

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2014

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-4858

**INTERNATIONAL FLAVORS &  
FRAGRANCES INC.**

(Exact name of registrant as specified in its charter)

New York  
(State or other jurisdiction of  
incorporation or organization)

13-1432060  
(I.R.S. Employer  
Identification No.)

521 West 57th Street, New York, N.Y. 10019-2960  
(Address of principal executive offices) (Zip Code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer

Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Number of shares outstanding as of October 24, 2014: 80,971,601

## ITEM 1. FINANCIAL STATEMENTS

**PART I. FINANCIAL INFORMATION**  
**INTERNATIONAL FLAVORS & FRAGRANCES INC.**  
**CONSOLIDATED BALANCE SHEET**  
(DOLLARS IN THOUSANDS)  
(Unaudited)

	September 30, 2014	December 31, 2013
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 404,836	\$ 405,505
Trade receivables (net of allowances of \$9,906 and \$10,493, respectively)	562,617	524,493
Inventories: Raw materials	264,531	252,457
Work in process	17,250	6,658
Finished goods	274,521	274,691
Total Inventories	556,302	533,806
Deferred income taxes	23,315	40,189
Prepaid expenses and other current assets	165,539	148,910
Total Current Assets	1,712,609	1,652,903
Property, plant and equipment, at cost	1,796,021	1,757,983
Accumulated depreciation	(1,095,073)	(1,070,768)
	700,948	687,215
Goodwill	675,484	665,582
Other intangible assets, net	78,397	30,615
Deferred income taxes	160,490	154,437
Other assets	148,581	140,979
Total Assets	\$ 3,476,509	\$ 3,331,731
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current Liabilities:</b>		
Bank borrowings and overdrafts and current portion of long-term debt	\$ 9,528	\$ 149
Accounts payable	207,227	226,733
Accrued payroll and bonus	66,371	105,816
Dividends payable	37,931	31,740
Restructuring and other charges	1,503	2,116
Other current liabilities	194,294	193,812
Total Current Liabilities	516,854	560,366
Long-term debt	933,625	932,665
Deferred gains	47,359	41,339
Retirement liabilities	218,312	238,225
Other liabilities	116,705	92,085
Total Other Liabilities	1,316,001	1,304,314
<b>Commitments and Contingencies (Note 12)</b>		
<b>Shareholders' Equity:</b>		
Common stock 12 1/2¢ par value; authorized 500,000,000 shares; issued 115,761,900 and 115,761,840 shares as of September 30, 2014 and December 31, 2013; and outstanding 81,113,493 and 81,384,246 shares as of September 30, 2014 and December 31, 2013	14,470	14,470
Capital in excess of par value	136,341	131,461
Retained earnings	3,298,761	3,075,657
Accumulated other comprehensive loss	(399,061)	(392,711)
Treasury stock, at cost - 34,648,407 shares as of September 30, 2014 and 34,377,594 shares as of December 31, 2013	(1,410,992)	(1,365,805)
Total Shareholders' Equity	1,639,519	1,463,072
Noncontrolling interest	4,135	3,979
Total Shareholders' Equity including noncontrolling interest	1,643,654	1,467,051
Total Liabilities and Shareholders' Equity	\$ 3,476,509	\$ 3,331,731

See Notes to Consolidated Financial Statements

**INTERNATIONAL FLAVORS & FRAGRANCES INC.**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
(AMOUNT IN THOUSANDS EXCEPT PER SHARE AMOUNTS)  
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Net sales	\$ 773,813	\$ 742,256	\$ 2,332,451	\$ 2,227,727
Cost of goods sold	433,702	416,852	1,298,281	1,256,977
Research and development expenses	63,701	65,654	191,635	189,428
Selling and administrative expenses	123,212	118,221	379,864	357,687
Restructuring and other charges, net	608	—	912	2,105
Interest expense	10,968	11,625	34,048	35,637
Other income, net	(563)	(4,080)	(3,761)	(16,359)
Income before taxes	142,185	133,984	431,472	402,252
Taxes on income	34,770	34,938	107,064	110,187
Net income	107,415	99,046	324,408	292,065
Other comprehensive income (loss), after tax:				
Foreign currency translation adjustments	(25,046)	5,707	(26,872)	(11,118)
Gains (losses) on derivatives qualifying as hedges	5,748	(1,859)	7,806	(4,161)
Pension and postretirement net liability	3,951	5,126	12,716	15,346
Other comprehensive income (loss)	(15,347)	8,974	(6,350)	67
Total comprehensive income	\$ 92,068	\$ 108,020	\$ 318,058	\$ 292,132
Net income per share - basic	\$ 1.32	\$ 1.21	\$ 3.98	\$ 3.57
Net income per share - diluted	\$ 1.31	\$ 1.20	\$ 3.95	\$ 3.54
Average number of shares outstanding - basic	80,942	81,437	80,981	81,349
Average number of shares outstanding - diluted	81,508	82,043	81,556	81,959
Dividends declared per share	\$ 0.47	\$ 0.39	\$ 1.25	\$ 1.07

*See Notes to Consolidated Financial Statements*

**INTERNATIONAL FLAVORS & FRAGRANCES INC.**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
(DOLLARS IN THOUSANDS)  
(Unaudited)

	Nine Months Ended September 30,	
	2014	2013
<b>Cash flows from operating activities:</b>		
Net income	\$ 324,408	\$ 292,065
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization	68,678	61,084
Deferred income taxes	7,496	(5,167)
Gain on disposal of assets	(2,351)	(18,859)
Stock-based compensation	19,627	18,919
Changes in assets and liabilities, net of Aromor acquisition:		
Trade receivables	(47,929)	(72,051)
Inventories	(21,609)	10,679
Accounts payable	(7,590)	(11,581)
Accruals for incentive compensation	(45,482)	(1,298)
Other current payables and accrued expenses	4,154	27,416
Other assets	(5,508)	(23,805)
Other liabilities	23,609	(20,086)
Net cash provided by operating activities	317,503	257,316
<b>Cash flows from investing activities:</b>		
Cash paid for acquisition, net of cash received (including \$15 million of contingent consideration)	(102,500)	—
Additions to property, plant and equipment	(97,820)	(86,448)
Proceeds from life insurance contracts	17,750	793
Maturity of net investment hedges	(472)	626
Proceeds from disposal of assets	2,506	16,782
Net cash used in investing activities	(180,536)	(68,247)
<b>Cash flows from financing activities:</b>		
Cash dividends paid to shareholders	(95,113)	(55,525)
Net change in revolving credit facility borrowings and overdrafts	8,926	(282,915)
Deferred financing costs	(1,023)	(2,800)
Repayments of long-term debt	—	(100,000)
Proceeds from long-term debt	4,100	297,786
Proceeds from issuance of stock under stock plans	1,361	3,613
Excess tax benefits on stock-based payments	6,080	5,583
Purchase of treasury stock	(52,453)	(31,923)
Net cash used in financing activities	(128,122)	(166,181)
Effect of exchange rate changes on cash and cash equivalents	(9,514)	(4,161)
<b>Net change in cash and cash equivalents</b>	<b>(669)</b>	<b>18,727</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>405,505</b>	<b>324,422</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 404,836</b>	<b>\$ 343,149</b>
Interest paid, net of amounts capitalized	\$ 26,407	\$ 47,754
Income taxes paid	\$ 63,007	\$ 105,636

See Notes to Consolidated Financial Statements

## **Notes to Consolidated Financial Statements**

### **Note 1. Consolidated Financial Statements:**

#### *Basis of Presentation*

These interim statements and related management's discussion and analysis should be read in conjunction with the Consolidated Financial Statements and their related notes and management's discussion and analysis of results of operations, liquidity and capital resources included in our 2013 Annual Report on Form 10-K ("2013 Form 10-K"). These interim statements are unaudited. The year-end balance sheet data included in this Form 10-Q filing was derived from audited financial statements, but does not include all disclosures required by generally accepted accounting principles in the United States of America. We have historically operated and continue to operate on a 52/53 week fiscal year ending on the Friday closest to the last day of the quarter. For ease of presentation, September 30 and December 31 are used consistently throughout this Form 10-Q and these interim financial statements and related notes to represent the period-end dates. For the 2014 and 2013 quarters, the actual closing dates were September 26 and September 27, respectively. The unaudited interim financial statements include all adjustments (consisting only of normal recurring adjustments) and accruals necessary in the judgment of management for a fair statement of the results for the periods presented. When used herein, the terms "IFF," the "Company," "we," "us" and "our" mean International Flavors & Fragrances Inc. and its consolidated subsidiaries.

#### *Recent Accounting Pronouncements*

In March 2013, the Financial Accounting Standards Board ("FASB") issued authoritative guidance clarifying the accounting for the release of cumulative translation adjustments into net income when a parent either sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business within a foreign entity. The guidance was effective prospectively for reporting periods beginning after December 15, 2013. The adoption of this statement did not have a significant impact on our financial position, results of operations or cash flows.

In July 2013, the FASB issued authoritative guidance related to the financial statement presentation of unrecognized tax benefits. This update clarifies that an unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except to the extent a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose. In such situations, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. The guidance was effective prospectively for reporting periods beginning after December 15, 2013. The adoption of this statement did not have a significant impact on our financial position, results of operations or cash flows.

In May 2014, the FASB issued authoritative guidance to clarify the principles to be used to recognize revenue. The guidance is applicable to all entities. The guidance is effective for annual and interim periods beginning after December 15, 2016. Early adoption is not permitted. The Company is currently evaluating the impact that this new standard will have on its consolidated financial statements.

### **Note 2. Net Income Per Share:**

Net income per share is based on the weighted average number of shares outstanding. A reconciliation of the shares used in the computation of basic and diluted net income per share is as follows:

(SHARES IN THOUSANDS)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Basic	80,942	81,437	80,981	81,349
Assumed dilution under stock plans	566	606	575	610
Diluted	81,508	82,043	81,556	81,959

There were no stock options and stock settled appreciation rights ("SSARs") excluded from the computation of diluted net income per share for the three and nine months ended September 30, 2014 and 2013.

The Company has issued shares of purchased restricted common stock ("PRS") which contain rights to nonforfeitable dividends while these shares are outstanding and thus are considered participating securities which are required to be included in the computation of basic and diluted earnings per share pursuant to the two-class method. The Company did not present the

two-class method since the difference between basic and diluted net income per share for both unrestricted common shareholders and PRS shareholders was less than \$0.01 per share for each period presented and the number of PRS outstanding as of September 30, 2014 and 2013 was immaterial (approximately 0.6% and 0.7% of the total number of common shares outstanding as of September 30, 2014 and 2013, respectively). Net income allocated to such PRS was \$0.6 million during each of the three months ended September 30, 2014 and 2013, and \$1.9 million during each of the nine months ended September 30, 2014 and 2013, respectively.

### Note 3. Restructuring and Other Charges, Net:

#### *Fragrance Ingredients Rationalization*

During the third quarter of 2014, the Company closed its fragrance ingredients manufacturing facility in Augusta, Georgia and consolidated production into other Company facilities. In connection with this closure, the Company expects to incur charges of \$14 - \$15 million, consisting primarily of approximately \$10 million in accelerated depreciation of fixed assets, approximately \$3 million in personnel-related costs and \$1 - \$2 million in plant shutdown and other related costs. The Company recorded total charges of \$7.4 million during 2013, consisting of \$2.2 million of pre-tax charges related to severance included in Restructuring and other charges, net and \$5.2 million of non-cash charges related to accelerated depreciation included in Cost of goods sold. During the nine months ended September 30, 2014, the Company recorded an additional \$0.1 million of severance costs and \$0.8 million of plant shutdown and other related costs included in Restructuring and other charges, net as well as an additional \$5.1 million of non-cash charges related to accelerated depreciation included in Cost of goods sold. The majority of the plant shutdown and other related costs are expected to be recognized over the balance of the year. As a result of this closure, 43 positions have been or will be eliminated. The Company estimates that approximately \$4 - \$5 million of the costs will be or have been cash expenditures.

