changes in equity and cash flows for each of the three years in the period ended on December 31, 2017.

Management and Board of Directors Responsibility for the Consolidated Financial Statements

Management and Board of Directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management and Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Frutarom Industries Ltd. as of December 31, 2017 and 2016, and their results of operations and their cash flows for each of the three years in the period ended on December 31, 2017, in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Haifa, Israel /s/ Kesselman & Kesselman

June 14, 2018 Certified Public Accountant (Isr.)
A member firm of PricewaterhouseCoopers International Limited

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

Telephone: +972 -4- 8605000, Fax:+972 -4- 8605001, www.pwc.com/il

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FRUTAROM INDUSTRIES LTD.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As of December 31 2017	2016
		U.S. dollars in thousands	
Assets			
CURRENT ASSETS:			
Cash and cash equivalents	19	118,214	113,528
Accounts receivable:	16		
Trade		248,043	200,106
Other		23,647	29,888
Prepaid expenses and advances to suppliers		21,265	20,248
Inventory	17	308,891	260,951
		720,060	624,721
NON-CURRENT ASSETS:			
Property, plant and equipment	7	312,876	268,820
Intangible assets	2f.8	829,226	657,781
Investment in associates and available for sale assets	15	77,541	27,976
Deferred income tax assets	13d	3,886	3,477
Other	18	3,599	2,686
		1,227,128	960,740
Total assets		1,947,188	1,585,461

)
Dr. John Farber)
Chairman of the Board

)
Ori Yehudai)
President and CEO

)
Alon Granot)
Executive Vice President and CFO

Date of approval of the financial statements by the Board of Directors: June 14, 2018.

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FRUTAROM INDUSTRIES LTD.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As of December 31 2017	2016
		U.S. dollars in thousands	
Liabilities and shareholders equity			
CURRENT LIABILITIES:			
Short-term bank credit and loans and current maturities of long-term loans	9	372,135	234,204
Accounts payable:			
Trade	20a	98,813	81,630
Other	20b	140,560	109,607
Put option liability for the shareholders of a Subsidiary	5a.1		40,350
		611,508	465,791
NON-CURRENT LIABILITIES:			
Long-term loans net of current maturities	9	262,151	299,576
Retirement benefit obligations, net	10	34,006	35,041
Deferred income tax liabilities	13d	58,306	50,147
Liability for shareholders of a subsidiaries and other	3	102,304	70,302
		456,767	455,066
COMMITMENTS AND CONTINGENT LIABILITIES	11		
TOTAL LIABILITIES		1,068,275	920,857
EQUITY:	12		
Equity attributable to owners of the parent:			
Ordinary shares		17,086	16,997
Other capital surplus		120,288	114,396
Translation differences	2c	(45,187)	(109,043)
Retained earnings		783,029	637,868
Less cost of Company shares held by the company		(3,409)	(3,765)
NON-CONTROLLING INTERESTS		7,106	8,151
TOTAL EQUITY		878,913	664,604
TOTAL EQUITY AND LIABILITIES		1,947,188	1,585,461

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

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FRUTAROM INDUSTRIES LTD.

CONSOLIDATED INCOME STATEMENT

	Note	Year ended December 31 2017	2016	2015
		U.S. dollars in thousands, (except for per share information)		
SALES		1,362,396	1,147,041	872,796
COST OF SALES	21a	837,271	709,488	534,737
GROSS PROFIT		525,125	437,553	338,059
Selling, marketing, research and development expenses net	21b	220,014	196,001	141,237
General and administrative expenses	21c	92,155	81,637	63,742
Other expenses net	21d	3,392	11,772	2,826
Group s share of earnings of investees accounted for at equity	15	1,402	1,113	
INCOME FROM OPERATIONS		210,966	149,256	130,254
FINANCIAL EXPENSES net	21e	24,606	12,841	12,197
INCOME BEFORE TAXES ON INCOME		186,360	136,415	118,057
INCOME TAX	13e	34,797	25,346	21,972
NET INCOME FOR THE YEAR		151,563	111,069	96,085
PROFIT ATTRIBUTED TO:				
Owners of the parent company		149,679	109,245	94,859
Non-controlling interest		1,884	1,824	1,226
TOTAL INCOME:		151,563	111,069	96,085
		U.S dollars		
EARNINGS PER SHARE:	2w			
Basic		2.52	1.85	1.62
Fully diluted		2.51	1.84	1.60

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

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FRUTAROM INDUSTRIES LTD.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended December 31		
	Note	**2017**	**2016**	**2015**
		U.S. dollars in thousands		
INCOME FOR THE YEAR		151,563	111,069	96,085
Other comprehensive income:				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of net defined benefit Liability		2,716	1,123	(858)
ITEMS THAT COULD BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS				
Gain from available-for-sale financial assets			41	
Transfer of available-for-sale financial assets to profit and loss	15b.2	(41)		
Translation differences		64,428	3,910	(65,293)
Total comprehensive income for the Year		218,666	116,143	29,934
ATTRIBUTABLE TO:				
Owners of the parent		216,210	114,615	28,911
Non-controlling interest		2,456	1,528	1,023
TOTAL INCOME		218,666	116,143	29,934

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

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FRUTAROM INDUSTRIES LTD.

CONSODLIATED STATEMENT OF CHANGES IN EQUITY

		EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT							
	Note	**Ordinary shares**	**Other capital surplus**	**Translation differences**	**Retained earnings**	**Cost of company shares held by the company**	**Total attributed to Owners of the parent company**	**Non-controlling interest**	**Total**
					U.S. dollars in thousands				
BALANCE AT JANUARY 1, 2015		16,822	106,664	(48,159)	445,653	(2,587)	518,393	3,626	522,019
CHANGES DURING THE YEAR ENDED December 31, 2015:									
Comprehensive income:									
Income for the year					94,859		94,859	1,226	96,085
Other comprehensive income	2c			(65,090)	(858)		(65,948)	(203)	(66,151)
Total comprehensive income for the year				(65,090)	94,001		28,911	1,023	29,934
Plan for allotment of Company shares to employees of subsidiary:									
Acquisition of the Company shares by the Company	2s					(1,085)	(1,085)		(1,085)
Receipts in respect of allotment of Company shares to employees	12b		(374)			561	187		187
Allotment of shares and options to senior employees-Recognition of compensation related to employee stock and option grants	12b		1,541				1,541		1,541
Proceeds from issuance of shares to senior		90	2,635				2,725		2,725

employees					
Dividend paid to the non-controlling interests in subsidiary				(58)	(58)
Dividend paid	12c	(5,774)	(5,774)		(5,774)