Changes in employee-related restructuring liabilities during the nine months ended September 30, 2014 related to the Fragrance Ingredients Rationalization were as follows:

<i>(DOLLARS IN THOUSANDS)</i>	Employee-Related Costs	Accelerated Depreciation	Other	Total
December 31, 2013	\$ 2,116	\$ —	\$ —	\$ 2,116
Additional charges, net	(46)	5,100	958	6,012
Non-cash charges	—	(5,100)	—	(5,100)
Payments and other costs	(567)	—	(958)	(1,525)
September 30, 2014	<u>\$ 1,503</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,503</u>

### Note 4. Other Intangible Assets, Net:

Other intangible assets, net consist of the following amounts:

<i>(DOLLARS IN THOUSANDS)</i>	September 30, 2014	December 31, 2013
Gross carrying value <sup>(1)</sup>	\$ 218,676	\$ 165,406
Accumulated amortization	(140,279)	(134,791)
Total	<u>\$ 78,397</u>	<u>\$ 30,615</u>

<sup>(1)</sup> Includes patents, trademarks, technological know-how and other intellectual property, valued at acquisition.

#### *Aromor*

On January 15, 2014, the Company completed the acquisition of 100% of the equity of Aromor Flavors and Fragrances Ltd. ("Aromor"), a privately held manufacturer and marketer of complex specialty ingredients that are used in fragrances and flavors. The acquisition was accounted for under the purchase method. The Company paid \$102.6 million (including \$0.1 million of cash acquired) for this acquisition, which was funded out of existing cash resources. Aromor is part of the IFF Fragrances Ingredients business and was acquired in order to strengthen this business and provide cost-effective quality materials for use in our formula creations. The purchase price exceeded the carrying value of existing net assets by approximately \$56 million. The excess was allocated principally to identifiable intangible assets (approximately \$53 million), goodwill (approximately \$10 million) and approximately \$9 million to deferred tax liabilities. Separately identifiable intangible assets are principally related to technological know-how. The intangible assets are amortized using lives ranging from 13-19 years. Additionally, the consideration included \$15 million related to post-combination contingent consideration, held in escrow. This escrowed amount will be expensed by the Company as it is earned by the selling shareholders over three years.

based upon the continued participation in the acquired business of certain key personnel. The purchase price allocation was completed during the second quarter. No pro forma financial information for 2013 is presented as the impact of the acquisition is immaterial.

#### Amortization

Amortization expense was \$1.9 million and \$1.5 million for the three months ended September 30, 2014 and 2013, respectively and \$5.9 million and \$4.6 million for the nine months ended September 30, 2014 and 2013, respectively. Annual amortization is expected to be \$7.8 million for the year 2014, \$7.5 million for the years 2015 through 2017, \$7.3 million for the year 2018 and \$6.7 million for the year 2019.

#### Note 5. Borrowings:

Debt consists of the following:

(DOLLARS IN THOUSANDS)	Rate	Maturities	September 30, 2014	December 31, 2013
Senior notes - 2007	6.40%	2017-27	\$ 500,000	\$ 500,000
Senior notes - 2006	6.14%	2016	125,000	125,000
Senior notes - 2013	3.20%	2023	299,776	299,736
Bank overdrafts and other			12,697	984
Deferred realized gains on interest rate swaps			5,680	7,094
			943,153	932,814
Less: Current portion of long-term debt			(9,528)	(149)
			<u>\$ 933,625</u>	<u>\$ 932,665</u>

On April 4, 2014, the Company and certain of its subsidiaries amended and restated the Company's existing credit agreement with Citibank, N.A., as administrative agent, to, among other things (i) modify the available tranches of the revolving loan facility provided under the credit agreement (as amended, the "Credit Facility"), (ii) reduce the applicable margin on the interest rate on advances under the Credit Facility to a range of 0.0% to 0.750% for base rate advances and 0.750% to 1.750% for Eurocurrency rate advances, depending on the Company's public debt rating and (iii) extend the maturity date of the Credit Facility until April 4, 2019. Tranche A of the Credit Facility is available to borrowers in U.S. dollars, euros, Swiss francs, Japanese yen and British sterling in an aggregate amount up to an equivalent of approximately \$456 million, with a sublimit of \$25 million for swing line borrowings. Tranche B of the Credit Facility is available to borrowers in euros, Swiss francs, Japanese yen and British sterling in an aggregate amount up to an equivalent of approximately \$494 million.

#### Note 6. Income Taxes:

At September 30, 2014, the Company had \$24.2 million of unrecognized tax benefits recorded in Other liabilities. If these unrecognized tax benefits were recognized, the effective tax rate would be affected.

At September 30, 2014, the Company had accrued interest and penalties of \$2.4 million classified in Other liabilities.

The Company regularly repatriates a portion of current year earnings from select non-U.S. subsidiaries. No provision is made for additional taxes on undistributed earnings of subsidiary companies that are intended and planned to be indefinitely invested in such subsidiaries. We intend to, and have plans to, reinvest these earnings indefinitely in our foreign subsidiaries to fund local operations and/or capital projects.

The Company has ongoing income tax audits and legal proceedings which are at various stages of administrative or judicial review, of which the most significant items are discussed below. In addition, the Company has other ongoing tax audits and legal proceedings that relate to indirect taxes, such as value-added taxes, capital tax, sales and use taxes and property taxes, which are discussed in Note 12.

As of September 30, 2014, the Company had one outstanding income tax case in Spain relating to fiscal year 2002. The Company has fully reserved the assessment originally asserted by the Spanish Tax Authority. The Company is awaiting a decision on its appeal, and in order to proceed with the appeal, the Company was required to post a bank guaranty, which as of September 30, 2014, was in the amount of Euro 1.9 million (\$2.4 million).

In addition to the above, the Company has also been a party to four cases related to dividend withholding tax controversies in Spain. Three of these cases have been decided. The fourth case (with a value of Euro 3.3 million or \$4.2 million) which was under appeal, was heard by the Spanish National High Court in October, 2014. We received a favorable

ruling during the fourth quarter of 2014. However, the ultimate outcome remains uncertain given the fact that the Spanish Tax Authority has the right to appeal. The aggregate value associated with these four cases is Euro 7.9 million (\$10.1 million), which was fully reserved for as of September 30, 2014. Of this amount Euro 4.6 million (\$5.9 million) was reflected in income taxes payable. As of September 30, 2014, the Company had posted bank guarantees of Euro 7.9 million (\$10.1 million) associated with the appeals of these matters.

In addition to the Spanish tax controversy, the Company has several other tax audits in process and has open tax years with various taxing jurisdictions that range primarily from 2004 to 2013. Based on currently available information, we do not believe the ultimate outcome of any of these tax audits and other tax positions related to open tax years, when finalized, will have a material impact on our financial position.

As of September 30, 2014, the Company's aggregate provisions for uncertain tax positions, including interest and penalties, was \$26.6 million, which includes \$2.2 million associated with the tax positions taken by our Spanish subsidiaries for the 2002 fiscal year, \$3.9 million associated with our Spanish dividend withholding tax controversies and the remainder associated with various other tax positions asserted in foreign jurisdictions, none of which is individually material.

The effective tax rate for the three months ended September 30, 2014 was 24.5% compared with 26.1% for the three months ended September 30, 2013. The quarter-over-quarter decrease is largely due to higher earnings from lower tax jurisdictions, favorable provision to return adjustments and lower loss provisions, which were partially offset by higher repatriation costs and the absence of the R&D tax credit in the current quarter. The effective tax rate for the nine months ended September 30, 2014 was 24.8% compared with 27.4% for the nine months ended September 30, 2013. The year-over-year decrease is primarily due to a benefit from a litigation ruling during the second quarter of 2014, favorable mix of earnings, favorable provision to return adjustments and lower loss provisions, and a \$6.2 million after-tax Spanish tax charge that was recorded in the first quarter of 2013, which were only partially offset by higher repatriation costs and the absence of the U.S. R&D tax credit in 2014.

**Note 7. Stock Compensation Plans:**

The Company has various plans under which its officers, senior management, other key employees and directors may be granted equity-based awards. Equity awards outstanding under the plans include PRS, restricted stock units ("RSUs"), stock options, SSARs and Long-Term Incentive Plan awards; liability-based awards outstanding under the plans are cash-settled RSUs.

Stock-based compensation expense and related tax benefits were as follows:

(DOLLARS IN THOUSANDS)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Equity-based awards	\$ 5,593	\$ 4,869	\$ 19,627	\$ 18,919
Liability-based awards	452	995	3,216	3,077
Total stock-based compensation expense	6,045	5,864	22,843	21,996
Less: tax benefit	(1,899)	(1,735)	(6,970)	(6,756)
Total stock-based compensation expense, after tax	\$ 4,146	\$ 4,129	\$ 15,873	\$ 15,240

**Note 8. Segment Information:**

The Company is organized into two operating segments: Flavors and Fragrances. These segments align with the internal structure of the Company used to manage these businesses. Performance of these operating segments is evaluated based on segment profit which is defined as operating profit before Restructuring, global expenses (as discussed below) and certain non-recurring items, Interest expense, Other income, net and Taxes on income.

The Global expenses caption below represents corporate and headquarters-related expenses which include legal, finance, human resources, certain incentive compensation expenses and other R&D and administrative expenses that are not allocated to individual operating segments.



Reportable segment information is as follows:

(DOLLARS IN THOUSANDS)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
<b>Net sales:</b>				
Flavors	\$ 358,708	\$ 349,385	\$ 1,100,726	\$ 1,079,786
Fragrances	415,105	392,871	1,231,725	1,147,941
Consolidated	\$ 773,813	\$ 742,256	\$ 2,332,451	\$ 2,227,727
<b>Segment profit:</b>				
Flavors	\$ 79,747	\$ 81,101	\$ 258,614	\$ 254,055
Fragrances	86,615	81,309	259,253	221,577
Global expenses	(12,882)	(18,313)	(49,182)	(47,236)
Restructuring and other charges, net	(608)	—	(912)	(2,105)
Operational improvement initiative costs <sup>(1)</sup>	(282)	(2,568)	(6,014)	(4,761)
Operating profit	152,590	141,529	461,759	421,530
Interest expense	(10,968)	(11,625)	(34,048)	(35,637)
Other income, net	563	4,080	3,761	16,359
Income before taxes	\$ 142,185	\$ 133,984	\$ 431,472	\$ 402,252

(1) Operational improvement initiative costs relate to the closing of a smaller facility in Europe and certain manufacturing activities in Asia, while transferring production to larger facilities in each respective region.

Net sales are attributed to individual regions based upon the destination of product delivery. Net sales related to the U.S. for the three months ended September 30, 2014 and 2013 were \$162 million and \$171 million, respectively, and for the nine months ended September 30, 2014 and 2013 were \$495 million and \$504 million, respectively. Net sales attributed to all foreign countries in total for the three months ended September 30, 2014 and 2013 were \$612 million and \$571 million, respectively, and for the nine months ended September 30, 2014 and 2013 were \$1,837 million and \$1,724 million, respectively. No non-U.S. country had net sales in any period presented greater than 8.0% of total consolidated net sales.

**Note 9. Employee Benefits:**

Pension and other defined contribution retirement plan expenses included the following components:

U.S. Plans (DOLLARS IN THOUSANDS)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Service cost for benefits earned	\$ 530	\$ 881	\$ 2,299	\$ 2,643
Interest cost on projected benefit obligation	6,349	5,740	18,812	17,222
Expected return on plan assets	(6,906)	(6,557)	(20,732)	(19,671)
Net amortization and deferrals	4,720	5,868	13,229	17,606
Net periodic benefit cost	4,693	5,932	13,608	17,800
Defined contribution and other retirement plans	1,964	1,585	5,866	5,531
Total expense	\$ 6,657	\$ 7,517	\$ 19,474	\$ 23,331

Non-U.S. Plans (DOLLARS IN THOUSANDS)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Service cost for benefits earned	\$ 2,772	\$ 4,086	\$ 10,722	\$ 12,256
Interest cost on projected benefit obligation	8,298	7,718	25,250	23,204
Expected return on plan assets	(12,576)	(11,859)	(37,731)	(35,653)
Net amortization and deferrals	2,058	2,315	8,012	6,967
Loss due to settlements and special terminations	32	35	32	110
Net periodic benefit cost	584	2,295	6,285	6,884
Defined contribution and other retirement plans	1,886	1,548	4,508	2,838
Total expense	\$ 2,470	\$ 3,843	\$ 10,793	\$ 9,722

The Company expects to contribute approximately \$21 million to its non-U.S. pension plans during 2014. During the three and nine months ended September 30, 2014, \$20 million of contributions were made to the qualified U.S. pension plans. In the three and nine months ended September 30, 2014, \$4.7 million and \$14.5 million of contributions were made to the non-U.S. plans, respectively. In the three and nine months ended September 30, 2014, \$1.0 million and \$3.1 million of benefit payments were made with respect to the Company's non-qualified U.S. pension plan, respectively.

Expense recognized for postretirement benefits other than pensions included the following components:

(DOLLARS IN THOUSANDS)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Service cost for benefits earned	\$ 326	\$ 362	\$ 971	\$ 1,086
Interest cost on projected benefit obligation	1,197	1,168	3,672	3,504
Net amortization and deferrals	(1,124)	(663)	(3,082)	(1,989)
Total postretirement benefit expense	\$ 399	\$ 867	\$ 1,561	\$ 2,601

The Company expects to contribute approximately \$5 million to its postretirement benefits other than pension plans during 2014. In the three and nine months ended September 30, 2014, \$1.2 million and \$4.5 million of contributions were made, respectively.

**Note 10. Financial Instruments:****Fair Value**

Accounting guidance on fair value measurements specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our market assumptions. These two types of inputs create the following fair value hierarchy:

- Level 1—Quoted prices for *identical* instruments in active markets.

- Level 2—Quoted prices for *similar* instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
- Level 3—Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

This hierarchy requires us to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value. We determine the fair value of structured liabilities (where performance is linked to structured interest rates, inflation or currency risks) using the LIBOR swap curve and forward interest and exchange rates at period end. Such instruments are classified as Level 2 based on the observability of significant inputs to the model. We do not have any instruments classified as Level 1 or Level 3, other than those included in pension asset trusts as discussed in Note 13 of our 2013 Form 10-K.

These valuations take into consideration our credit risk and our counterparties' credit risk. The estimated change in the fair value of these instruments due to such changes in our own credit risk (or instrument-specific credit risk) was immaterial as of September 30, 2014.

The amounts recorded in the balance sheet (carrying amount) and the estimated fair values of financial instruments at September 30, 2014 and December 31, 2013 consisted of the following:

	September 30, 2014		December 31, 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>(DOLLARS IN THOUSANDS)</b>				
Cash and cash equivalents <sup>(1)</sup>	\$ 404,836	\$ 404,836	\$ 405,505	\$ 405,505
Credit facilities and bank overdrafts <sup>(2)</sup>	12,697	12,697	984	984
Long-term debt: <sup>(3)</sup>				
Senior notes - 2007	500,000	596,116	500,000	590,024
Senior notes - 2006	125,000	136,148	125,000	139,146
Senior notes - 2013	299,776	292,629	299,736	278,770

- (1) The carrying amount of cash and cash equivalents approximates fair value due to the short maturity of those instruments.
- (2) The carrying amount of our credit facilities and bank overdrafts approximates fair value as the interest rate is reset frequently based on current market rates as well as the short maturity of those instruments.
- (3) The fair value of our long-term debt was calculated using discounted cash flows applying current interest rates and current credit spreads based on our own credit risk.

#### Derivatives

We periodically enter into foreign currency forward contracts with the objective of reducing exposure to cash flow volatility associated with our intercompany loans, foreign currency receivables and payables, and anticipated purchases of certain raw materials used in operations. These contracts generally involve the exchange of one currency for a second currency at a future date, have maturities not exceeding twelve months and are with counterparties which are major international financial institutions.

In 2003, we executed a 10-year Yen - U.S. dollar currency swap related to the monthly sale and purchase of products between the U.S. and Japan which had been designated as a cash flow hedge. This swap matured in January 2013.

During the nine months ended September 30, 2014 and the year ended December 31, 2013, we entered into forward currency contracts which qualified as net investment hedges, in order to mitigate a portion of our net European investments from foreign currency risk. The effective portions of net investment hedges are recorded in Other comprehensive income ("OCI") as a component of Foreign currency translation adjustments in the accompanying Consolidated Statement of Comprehensive Income. Realized gains (losses) are deferred in accumulated other comprehensive income ("AOCI") where they will remain until the net investments in our European subsidiaries are divested. Three of these forward currency contracts matured during the nine months ended September 30, 2014. The outstanding forward currency contracts have remaining maturities of approximately one year.

During the nine months ended September 30, 2014 and the year ended December 31, 2013, we entered into several forward currency contracts which qualified as cash flow hedges. The objective of these hedges is to protect against the currency risk associated with forecasted U.S. dollar (USD) denominated raw material purchases made by Euro (EUR) functional currency entities which result from changes in the EUR/USD exchange rate. The effective portions of cash flow hedges are recorded in OCI as a component of Gains/(losses) on derivatives qualifying as hedges in the accompanying Consolidated Statement of Comprehensive Income. Realized gains/(losses) in AOCI related to cash flow hedges of raw material purchases are recognized as a component of Cost of goods sold in the accompanying Consolidated Statement of Comprehensive Income in the same period as the related costs are recognized.

During the nine months ended September 30, 2014 and 2013, we entered into interest rate swap agreements that effectively converted the fixed rate on a portion of our long-term borrowings to a variable short-term rate based on the LIBOR plus an interest markup. These swaps are designated as fair value hedges. Amounts recognized in Interest expense were immaterial for the three and nine months ended September 30, 2014.

During Q1 2013, we entered into three interest rate swaps to hedge the anticipated issuance of fixed-rate debt, which are designated as cash flow hedges. The effective portions of cash flow hedges are recorded in OCI as a component of Losses on derivatives qualifying as hedges in the accompanying Consolidated Statement of Comprehensive Income. During the second quarter of 2013, we terminated these swaps and incurred a loss of \$2.7 million, which we will amortize as Interest expense over the life of the Senior Notes - 2013 (discussed in Note 8 of our 2013 Form 10-K).

The following table shows the notional amount of the Company's derivative instruments outstanding as of September 30, 2014 and December 31, 2013:

(DOLLARS IN THOUSANDS)	September 30, 2014	December 31, 2013
Foreign currency contracts	\$ 243,000	\$ 255,500
Interest rate swaps	\$ 425,000	\$ 375,000

The following tables show the Company's derivative instruments measured at fair value (Level 2 of the fair value hierarchy), as reflected in the Consolidated Balance Sheets as of September 30, 2014 and December 31, 2013:

(DOLLARS IN THOUSANDS)	September 30, 2014		
	Fair Value of Derivatives Designated as Hedging Instruments	Fair Value of Derivatives Not Designated as Hedging Instruments	Total Fair Value
Derivative assets <sup>(a)</sup>			
Foreign currency contracts	\$ 12,822	\$ 13,101	\$ 25,923
Derivative liabilities <sup>(b)</sup>			
Foreign currency contracts	\$ 36	\$ 1,107	\$ 1,143
Interest rate swaps	798	—	798
	\$ 834	\$ 1,107	\$ 1,941
(DOLLARS IN THOUSANDS)	December 31, 2013		
	Fair Value of Derivatives Designated as Hedging Instruments	Fair Value of Derivatives Not Designated as Hedging Instruments	Total Fair Value
Derivative assets <sup>(a)</sup>			
Foreign currency contracts	\$ 580	\$ 8,896	\$ 9,476
Interest rate swaps	670	—	670
	\$ 1,250	\$ 8,896	\$ 10,146
Derivative liabilities <sup>(b)</sup>			
Foreign currency contracts	\$ 6,024	\$ 2,909	\$ 8,933

(a) Derivative assets are recorded to Prepaid expenses and other current assets in the Consolidated Balance Sheet.

(b) Derivative liabilities are recorded as Other current liabilities in the Consolidated Balance Sheet.

The following table shows the effect of the Company's derivative instruments which were not designated as hedging instruments in the Consolidated Statement of Comprehensive Income for the three and nine months ended September 30, 2014 and 2013 (in thousands):

Derivatives Not Designated as Hedging Instruments	Amount of Gain (Loss) Recognized in Income on Derivative		Location of Gain (Loss) Recognized in Income on Derivative
	Three Months Ended September 30,		
	2014	2013	
Foreign currency contracts	\$ 17,517	\$ (4,821)	Other income, net
Derivatives Not Designated as Hedging Instruments	Amount of Gain (Loss) Recognized in Income on Derivative		Location of Gain (Loss) Recognized in Income on Derivative
	Nine Months Ended September 30,		
	2014	2013	
Foreign currency contracts	\$ 18,942	\$ 7,686	Other income, net

Most of these net gains (losses) offset any recognized gains (losses) arising from the revaluation of the related intercompany loans during the same respective periods.

The following table shows the effect of the Company's derivative instruments designated as cash flow and net investment hedging instruments in the Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2014 and 2013 (in thousands):

	Amount of (Loss) Gain Recognized in OCI on Derivative (Effective Portion)		Location of (Loss) Gain Reclassified from AOCI into Income (Effective Portion)	Amount of (Loss) Gain Reclassified from Accumulated OCI into Income (Effective Portion)	
	Three Months Ended September 30,			Three Months Ended September 30,	
	2014	2013		2014	2013
<b>Derivatives in Cash Flow Hedging Relationships:</b>					
Cross currency swap <sup>(1)</sup>		\$ —	Other income, net		\$ —
Foreign currency contracts	5,680	(1,926)	Cost of goods sold	(1,221)	(1,172)
Interest rate swaps <sup>(2)</sup>	69	69	Interest expense	(69)	(69)
<b>Derivatives in Net Investment Hedging Relationships:</b>					
Foreign currency contracts	5,097	(2,295)	N/A	—	—
<b>Total</b>	<u>\$ 10,846</u>	<u>\$ (4,152)</u>		<u>\$ (1,290)</u>	<u>\$ (1,241)</u>

	Amount of (Loss) Gain Recognized in OCI on Derivative (Effective Portion)		Location of (Loss) Gain Reclassified from AOCI into Income (Effective Portion)	Amount of (Loss) Gain Reclassified from Accumulated OCI into Income (Effective Portion)	
	Nine Months Ended September 30,			Nine Months Ended September 30,	
	2014	2013		2014	2013
<b>Derivatives in Cash Flow Hedging Relationships:</b>					
Cross currency swap <sup>(1)</sup>	\$ —	\$ —	Other income, net	\$ —	\$ (333)
Foreign currency contracts	7,601	(1,606)	Cost of goods sold	(2,699)	390
Interest rate swaps <sup>(2)</sup>	207	(2,598)	Interest expense	(207)	\$ (137)
<b>Derivatives in Net Investment Hedging Relationships:</b>					
Foreign currency contracts	5,395	(653)	N/A	—	—
<b>Total</b>	<u>\$ 13,203</u>	<u>\$ (4,857)</u>		<u>\$ (2,906)</u>	<u>\$ (80)</u>

(1) Ten year swap executed in 2003.

(2) Interest rate swaps were entered into as pre-issuance hedges for the \$300 million bond offering.

No ineffectiveness was experienced in the above noted cash flow hedges during the three and nine months ended September 30, 2014 and 2013. The ineffective portion of the net investment hedges was not material during the three and nine months ended September 30, 2014 and 2013.

The Company expects that approximately \$0.3 million (net of tax) of derivative gains included in AOCI at September 30, 2014, based on current market rates, will be reclassified into earnings within the next 12 months. The majority of this amount will vary due to fluctuations in foreign currency exchange rates.

**Note 11. Accumulated Other Comprehensive Income (Loss):**

The following tables present changes in the accumulated balances for each component of other comprehensive income, including current period other comprehensive income and reclassifications out of accumulated other comprehensive income:

	Foreign Currency Translation Adjustments	(Losses) Gains on Derivatives Qualifying as Hedges	Pension and Postretirement Liability Adjustment	Total
<b>(DOLLARS IN THOUSANDS)</b>				
<b>Accumulated other comprehensive (loss) income, net of tax, as of December 31, 2013</b>	\$ (104,278)	\$ (4,012)	\$ (284,421)	\$ (392,711)
OCI before reclassifications	(26,872)	4,900	—	(21,972)
Amounts reclassified from AOCI	—	2,906	12,716	15,622
<b>Net current period other comprehensive income (loss)</b>	<b>(26,872)</b>	<b>7,806</b>	<b>12,716</b>	<b>(6,350)</b>
<b>Accumulated other comprehensive (loss) income, net of tax, as of September 30, 2014</b>	<b>\$ (131,150)</b>	<b>\$ 3,794</b>	<b>\$ (271,705)</b>	<b>\$ (399,061)</b>

	Foreign Currency Translation Adjustments	(Losses) Gains on Derivatives Qualifying as Hedges	Pension and Postretirement Liability Adjustment	Total
<b>(DOLLARS IN THOUSANDS)</b>				
<b>Accumulated other comprehensive (loss) income, net of tax, as of December 31, 2012</b>	\$ (93,722)	\$ (218)	\$ (309,685)	\$ (403,625)
OCI before reclassifications	(11,118)	(4,241)	—	(15,359)
Amounts reclassified from AOCI	—	80	15,346	15,426
<b>Net current period other comprehensive income (loss)</b>	<b>(11,118)</b>	<b>(4,161)</b>	<b>15,346</b>	<b>67</b>
<b>Accumulated other comprehensive (loss) income, net of tax, as of September 30, 2013</b>	<b>\$ (104,840)</b>	<b>\$ (4,379)</b>	<b>\$ (294,339)</b>	<b>\$ (403,558)</b>

The following table provides details about reclassifications out of accumulated other comprehensive income to the Consolidated Statement of Comprehensive Income:

<b>(DOLLARS IN THOUSANDS)</b>	<b>Nine Months Ended September 30, 2014</b>	<b>Nine Months Ended September 30, 2013</b>	<b>Affected Line Item in the Consolidated Statement of Comprehensive Income</b>
<b>(Losses) gains on derivatives qualifying as hedges</b>			
Cross currency swap	\$ —	\$ (333)	Other income, net
Foreign currency contracts	(3,723)	538	Cost of goods sold
Interest rate swaps	(207)	(137)	Interest expense
	<u>1,024</u>	<u>(148)</u>	Provision for income taxes
	<u>\$ (2,906)</u>	<u>\$ (80)</u>	Total, net of income taxes
<b>(Losses) gains on pension and postretirement liability adjustments</b>			
Settlements / Curtailments	\$ (32)	\$ (110)	(a)
Prior service cost	3,489	3,295	(a)
Actuarial losses	(21,648)	(25,879)	(a)
	<u>5,475</u>	<u>7,348</u>	Provision for income taxes
	<u>\$ (12,716)</u>	<u>\$ (15,346)</u>	Total, net of income taxes

(a) The amortization of prior service cost and actuarial loss is included in the computation of net periodic benefit cost. Refer to Note 13 of our 2013 Form 10-K for additional information regarding net periodic benefit cost.

## **Note 12. Commitments and Contingencies:**

### **Guarantees and Letters of Credit**

The Company has various bank guarantees and letters of credit which are available for use regarding governmental requirements associated with pending litigation in various jurisdictions and to support its ongoing business operations.

At September 30, 2014, we had total bank guarantees and standby letters of credit of approximately \$42.8 million with various financial institutions. Of this amount, Euro 9.8 million (\$12.5 million) in bank guarantees are related to governmental requirements on income tax disputes in Spain, as discussed in further detail in Note 9 of our 2013 Form 10-K. Also included in the above aggregate amount is a total of \$21.8 million in bank guarantees which the Company has posted for certain assessments in Brazil for other diverse income tax and indirect tax disputes related to fiscal years 1998-2011. There were no material amounts utilized under the standby letters of credit as of September 30, 2014.

In order to challenge the assessments in these cases in Brazil, the Company has been required to, and has separately pledged assets, principally property, plant and equipment, to cover assessments in the amount of approximately \$21.1 million as of September 30, 2014.

### **Lines of Credit**

The Company has various lines of credit which are available to support its ongoing business operations. At September 30, 2014, we had available lines of credit (in addition to the Credit Facility discussed in Note 5) of approximately \$82.3 million with various financial institutions. There were no significant amounts drawn down pursuant to these lines of credit as of September 30, 2014.



## **Litigation**

The Company assesses contingencies related to litigation and/or other matters to determine the degree of probability and range of possible loss. A loss contingency is accrued in the Company's consolidated financial statements if it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Because litigation is inherently unpredictable and unfavorable resolutions could occur, assessing contingencies is highly sensitive and requires judgments about future events. On at least a quarterly basis, the Company reviews contingencies related to litigation to determine the adequacy of accruals. The amount of ultimate loss may differ from these estimates and further events may require the Company to increase or decrease the amounts it has accrued on any matter.

Periodically, we assess our insurance coverage for all known claims, where applicable, taking into account aggregate coverage by occurrence, limits of coverage, self-insured retentions and deductibles, historical claims experience and claims experience with our insurance carriers. The liabilities are recorded at management's best estimate of the probable outcome of the lawsuits and claims, taking into consideration the facts and circumstances of the individual matters as well as past experience on similar matters. At each balance sheet date, the key issues that management assesses are whether it is probable that a loss as to asserted or unasserted claims has been incurred and if so, whether the amount of loss can be reasonably estimated. We record the expected liability with respect to claims in Other liabilities and expected recoveries from our insurance carriers in Other assets. We recognize a receivable when we believe that realization of the insurance receivable is probable under the terms of the insurance policies and our payment experience to date.

## ***Environmental***

Over the past 20 years, various federal and state authorities and private parties have claimed that we are a Potentially Responsible Party ("PRP") as a generator of waste materials for alleged pollution at a number of waste sites operated by third parties located principally in New Jersey and have sought to recover costs incurred and to be incurred to clean up the sites.

We have been identified as a PRP at eight facilities operated by third parties at which investigation and/or remediation activities may be ongoing. We analyze our potential liability on at least a quarterly basis. We accrue for environmental liabilities when they are probable and estimable. We estimate our share of the total future cost for these sites to be less than \$5 million.

While joint and several liability is authorized under federal and state environmental laws, we believe the amounts we have paid and anticipate paying in the future for clean-up costs and damages at all sites are not material and will not have a material adverse effect on our financial condition, results of operations or liquidity. This assessment is based upon, among other things, the involvement of other PRPs at most of the sites, the status of the proceedings, including various settlement agreements and consent decrees, and the extended time period over which payments will likely be made. There can be no assurance, however, that future events will not require us to materially increase the amounts we anticipate paying for clean-up costs and damages at these sites, and that such increased amounts will not have a material adverse effect on our financial condition, results of operations or cash flows.

## **Other Contingencies**

The Company has contingencies involving third parties (such as labor, contract, technology or product-related claims or litigation) as well as government-related items in various jurisdictions in which we operate pertaining to such items as value-added taxes, other indirect taxes, customs and duties and sales and use taxes. It is possible that cash flows or results of operations, in any period, could be materially affected by the unfavorable resolution of one or more of these contingencies.

The most significant government-related contingencies exist in Brazil. With regard to the Brazilian matters, we believe we have valid defenses for the underlying positions under dispute; however, in order to pursue these defenses, we are required to, and have provided, bank guarantees and pledged assets in the aggregate amount of \$42.9 million. The Brazilian matters take an extended period of time to proceed through the judicial process and there are a limited number of rulings to date.

In March 2012, ZoomEssence, Inc. filed a complaint against the Company in the U.S. District Court of New Jersey alleging trade secret misappropriation, breach of contract and unjust enrichment in connection with certain spray dry technology disclosed to the Company. In connection with the claims, ZoomEssence is seeking an injunction and monetary damages. ZoomEssence initially sought a temporary restraining order and preliminary injunction, but the Court denied these applications in an order entered on September 27, 2013, finding that ZoomEssence had not demonstrated a likelihood of success on the merits of its claims. The Court subsequently referred the matter to mediation, however the private mediation session did not result in a resolution of the dispute. The case is currently proceeding through general discovery with a trial on the merits anticipated in mid-2015. The Company denies the allegations and will vigorously defend its position in Court. At this

preliminary stage of the litigation, based on the information currently available to the Company, management does not believe that this matter represents a material loss contingency.

Based on the information available as of September 30, 2014, we estimate a range of reasonably possible loss related to the matters above, collectively, is \$3-\$20 million.

Separately, the Spanish tax authorities are alleging claims for a capital tax in a case arising from similar allegations as the income tax cases (discussed in further detail in Note 9 of our 2013 Form 10-K). In connection with the 2002 income tax assessment ruling the Appellate Court rejected one of the two bases upon which we based our capital tax position. However, we believe that we still have a strong basis for our capital tax position and intend to continue to defend these claims. If there is an unfavorable ruling in this case, we estimate a reasonably possible loss of approximately \$13 million, which was fully reserved as of September 30, 2014. On January 22, 2014, we filed an appeal and in order to avoid future interest costs in the event our appeal is unsuccessful, we paid \$11.2 million (representing the principal amount) during the first quarter of 2014.

## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

### **Overview**

We create, manufacture and supply flavors and fragrances for the food, beverage, personal care and household-products industries either in the form of compounds or individual ingredients. Our flavors and fragrance compounds combine a large number of ingredients that are blended, mixed or reacted together to produce proprietary formulas created by our perfumers and flavorists.

Flavors are the key building blocks that impart taste in processed food and beverage products and, as such, play a significant role in determining consumer preference of the end products in which they are used. While we are a global leader, our flavors business is more regional in nature, with different formulas that reflect local tastes and ingredients. As a leading creator of flavors, we help our customers deliver on the promise of delicious and healthy foods and drinks that appeal to consumers. Our flavors compounds are ultimately used by our customers in four end-use categories: (1) Savory, (2) Beverages, (3) Sweet, pharmaceutical and oral care ("Sweet"), and (4) Dairy.

Our fragrances are a key component in the world's finest perfumes and best-known consumer brands, including beauty care, fabric care, personal wash and home care products. During the first quarter of 2014, we announced that we realigned our creative and commercial teams within our Fragrance Compounds activities to newly-defined broad market categories, (1) Fine Fragrances and (2) Consumer Fragrances. Consumer Fragrances consists of five end-use categories: Fabric Care, Home Care, Personal Wash, Hair Care and Toiletries. Previously, our Fragrance Compounds were aligned into two broad categories (1) Fine Fragrance and Beauty Care and (2) Functional Fragrances. In addition, Fragrance Ingredients, which are used internally and sold to third parties, including customers and competitors, for use in preparation of compounds, are included in the Fragrances business unit.

The flavors and fragrances market is part of a larger market which supplies a variety of ingredients and components that consumer products companies utilize in their products. The broader market includes large multinational companies or smaller regional and local participants which supply products such as seasonings, texturizers, spices, enzymes, certain food-related commodities, fortified products and cosmetic ingredients. The flavors and fragrances market is estimated to be approximately \$18 billion; however the exact size of the global market is not available due to fragmentation of data. We, together with the other top three companies, are estimated to comprise approximately two-thirds of the total estimated sales in the global flavors and fragrances sub-segment of the broader market.

In the second quarter of 2013, we announced our intention to close our fragrance ingredients manufacturing facility in Augusta, Georgia, supporting our objective to ensure operations are cost efficient and competitive. We closed the facility during the third quarter of 2014 and have consolidated production into other facilities, as further discussed in Note 3 to our Consolidated Financial Statements.

Net sales growth during the third quarter of 2014 was 4% on both a reported and local currency (LC) basis (which excludes the effects of changes in currency), with the acquisition of Aromor adding approximately 1% to both reported and local currency basis amounts. The LC growth reflects new win performance (net of losses) in both Flavors and Fragrance Compounds partially offset by more normal levels of volume erosion on existing business. In addition, Fragrance Ingredients volumes were up 16% driven largely by the Aromor acquisition. We continue to expect that full year 2014 LC sales growth will be 4-6%.

Exchange rate fluctuations had minimal impact on net sales for the third quarter. The effect of exchange rates can vary by business and region, depending upon the mix of sales by destination country as well as the relative percentage of local sales priced in U.S. dollars versus local currencies.

Gross margins increased slightly year-over-year. Included in the third quarter of 2014 was \$0.3 million of costs associated with operational improvement initiatives, compared to \$2.6 million of costs related to restructuring and operational improvement initiatives included in the 2013 period. Excluding these items, gross margin decreased slightly. This slight decrease reflects cost savings and productivity initiatives that were more than offset by weaker operational performance and mix. The overall raw material cost base remains elevated, and was slightly unfavorable during the third quarter, including certain key supplies where prices are still near all-time highs. We continue to believe cost pressures will develop for the remainder of the year. We continue to seek improvements in our margins through operational performance and mix enhancement.

### ***FINANCIAL PERFORMANCE OVERVIEW***

Reported and LC sales in the third quarter of 2014 increased approximately 4% (including 1% growth from the acquisition of Aromor). We continue to benefit from our diverse portfolio of end-use product categories and geographies and

had solid growth in three of four regions, while Consumer Fragrances, Fragrance Ingredients and Flavor Compounds all had positive growth. The overall increase was driven by new win performance (net of losses) in both Flavors and Fragrance Compounds partially offset by more normal levels of volume erosion on existing business. In addition, Fragrance Ingredients volumes were up 16% (which includes the benefit of the Aromor acquisition). Flavors realized LC growth of 2% for the third quarter of 2014. Our Fragrance business achieved LC growth of 5%, compared with LC sales in the third quarter of 2013. Fragrances performance reflects new win performance in our Fragrance Compounds end-use categories, led by sales in Fabric Care. Overall, our third quarter 2014 results continued to be driven by our strong emerging market presence that represented 50% of LC sales and experienced 6% LC growth. From a geographic perspective, for the third quarter, the Latin America (LA), Europe, Africa and Middle East (EAME) and Greater Asia (GA) regions all delivered LC growth in 2014, led by LA, with 9% LC growth. The North America (NOAM) region experienced a decline of 3%.

Operating profit increased \$11.1 million to \$152.6 million (19.7% of sales) in the 2014 third quarter compared to \$141.5 million (19.1% of sales) in the comparable 2013 period. The three months ended September 30, 2014 included restructuring and operational improvement initiative costs of \$0.9 million compared to \$2.6 million in the prior year period. Excluding these charges, adjusted operating profit was \$153.5 million (19.8% of sales) for the third quarter of 2014 compared to \$144.1 million (19.4% of sales) for the third quarter of 2013. The quarter-over-quarter improvement reflects sales volume growth combined with reduced R&D, selling and administrative expenses as a percentages of sales, all of which were driven largely by favorable year-over-year incentive compensation expenses. The results of Aromor were not significant to the consolidated financial performance of the Company for the third quarter of 2014.

Other income, net decreased \$3.5 million to \$0.6 million of income in the third quarter of 2014 compared to \$4.1 million in the third quarter of 2013. The year-over-year decrease is primarily driven by lower levels of foreign exchange gains and lower favorable mark-to-market adjustments on deferred compensation plan assets during 2014 compared to the 2013 period.

Net income increased by \$8.4 million quarter-over-quarter to \$107.4 million for the third quarter of 2014.

We continued to execute against our strategic priorities of leveraging our geographic reach, strengthening our innovation platform and maximizing our portfolio during the third quarter of 2014. By maintaining cost discipline and realizing productivity gains across many parts of the business, we believe that we can continue to fund investments in resources and capabilities in emerging markets, R&D and key technologies. In 2014, we believe that capital spending will approach 4-4.5% of sales as we continue to prioritize investments in emerging markets and Flavors.

Cash flows from operations for the nine months ended September 30, 2014 were \$317.5 million or 13.6% of sales, compared to cash inflow from operations of \$257.3 million or 11.5% of sales for the nine months ended September 30, 2013. The increase in cash flow from operations in 2014 is principally driven by an increase in net income of \$48.9 million (excluding gains from the sale of assets), lower amounts of Spanish tax payments and pension contributions in the current year as compared to 2013, as well as higher depreciation and amortization, which were partially offset by higher incentive compensation payments in 2014.

## Results of Operations

(DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2014	2013	Change	2014	2013	Change
Net sales	\$ 773,813	\$ 742,256	4 %	\$ 2,332,451	\$ 2,227,727	5 %
Cost of goods sold	433,702	416,852	4 %	1,298,281	1,256,977	3 %
Gross profit	340,111	325,404		1,034,170	970,750	
Research and development (R&D) expenses	63,701	65,654	(3)%	191,635	189,428	1 %
Selling and administrative (S&A) expenses	123,212	118,221	4 %	379,864	357,687	6 %
Restructuring and other charges, net	608	—	100 %	912	2,105	(57)%
Operating profit	152,590	141,529		461,759	421,530	
Interest expense	10,968	11,625	(6)%	34,048	35,637	(4)%
Other expense (income), net	(563)	(4,080)	(86)%	(3,761)	(16,359)	(77)%
Income before taxes	142,185	133,984		431,472	402,252	
Taxes on income	34,770	34,938	—%	107,064	110,187	(3)%
Net income	\$ 107,415	\$ 99,046	8 %	\$ 324,408	\$ 292,065	11 %
Diluted EPS	\$ 1.31	\$ 1.20	9 %	\$ 3.95	\$ 3.54	12 %
Gross margin	44.0%	43.8%	20	44.3%	43.6%	70
R&D as a percentage of sales	8.2%	8.8%	(60)	8.2%	8.5%	(30)
S&A as a percentage of sales	15.9%	15.9%	—	16.3%	16.1%	20
Operating margin	19.7%	19.1%	60	19.8%	18.9%	90
Adjusted operating margin <sup>(1)</sup>	19.8%	19.4%	40	20.1%	19.2%	90
Effective tax rate	24.5%	26.1%	(160)	24.8%	27.4%	(260)
<b>Segment net sales</b>						
Flavors	\$ 358,708	\$ 349,385	3 %	\$ 1,100,726	\$ 1,079,786	2 %
Fragrances	415,105	392,871	6 %	1,231,725	1,147,941	7 %
Consolidated	\$ 773,813	\$ 742,256		\$ 2,332,451	\$ 2,227,727	

(1) Adjusted operating margin excludes the Restructuring and other charges, net and operational improvement initiative costs of \$0.9 million and \$6.9 million for the three and nine months ended September 30, 2014, respectively and \$2.6 million of operational improvement initiative costs for the three months ended September 30, 2013 and \$6.9 million of Restructuring and other charges, net and operational improvement initiative costs for the nine months ended September 30, 2013.

Cost of goods sold includes the cost of materials and manufacturing expenses. R&D expenses relate to the development of new and improved products, technical product support and compliance with governmental regulations. S&A expenses include expenses necessary to support our commercial activities and administrative expenses supporting our overall operating activities.

### **THIRD QUARTER 2014 IN COMPARISON TO THIRD QUARTER 2013**

#### **Sales**

Sales for the third quarter of 2014 totaled \$773.8 million, an increase of 4% from the prior year quarter for both reported and LC sales (including 1% growth from the acquisition of Aromor), as a result of new win performance (net of losses) in both Flavors and Fragrance Compounds partially offset by more normal levels of volume erosion on existing business. In addition, Fragrance Ingredients volumes were up 16% (which includes the benefit of the Aromor acquisition). Overall LC growth was driven by 6% growth in emerging markets (prior to the impact of Aromor).

### Flavors Business Unit

Flavors reported sales growth was 3% and LC sales growth was 2% during the third quarter of 2014 compared to the 2013 period. The overall performance reflects new wins offset by higher erosion on existing business. Overall mid single-digit growth in Beverage and Dairy combined with low single-digit growth in Savory was only partially offset by low single-digit declines in Sweet. The Flavors business delivered LC growth in LA, GA and EAME, led by LA, while sales declined in NOAM. Sales in LA were driven by high double-digit gains in Beverage. Sales in EAME were driven by high single-digit gains in Beverage and sales in GA were led by high single-digit gains in Savory. The declines in NOAM were primarily driven by mid single-digit declines in Savory and Beverage.

### Fragrances Business Unit

The Fragrances business experienced a 6% increase in reported sales and a 5% increase in LC sales for the third quarter of 2014 compared to the third quarter of 2013 (including approximately 2% growth from the acquisition of Aromor). The overall increase was primarily driven by double-digit gains in our Fabric Care category as well as increased volumes of Fragrance Ingredients, including the benefit of Aromor. Our Fragrance Compounds and Fragrance Ingredients categories saw LC sales grow 3% and 16%, respectively, over the prior year period. Fragrance Ingredients includes approximately 14% LC growth from Aromor.

### Sales Performance by Region and Category

		% Change in Sales-Third Quarter 2014 vs. Third Quarter 2013					
		Fine Fragrances	Consumer Fragrances	Ingredients	Total Frag.	Flavors	Total
<b>NOAM</b>	<b>Reported</b>	-15 %	0%	-2 %	-4 %	-2 %	-3 %
<b>EAME</b>	<b>Reported</b>	4 %	9%	31 %	11 %	5 %	9 %
	<i>Local Currency <sup>(1)</sup></i>	1 %	7%	28 %	9 %	3 %	6 %
<b>LA</b>	<b>Reported</b>	7 %	4%	31 %	7 %	11 %	8 %
	<i>Local Currency <sup>(1)</sup></i>	9 %	5%	31 %	8 %	12 %	9 %
<b>GA</b>	<b>Reported</b>	11 %	4%	14 %	5 %	2 %	3 %
	<i>Local Currency <sup>(1)</sup></i>	11 %	4%	15 %	6 %	3 %	4 %
<b>Total</b>	<b>Reported</b>	0 %	5%	17 %	6 %	3 %	4 %
	<i>Local Currency <sup>(1)</sup></i>	-1 %	4%	16 %	5 %	2 %	4 %

(1) Local currency sales growth is calculated by translating prior year sales at the exchange rates for the corresponding 2014 period.

- NOAM Flavors sales decreased 2% as a result of double-digit gains in Dairy that were more than offset by mid single-digit declines in Savory and Beverage, driven by erosion on existing business. NOAM Fragrance sales decreased 4% in the third quarter of 2014, principally due to double-digit declines in Fine Fragrance as well as low single-digit declines in Ingredients.
- EAME Flavors LC sales growth of 3% was led by high single-digit growth in Beverage and low single-digit growth in Dairy, which was only partially offset by low single-digit declines in Sweet. EAME Fragrance LC sales increased 9% overall, driven mainly by double-digit growth in Fabric Care and high double-digit growth in Fragrance Ingredients, which were only partially offset by declines in the Hair Care and Toiletries categories.
- LA Flavors LC sales were up 12% as new wins drove high double-digit gains in Beverage, which were only partially offset by high single-digit declines in Sweet and mid single-digit declines in Savory. LA Fragrances LC sales increased 8% overall, principally led by double-digit gains in Fabric Care and Fragrance Ingredients as well as high single-digit gains in Fine Fragrance.
- GA Flavors had LC sales growth of 3% as high single-digit gains in Savory were only partially offset by low single-digit declines in Beverage and Sweet. GA Fragrances LC sales growth of 6% was driven by double-digit growth in Fabric Care, Fine Fragrance and Fragrance Ingredients, as well as high single-digit growth in Toiletries.

### **Cost of Goods Sold**

Cost of goods sold, as a percentage of sales, decreased 20 bps to 56.0% in the third quarter of 2014 compared to 56.2% in the third quarter of 2013. Included in cost of goods sold was \$0.3 million of charges related to operational improvement initiative costs in 2014 and \$2.6 million of restructuring and operational improvement initiative costs in 2013. Excluding these items, cost of goods sold increased 20 bps. The increase primarily reflects cost savings initiatives and productivity gains that were more than offset by weaker operational performance and mix.

### **Research and Development (R&D) Expenses**

Overall R&D expenses, as a percentage of sales, decreased to 8.2% in the third quarter of 2014 versus 8.8% in the third quarter of 2013. This decrease is primarily driven by lower incentive compensation expense.

### **Selling and Administrative (S&A) Expenses**

S&A expenses increased \$5.0 million to \$123.2 million or 15.9%, as a percentage of sales, in the third quarter of 2014 consistent with 15.9% in the third quarter of 2013. The \$5.0 million increase reflects the inclusion of Aromor-related expenses, investments to support the growth of the business, and several discrete items in 2014 and 2013, that were largely offset by lower incentive compensation expense.

### **Operating Results by Business Unit**

We evaluate the performance of business units based on segment profit which is defined as operating profit before Restructuring, global expenses (as discussed in Note 8 to our Consolidated Financial Statements) and certain non-recurring items, net, Interest expense, Other income, net and Taxes on income. See Note 8 to our Consolidated Financial Statements for the reconciliation to Income before taxes.

(DOLLARS IN THOUSANDS)	Three Months Ended September 30,	
	2014	2013
<b>Segment profit:</b>		
Flavors	\$ 79,747	\$ 81,101
Fragrances	86,615	81,309
Global	(12,882)	(18,313)
Restructuring and other charges, net	(608)	—
Operational improvement initiative costs	(282)	(2,568)
Operating profit	<u>\$ 152,590</u>	<u>\$ 141,529</u>
Profit margin		
Flavors	22.2%	23.2%
Fragrances	20.9%	20.7%
Consolidated	19.7%	19.1%

#### ***Flavors Segment Profit***

Flavors segment profit declined approximately 2% to \$79.7 million in the third quarter of 2014, or 22.2% as a percentage of sales, compared to \$81.1 million, or 23.2% as a percentage of sales, in the comparable 2013 period. The decline in segment profit and profit margin was driven primarily by weaker operational performance, including less favorable absorption and new plant costs.

#### ***Fragrances Segment Profit***

Fragrances segment profit grew approximately 7% to \$86.6 million in the third quarter of 2014, or 20.9% as a percentage of sales, compared to \$81.3 million, or 20.7% as a percentage of sales, in the comparable 2013 period. The improvement in segment profit and profit margin was primarily due to volume, gross margin expansion (including cost savings and productivity initiatives) and lower compensation expense.

#### ***Global Expenses***

Global expenses represent corporate and headquarters-related expenses which include legal, finance, human resources and R&D and other administrative expenses that are not allocated to an individual business unit. In the third quarter of 2014,

Global expenses were \$12.9 million compared to \$18.3 million during the third quarter of 2013. The decrease is principally driven by lower incentive compensation expense.

#### **Restructuring and Other Charges, Net**

Restructuring and other charges, net in 2014 consist of separation costs for employees, including severance, outplacement and other benefit costs, relating to the Fragrance Ingredients Rationalization that started in the second quarter of 2013 related to the closing of the fragrance ingredients manufacturing facility in Augusta, Georgia. The facility was closed during the third quarter of 2014. During the third quarter of 2014, the Company recorded \$0.6 million of plant shutdown and other related costs included in Restructuring and other charges, net. As a result of this closure, 43 positions have been or will be eliminated. The Company estimates that approximately \$4 - \$5 million of the costs will be or have been cash expenditures.

#### **Interest Expense**

Interest expense decreased \$0.6 million to \$11.0 million in the third quarter of 2014 compared to the third quarter of 2013, as a result of the refinancing of our debt in 2013. Average cost of debt was 4.7% for both the 2014 three month period and the 2013 three month period.

#### **Other Income, Net**

Other income, net decreased by approximately \$3.5 million to \$0.6 million of income in the third quarter of 2014 versus \$4.1 million of income in the comparable 2013 period. The year-over-year decrease is primarily driven by lower levels of foreign exchange gains and lower favorable mark-to-market adjustments on deferred compensation plan assets during 2014 compared to the 2013 period.

#### **Income Taxes**

The effective tax rate for the three months ended September 30, 2014 was 24.5% compared with 26.1% for the three months ended September 30, 2013. Excluding the impact of taxes related to restructuring and other charges in the current quarter, and the tax charge related to the sale of a non-operating asset in the prior year quarter, the third quarter 2014 adjusted effective tax rate was 24.5%, or 170 basis points lower than the third quarter 2013 adjusted effective tax rate of 26.2%. The quarter-over-quarter decrease is largely due to higher earnings from lower tax jurisdictions, favorable provision to return adjustments and lower loss provisions, which were partially offset by higher repatriation costs and the absence of the R&D tax credit in the current quarter.

### **FIRST NINE MONTHS OF 2014 IN COMPARISON TO FIRST NINE MONTHS OF 2013**

#### **Sales**

Sales for the first nine months of 2014 totaled \$2.3 billion, an increase of 5% from the prior year quarter for both reported and LC sales (including 1% growth from the acquisition of Aromor), as a result of new wins in both Flavors and Fragrance Compounds, which were partially offset by more normal levels of volume erosion on existing business, and strong Fragrance Ingredients LC sales. Overall LC growth was driven by 6% growth in emerging markets.

#### ***Flavors Business Unit***

Flavors sales increased 2% for the first nine months of 2014 compared to the 2013 period. Excluding the impact of foreign currency, LC sales for the Flavors business increased 3% during the first nine month of 2014 compared to the 2013 period. The overall increase was driven by new wins which were partially offset by higher erosion on existing business. On an end-use product category basis, LC growth was led by mid single-digit growth in Beverage and Dairy followed by low single-digit growth in Savory. The Flavors business delivered LC growth in LA, GA and EAME, led by LA. Sales in LA were driven by high double-digit gains in Beverage. Sales in GA were driven by mid single-digit growth in Savory and Dairy and low single-digit growth in Sweet. Sales in EAME were driven by high single-digit gains in Beverage and mid single-digit gains in Dairy. Sales declines in NOAM were primarily driven by high single-digit declines in Beverage due to higher erosion on existing business and low single-digit declines in Sweet and Savory.

#### ***Fragrances Business Unit***

The Fragrances business experienced a 7% increase for both reported and LC sales for the first nine months of 2014 compared to the 2013 period. Our Fragrance Compounds and Fragrance Ingredients categories saw LC sales grow 4% and 20%, respectively, over the prior year period. Approximately 3% of the Fragrance business unit and 15% of the Ingredients business growth was associated with the acquisition of Aromor. Within Fragrance Compounds, sales were driven by double-digit growth in Fragrance Ingredients, high single-digit growth in Fabric Care and mid single-digit growth in Toiletries.



## Sales Performance by Region and Category

% Change in Sales-First Nine Months 2014 vs. First Nine Months 2013						
	Fine Fragrances	Consumer Fragrances	Ingredients	Total Frag.	Flavors	Total
<b>NOAM Reported</b>	1 %	7%	0%	4%	-4 %	0%
<b>EAME Reported</b>	8 %	4%	37%	11%	5 %	9%
<i>Local Currency <sup>(1)</sup></i>	4 %	1%	33%	8%	3 %	6%
<b>LA Reported</b>	-2 %	1%	7%	1%	13 %	5%
<i>Local Currency <sup>(1)</sup></i>	1 %	2%	7%	2%	17 %	7%
<b>GA Reported</b>	6 %	8%	36%	11%	0 %	4%
<i>Local Currency <sup>(1)</sup></i>	7 %	9%	39%	13%	3 %	7%
<b>Total Reported</b>	4 %	5%	21%	7%	2 %	5%
<i>Local Currency <sup>(1)</sup></i>	3 %	5%	20%	7%	3 %	5%

- (1) Local currency sales growth is calculated by translating prior year sales at the exchange rates for the corresponding 2014 period.
- NOAM Flavors sales declined 4% as a result of high single-digit declines in Beverage due to volume erosion on existing business and low single-digit declines in Savory and Sweet. NOAM Fragrance sales grew 4% in the first nine months of 2014, principally due to double-digit gains in Home Care and mid single-digit gains in Personal Wash and Hair Care.
  - EAME Flavors LC sales growth of 3% was led by high single-digit growth in Beverage and mid single-digit growth Dairy. EAME Fragrance LC sales increased 8% overall, driven mainly by double-digit growth in Fragrance Ingredients as well as mid single-digit growth in Fabric Care, Fine Fragrance and Toiletries, partially offset by high single-digit declines in Home Care and mid single-digit declines in Personal Wash.
  - LA Flavors LC sales were up 17% as new wins drove high double-digit gains in Beverage, which were only partially offset by high single-digit declines in Sweet. LA Fragrances LC sales growth of 2% was driven by double-digit sales growth in Personal Wash, high single-digit growth in Hair Care and Fragrance Ingredients and low single-digit growth in Fabric Care and Fine Fragrance, which was partially offset by double-digit declines in Home Care.
  - GA Flavors had 3% LC sales growth from mid single-digit gains in Savory and low single-digit growth in Sweet and Dairy. GA Fragrances had 13% LC growth from double-digit growth Fabric Care, high single-digit growth in toiletries and Fine Fragrance as well as double-digit growth in Fragrance Ingredients.

### Cost of Goods Sold

Cost of goods sold, as a percentage of sales, decreased 70 bps to 55.7% in the first nine months of 2014 compared to 56.4% in the first nine months of 2013. The improvement versus last year was mainly driven by the favorable net impact of input costs to pricing and other operational improvement initiatives on a year-over-year basis.

### **Research and Development (R&D) Expenses**

Overall R&D expenses decreased to 8.2% of sales in the first nine months of 2014 compared to 8.5% in the first nine months of 2013. This decrease was primarily driven by lower incentive compensation expense.

### **Selling and Administrative (S&A) Expenses**

S&A expenses increased \$22.2 million or 16.3%, as a percentage of sales, in the first nine months of 2014 versus 16.1% in the first nine months of 2013. The \$22.2 million increase reflects the inclusion of Aromor-related expenses, investments to support the growth of the business, several discrete items in 2014 and the effects of a weaker U.S. dollar that were partially offset by lower incentive compensation expense.

### **Operating Results by Business Unit**

We evaluate the performance of business units based on segment profit which is defined as operating profit before Restructuring, global expenses (as discussed in Note 8 to our Consolidated Financial Statements) and certain non-recurring

items, Interest expense, Other income, net and Taxes on income. See Note 8 to our Consolidated Financial Statements for the reconciliation to Income before taxes.

(DOLLARS IN THOUSANDS)	Nine Months Ended September 30,	
	2014	2013
<b>Segment profit:</b>		
Flavors	\$ 258,614	\$ 254,055
Fragrances	259,253	221,577
Global	(49,182)	(47,236)
Restructuring and other charges, net	(912)	(2,105)
Operational improvement initiative costs	(6,014)	(4,761)
Operating profit	\$ 461,759	\$ 421,530
Profit margin		
Flavors	23.5%	23.5%
Fragrances	21.0%	19.3%
Consolidated	19.8%	18.9%

#### ***Flavors Segment Profit***

Flavors segment profit grew approximately 2% to \$258.6 million in the first nine months of 2014, or 23.5% as a percentage of sales, compared to \$254.1 million, or 23.5% as a percentage of sales, in the comparable 2013 period. The improvement in segment profit and profit margin was driven primarily by lower incentive compensation expense.

#### ***Fragrances Segment Profit***

Fragrances segment profit grew approximately 17.0% to \$259.3 million in the first nine months of 2014, or 21.0% as a percentage of sales, compared to \$221.6 million, or 19.3% as a percentage of sales, in the comparable 2013 period. The improvement in segment profit and profit margin was primarily due to volume, gross margin expansion (including cost savings and productivity initiatives) and lower compensation expense.

#### ***Global Expenses***

Global expenses represent corporate and headquarters-related expenses which include legal, finance, human resources and R&D and other administrative expenses that are not allocated to an individual business unit. In the first nine months of 2014, Global expenses were \$49.2 million compared to \$47.2 million during the first nine months of 2013. The increase primarily reflects several unfavorable year-over-year discrete items from 2014 and 2013 as well as an unfavorable impact on our cash flow hedging program that were largely offset by lower incentive compensation expense.

#### **Restructuring and Other Charges, Net**

Restructuring and other charges, net in 2014 consist of separation costs for employees, including severance, outplacement and other benefit costs, relating to the Fragrance Ingredients Rationalization that started in the second quarter of 2013 related to the closing of the fragrance ingredients manufacturing facility in Augusta, Georgia. The facility was closed during the third quarter of 2014. During the first nine months of 2014, the Company recorded \$0.8 million of plant shutdown and other related costs and \$0.1 million of severance costs included in Restructuring and other charges, net and \$5.1 million of non-cash charges related to accelerated depreciation included in Cost of goods sold. As a result of this closure, 43 positions have been or will be eliminated. The Company estimates that approximately \$4 - \$5 million of the costs will be or have been cash expenditures.

#### **Interest Expense**

Interest expense decreased \$1.6 million to \$34.0 million in the first nine months of 2014 compared to the first nine months of 2013. The decrease in interest expense principally reflects the refinancing of the Company's debt in 2013. Average cost of debt was 4.9% for the 2014 nine month period compared to 4.7% in the 2013 nine month period.

#### **Other Income, Net**

Other income, net decreased by approximately \$12.6 million to \$3.8 million of income in the first nine months of 2014 versus \$16.4 million of income in the comparable 2013 period. The decrease over the prior year period is driven largely by the

2013 period including a \$16.1 million gain related to the sale of a non-operating asset, offset by year-over-year improvement on foreign currency gains/(losses).

#### **Income Taxes**

The effective tax rate for the nine months ended September 30, 2014 was 24.8% compared with 27.4% for the nine months ended September 30, 2013. Excluding the impact of taxes related to restructuring and other charges in the current quarter, and the tax charge related to the sale of a non-operating asset in the prior year quarter, the adjusted effective tax rate was 25.0% and 25.6% for 2014 and 2013, respectively. The year-over-year decrease is primarily due to a benefit from a litigation ruling during the second quarter of 2014, favorable mix of earnings, favorable provision to return adjustments and lower loss provisions, and a \$6.2 million after-tax Spanish tax charge that was recorded in the first quarter of 2013, which were only partially offset by higher repatriation costs and the absence of the U.S. R&D tax credit in 2014.

#### **Liquidity and Capital Resources**

##### ***CASH AND CASH EQUIVALENTS***

We had cash and cash equivalents of \$404.8 million at September 30, 2014 compared to \$405.5 million at December 31, 2013, of which \$300.6 million of the balance at September 30, 2014 was held outside the United States. Cash balances held in foreign jurisdictions are, in most circumstances, available to be repatriated to the United States; however, they would be subject to United States federal income taxes, less applicable foreign tax credits. We have not provided U.S. income tax expense on accumulated earnings of our foreign subsidiaries because we have the ability and plan to reinvest the undistributed earnings indefinitely.

Effective utilization of the cash generated by our international operations is a critical component of our tax strategy. Strategic dividend repatriation from foreign subsidiaries creates U.S. taxable income, which enables us to realize deferred tax assets. The Company regularly repatriates, in the form of dividends from its non-U.S. subsidiaries, a portion of its current year earnings to fund financial obligations in the U.S.

##### ***CASH FLOWS FROM OPERATING ACTIVITIES***

Operating cash flows in the first nine months of 2014 were \$317.5 million compared to \$257.3 million in the first nine months of 2013. The increase in operating cash flows for the first nine months of 2014 compared to 2013 is principally driven by an increase in net income of \$48.9 million (excluding \$2.4 million and \$18.9 million of net income generated from the sale of assets in 2014 and 2013, respectively), lower amounts of Spanish tax payments and pension contributions in the current year as compared to 2013, as well as higher depreciation and amortization, which were partially offset by higher incentive compensation payments in 2014.

Working capital (current assets less current liabilities) totaled \$1,195.8 million at September 30, 2014, compared to \$1,092.5 million at December 31, 2013. The increase in working capital reflects strong cash generation partially offset by certain payments, principally for the Aromor acquisition, dividends and incentive compensation. We selectively participate in programs offered by certain of our global customers. When participating in these programs, we accelerate the receipt of cash by selling the selected accounts receivable positions with these customers, on a non-recourse basis, at a discount to designated third party banks. The cost of participating in these programs was immaterial to our results in all periods.

##### ***CASH FLOWS USED IN INVESTING ACTIVITIES***

Net investing activities during the first nine months of 2014 utilized \$180.5 million compared to \$68.2 million in the prior year period.

The Company paid \$102.5 million (net of \$0.1 million of cash acquired) for the acquisition of Aromor, which was funded from existing cash resources.

Additions to property, plant and equipment were \$97.8 million during the first nine months of 2014 compared to \$86.4 million in the first nine months of 2013. We expect additions to property, plant and equipment to approach 4-4.5% of our sales in 2014.

##### ***CASH FLOWS USED IN FINANCING ACTIVITIES***

Net financing activities in the first nine months of 2014 used \$128.1 million compared to \$166.2 million in the first nine months of 2013. The decrease in cash used for financing activities principally reflects the repayment of \$100 million of debt during 2013, which was partially offset by higher dividend payments during 2014 (three payments in 2014) compared to two

dividend payments during 2013 (there was no dividend payment made during the first quarter of 2013 as payment was made during the fourth quarter of 2012) as well as increased treasury stock purchases in 2014 as compared to 2013.

At September 30, 2014, we had \$943.2 million of debt outstanding compared to \$932.8 million outstanding at December 31, 2013.

We paid dividends totaling \$95.1 million in the 2014 period. We declared a cash dividend per share of \$0.47 in the third quarter of 2014 that was paid on October 7, 2014 to all shareholders of record as of September 25, 2014.

In December 2012, the Board of Directors authorized a \$250 million share repurchase program, which commenced in the first quarter of 2013. Based on the total remaining amount of \$145.7 million available under the repurchase program, approximately 1.5 million shares, or 1.9% of shares outstanding (based on the market price and shares outstanding as of September 30, 2014) could be repurchased under the program as of September 30, 2014. The purchases will be made from time to time on the open market or through private transactions as market and business conditions warrant. Repurchased shares will be placed into treasury stock. During the three months ended September 30, 2014, we repurchased 182,392 shares on the open market at an aggregate cost of \$18.3 million or an average of \$100.61 per share. Purchases for the nine months ended September 30, 2014 totaled approximately \$52.5 million. We expect total purchases during 2014 to increase significantly over the 2013 purchases of \$51 million. The ultimate level of purchases will be a function of the daily purchase limits established in the pre-approved program according to the share price at that time.

### **CAPITAL RESOURCES**

Operating cash flow provides the primary source of funds for capital investment needs, dividends paid to shareholders and debt repayments. We anticipate that cash flows from operations and availability under our existing credit facilities are sufficient to meet our investing and financing needs for at least the next eighteen months. We regularly assess our capital structure, including both current and long-term debt instruments, as compared to our cash generation and investment needs in order to provide ample flexibility and to optimize our leverage ratios. We believe our existing cash balances are sufficient to meet our debt service requirements.

We supplement short-term liquidity with access to capital markets, mainly through bank credit facilities and issuance of commercial paper. We did not issue commercial paper during the first nine months of 2014 or 2013.

On April 4, 2014, the Company and certain of its subsidiaries amended and restated the Company's existing credit agreement with Citibank, N.A., as administrative agent, to, among other things (i) modify the available tranches of the revolving loan facility provided under the credit agreement (as amended, the "Credit Facility"), (ii) reduce the applicable margin on the interest rate on advances under the Credit Facility to a range of 0.0% to 0.750% for base rate advances and 0.750% to 1.750% for Eurocurrency rate advances, depending on the Company's public debt rating and (iii) extend the maturity date of the Credit Facility until April 4, 2019. Tranche A of the Credit Facility is available to borrowers in U.S. dollars, euros, Swiss francs, Japanese yen and British sterling in an aggregate amount up to an equivalent of approximately \$456 million, with a sublimit of \$25 million for swing line borrowings. Tranche B of the Credit Facility is available to borrowers in euros, Swiss francs, Japanese yen and British sterling in an aggregate amount up to an equivalent of approximately \$494 million.

Although we have appealed the lower court ruling on our Spanish capital tax case, we made payment of \$11.2 million (representing the principal amount) to the Spanish government relating to the case during the first quarter of 2014, which will be refundable if we prevail on our appeal.

We expect to contribute approximately \$21 million to our non-U.S. pension plans during 2014. During the three and nine months ended September 30, 2014, \$20 million of contributions were made to the qualified U.S. pension plans. For the nine months ended September 30, 2014, we have contributed \$14.5 million related to our non-U.S. pension plans and \$3.1 million related to our non-qualified U.S. pension plans.

Under our revolving credit facility, we are required to maintain, at the end of each fiscal quarter, a ratio of net debt for borrowed money to adjusted EBITDA in respect of the previous 12-month period of not more than 3.25 to 1. Based on this ratio, at September 30, 2014 our covenant compliance provided overall borrowing capacity of \$1,661 million.

As of September 30, 2014 we had no borrowings under our revolving credit facility. The amount which we are able to draw down on under the facility is limited by financial covenants as described in more detail below. Our drawdown capacity on the facility was \$940.4 million at September 30, 2014.

At September 30, 2014, we were in compliance with all financial and other covenants, including the net debt to adjusted EBITDA ratio. At September 30, 2014 our Net Debt/adjusted EBITDA <sup>(1)</sup> ratio was 0.79 to 1 as defined by the debt agreements, well below the financial covenants of existing outstanding debt. Failure to comply with the financial and other covenants under

our debt agreements would constitute default and would allow the lenders to accelerate the maturity of all indebtedness under the related agreement. If such acceleration were to occur, we would not have sufficient liquidity available to repay the indebtedness. We would likely have to seek amendments under the agreements for relief from the financial covenants or repay the debt with proceeds from the issuance of new debt or equity, and/or asset sales, if necessary. We may be unable to amend the agreements or raise sufficient capital to repay such obligations in the event the maturities are accelerated.

(1) *Adjusted EBITDA and Net Debt, which are non-GAAP measures used for these covenants, are calculated in accordance with the definition in the debt agreements. In this context, these measures are used solely to provide information on the extent to which we are in compliance with debt covenants and may not be comparable to adjusted EBITDA and Net Debt used by other companies. Reconciliations of adjusted EBITDA to net income and net debt to total debt are as follows:*

(DOLLARS IN MILLIONS)	Twelve Months Ended September 30,	
	2014	2013
<b>Net income</b>	\$ 385.9	\$ 360.0
<b>Interest expense</b>	45.2	46.2
<b>Income taxes</b>	128.7	130.7
<b>Depreciation and amortization</b>	90.7	141.8
<b>Specified items <sup>(1)</sup></b>	1.0	2.1
<b>Non-cash items <sup>(2)</sup></b>	23.4	(3.4)
<b>Adjusted EBITDA</b>	<u>\$ 674.9</u>	<u>\$ 677.4</u>

(1) *Specified items for the 12 months ended September 30, 2014 of \$1.0 million consist of restructuring charges.*

(2) *Non-cash items, defined as part of Adjusted EBITDA in the terms of the Company's credit facility agreement dated November 9, 2011, represent all other adjustments to reconcile net income to net cash provided by operations as presented on the Statement of Cash Flows, including gain on disposal of assets, stock-based compensation and pension settlement/curtailment.*

(DOLLARS IN MILLIONS)	September 30,	
	2014	2013
<b>Total debt</b>	\$ 943.2	\$ 933.6
<b>Adjustments:</b>		
<b>Deferred gain on interest rate swaps</b>	(5.7)	(7.6)
<b>Cash and cash equivalents</b>	(404.8)	(343.1)
<b>Net debt</b>	<u>\$ 532.7</u>	<u>\$ 582.9</u>

As discussed in Note 12 to the Consolidated Financial Statements, at September 30, 2014, we had entered into various guarantees and had undrawn outstanding letters of credit from financial institutions. These arrangements reflect ongoing business operations, including commercial commitments, and governmental requirements associated with audits or litigation that are in process with various jurisdictions. Based on the current facts and circumstances they are not reasonably likely to have a material impact on our consolidated financial condition, results of operations, or cash flows.

As discussed in Notes 6 and 12 to the Consolidated Financial Statements, we had Euro 9.8 million (\$12.5 million) in bank guarantees outstanding as of September 30, 2014 related to the tax disputes in Spain. These amounts will be reduced once we make the remaining payments pursuant to the settlement agreement and the dividend withholding tax cases.

#### **Cautionary Statement Under the Private Securities Litigation Reform Act of 1995**

This Quarterly Report includes “forward-looking statements” under the Federal Private Securities Litigation Reform Act of 1995, including statements regarding the Company’s expectations concerning (i) our ability to meet long-term strategic targets in 2014, (ii) our competitive position in the market and financial performance in 2014, (iii) expected cost pressures in 2014, (iv) our ability to improve gross margins in 2014, (v) funding of investments in R&D, emerging markets and key technologies, (vi) capital spending in 2014, (vii) cash flows to fund future operations and to meet debt service requirements, (viii) costs and expenditures associated with the closing of our Augusta facility, (ix) expected share repurchases in 2014, and (x) the ultimate resolution of pending tax matters with the Spanish and Brazilian tax authorities. These forward-looking statements should be evaluated with consideration given to the many risks and uncertainties inherent in the Company’s 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,” “outlook,” “may,”

“estimate,” “should” and “predict” similar terms or variations 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. Actual results of the Company may differ materially from any future results expressed or implied by such forward-looking statements. Such factors include, among others, the following:

- volatility and increases in the price of raw materials, energy and transportation;
- the economic climate for the Company’s industry and demand for the Company’s products;
- the ability of the Company to successfully implement its strategic plan and meet its long-term financial goals;
- fluctuations in the price, quality and availability of raw materials;
- the Company’s ability to successfully integrate Aromor and realize the anticipated benefits of the Aromor acquisition on a timely basis, or at all;
- decline in consumer confidence and spending;
- changes in consumer preferences;
- the Company’s ability to predict the short and long-term effects of global economic conditions;
- movements in interest rates;
- the Company’s ability to implement its business strategy, including the achievement of anticipated cost savings, profitability, realization of price increases and growth targets;
- the Company’s ability to benefit from its investments in emerging markets;
- the Company’s ability to successfully develop new and competitive products that appeal to its customers and consumers;
- the effects of any unanticipated costs and construction or start-up delays in the expansion of any of the Company’s facilities;
- the impact of currency fluctuations or devaluations in the Company’s principal foreign markets;
- any adverse impact on the availability, effectiveness and cost of the Company’s hedging and risk management strategies;
- 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 possible pension funding obligations and increased pension expense, particularly as a result of changes in asset returns or discount rates, on the Company’s cash flow and results of operations;
- the Company’s ability to implement its Fragrance Ingredients Rationalization plan, including the achievement of anticipated cost savings;
- the effect of legal and regulatory proceedings, as well as restrictions imposed on the Company, its operations or its representatives by U.S. and foreign governments;
- adverse changes in federal, state, local and foreign tax legislation or adverse results of tax audits, assessments, or disputes;
- the Company’s ability to attract and retain talented employees;
- the direct and indirect costs and other financial impact that may result from any business disruptions due to political instability, armed hostilities, incidents of terrorism, natural disasters, or the responses to or repercussion from any of these or similar events or conditions;
- the Company’s ability to quickly and effectively implement its disaster recovery and crisis management plans; and
- adverse changes due to accounting rules or regulations.

New risks emerge from time to time and it is not possible for management to predict all such risk factors or to assess the impact of such risks on the Company’s business. Accordingly, the Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

Any public statements or disclosures by the Company following this report that modify or impact any of the forward-looking statements contained in or accompanying this report will be deemed to modify or supersede such outlook or other forward-looking statements in or accompanying this report.

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. Please refer to Part I. Item 1A., Risk Factors, of the 2013 Form 10-K for additional information regarding factors that could affect the Company’s results of operations, financial condition and cash flow.

#### **Non-GAAP Financial Measures**

The Company uses non-GAAP financial operating measures in this Quarterly Report, including: (i) local currency sales (which eliminates the effects that result from translating its international sales in U.S. dollars), (ii) adjusted cost of goods sold (which excludes the operational improvement initiative costs), (iii) adjusted operating profit and adjusted operating profit margin (which excludes the operational improvement initiative and restructuring charges), and (iv) adjusted effective tax rate (which excludes restructuring charges and operational improvement initiative costs). The Company also provides the non-GAAP measures adjusted EBITDA (which excludes certain specified items and non-cash items as set forth in the Company's debt agreements) and net debt (which is adjusted for deferred gain on interest rate swaps and cash and cash equivalents) solely for the purpose of providing information on the extent to which the Company is in compliance with debt covenants contained in its debt agreements.

We have included each of these non-GAAP measures in order to provide additional information regarding our underlying operating results and comparable year-over-year performance. Such information is supplemental to information presented in accordance with GAAP and is not intended to represent a presentation in accordance with GAAP. In discussing our historical and expected future results and financial condition, we believe it is meaningful for investors to be made aware of and to be assisted in a better understanding of, on a period-to-period comparable basis, financial amounts both including and excluding these identified items, as well as the impact of exchange rate fluctuations. We believe such additional non-GAAP information provides investors with an overall perspective of the period-to-period performance of our business. In addition, management internally reviews each of these non-GAAP measures to evaluate performance on a comparative period-to-period basis in terms of absolute performance, trends and expected future performance with respect to our business. A material limitation of these non-GAAP measures is that such measures do not reflect actual GAAP amounts; for example, costs associated with operational improvements and restructuring activities involve actual cash outlays. We compensate for such limitations by using these measures as one of several metrics, including GAAP measures. These non-GAAP measures may not be comparable to similarly titled measures used by other companies.

### **Item 3. Quantitative and Qualitative Disclosures about Market Risk**

There are no material changes in market risk from the information provided in the Company's 2013 Annual Report on Form 10-K.

### **Item 4. Controls and Procedures**

The Chief Executive Officer and Chief Financial Officer with the assistance of other members of our management, have evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on such evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective as of the end of the period covered by this Quarterly Report on Form 10-Q.

We have established controls and procedures designed to ensure that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and is accumulated and communicated to management, including the principal executive officer and the principal financial officer, to allow timely decisions regarding required disclosure.

The Chief Executive Officer and Chief Financial Officer have also concluded that there have not been any changes in our internal control over financial reporting during the quarter ended September 30, 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **PART II. OTHER INFORMATION**

### **Item 1. Legal Proceedings**

We are subject to various claims and legal actions in the ordinary course of our business.

#### **Tax Claims**

We are currently involved in a legal proceeding with the Spanish tax authorities that challenges tax deductions taken in our Spanish subsidiaries' tax returns and alleges claims of tax avoidance. As of September 30, 2014, the Company had one outstanding income tax case in Spain relating to fiscal year 2002. The Company has fully reserved the assessment originally asserted by the Spanish tax authority. The Company is awaiting a decision on its appeal and in order to proceed with the appeal, the Company was required to post a bank guaranty. As of September 30, 2014, the Company had a remaining posted bank guaranty of Euro 1.9 million (\$2.4 million) associated with the 2002 appeal.

The Spanish tax authorities have also alleged claims related to capital tax positions arising from the business structure adopted by our Spanish subsidiaries. During the fourth quarter of 2013, the Company was notified that the Spanish High Court of Justice ruled against us in regards to the 2002 capital tax case. As a result, the Company recorded a charge of Euro 9.6 million (\$13.0 million, or \$9.1 million, after tax) for the year ended December 31, 2013. On January 22, 2014, we filed an

appeal. In order to avoid future interest costs in the event our appeal is unsuccessful, we paid \$11.2 million (representing the principal amount) during the first quarter of 2014. Such amount will be refundable if we prevail in our appeal.

In addition to the above, the Company has also been a party to four cases related to dividend withholding tax controversies in Spain. Three of these cases have been decided. The fourth case (with a value of Euro 3.3 million or \$4.2 million) which was under appeal, was heard by the Spanish National High Court in October, 2014. We received a favorable ruling during the fourth quarter of 2014. However, the ultimate outcome remains uncertain given the fact that the Spanish Tax Authority has the right to appeal. The aggregate value associated with these four cases is Euro 7.9 million (\$10.1 million), which was fully reserved for as of September 30, 2014. Of this amount Euro 4.6 million (\$5.9 million) was reflected in income taxes payable. As of September 30, 2014, the Company had posted bank guarantees of Euro 7.9 million (\$10.1 million) associated with the appeals of these matters.

We do not currently believe that any of our pending tax assessments, even if ultimately resolved against us, would have a material impact on our financial condition.

#### **Environmental**

Over the past 20 years, various federal and state authorities and private parties have claimed that we are a Potentially Responsible Party (“PRP”) as a generator of waste materials for alleged pollution at a number of waste sites operated by third parties located principally in New Jersey and have sought to recover costs incurred and to be incurred to clean up the sites.

We have been identified as a PRP at eight facilities operated by third parties at which investigation and/or remediation activities may be ongoing. We analyze our potential liability on at least a quarterly basis. We accrue for environmental liabilities when they are probable and estimable. We estimate our share of the total future cost for these sites to be less than \$5 million.

While joint and several liability is authorized under federal and state environmental laws, we believe the amounts we have paid and anticipate paying in the future for clean-up costs and damages at all sites are not material and will not have a material adverse effect on our financial condition, results of operations or liquidity. This assessment is based upon, among other things, the involvement of other PRPs at most of the sites, the status of the proceedings, including various settlement agreements and consent decrees, and the extended time period over which payments will likely be made. There can be no assurance, however, that future events will not require us to materially increase the amounts we anticipate paying for clean-up costs and damages at these sites, and that such increased amounts will not have a material adverse effect on our financial condition, results of operations or cash flows.

#### **Other**

In March 2012, ZoomEssence, Inc. filed a complaint against the Company in the U.S. District Court of New Jersey alleging trade secret misappropriation, breach of contract and unjust enrichment in connection with certain spray dry technology disclosed to the Company. In connection with the claims, ZoomEssence is seeking an injunction and monetary damages. ZoomEssence initially sought a temporary restraining order and preliminary injunction, but the Court denied these applications in an order entered on September 27, 2013, finding that ZoomEssence had not demonstrated a likelihood of success on the merits of its claims. The Court subsequently referred the matter to mediation, however the private mediation session did not result in a resolution of the dispute. The case is currently proceeding through general discovery with a trial on the merits anticipated in mid-2015. The Company denies the allegations and will vigorously defend its position in Court. At this preliminary stage of the litigation, based on the information currently available to the Company, management does not believe that this matter represents a material loss contingency.

We are also a party to other litigations arising in the ordinary course of our business. We do not expect the outcome of these cases, singly or in the aggregate, to have a material effect on our consolidated financial condition.



**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds****(c) Issuer Purchases of Equity Securities**

The table below reflects shares of common stock we repurchased during the third quarter of 2014.

<b>Period</b>	<b>Total Number of Shares Repurchased (1)</b>	<b>Average Price Paid per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Program</b>	<b>Approximate Dollar Value of Shares That May Yet be Purchased Under the Program</b>
July 1 - 31, 2014	22,752	\$ 104.37	22,752	\$ 161,659,065
August 1 - 31, 2014	58,552	99.90	58,552	155,809,456
September 1 - 30, 2014	101,088	100.17	101,088	145,683,895
<b>Total</b>	<b>182,392</b>	<b>\$ 100.61</b>	<b>182,392</b>	<b>\$ 145,683,895</b>

- (1) Shares were repurchased pursuant to the repurchase program announced in December 2012, with repurchases beginning in the first quarter of 2013. Repurchases under the program are limited to \$250 million in total repurchase price, and the expiration date is December 31, 2016. Authorization of the repurchase program may be modified, suspended, or discontinued at any time.

**Item 6. Exhibits**

- 10.1 Amended and Restated Executive Severance Policy, as amended through and including October 23, 2014.
- 31.1 Certification of Andreas Fibig pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Kevin C. Berryman pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32 Certification of Andreas Fibig and Kevin C. Berryman pursuant to 18 U.S.C. Section 1350 as adopted pursuant to the Sarbanes-Oxley Act of 2002.
- 101.INS XBRL Instance Document
- 101.SCH XBRL Taxonomy Extensions Schema
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase
- 101.DEF XBRL Taxonomy Extension Definition Linkbase
- 101.LAB XBRL Taxonomy Extension Label Linkbase
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase

**SIGNATURES**

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

**INTERNATIONAL FLAVORS & FRAGRANCES INC.**

Dated: November 4, 2014

By: /s/ Andreas Fibig  
Andreas Fibig  
Chief Executive Officer

Dated: November 4, 2014

By: /s/ Kevin C. Berryman  
Kevin C. Berryman  
Executive Vice President and Chief Financial Officer

## EXHIBIT INDEX

Number	Description
10.1	Amended and Restated Executive Severance Policy, as amended through and including October 23, 2014.
31.1	Certification of Andreas Fibig pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Kevin C. Berryman pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification of Andreas Fibig and Kevin C. Berryman pursuant to 18 U.S.C. Section 1350 as adopted pursuant to the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extensions Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

**INTERNATIONAL FLAVORS & FRAGRANCES INC.**

Amended and Restated  
Executive Severance Policy  
(As amended through and including October 23, 2014)

---

**INTERNATIONAL FLAVORS & FRAGRANCES INC.**

**Executive Severance Policy**

	<b>Page</b>
1. Purpose	<a href="#"><u>1</u></a>
2. Definitions	<a href="#"><u>1</u></a>
3. Eligibility	<a href="#"><u>2</u></a>
4. Administration	<a href="#"><u>2</u></a>
5. Termination of Employment	<a href="#"><u>2</u></a>
6. Termination of Employment by the Company Not for Cause or by a Tier I Employee for Good Reason Prior to or More than Two Years After a Change in Control	<a href="#"><u>8</u></a>
7. Termination by the Company Not for Cause or by Employee for Good Reason Within Two Years After a Change in Control	<a href="#"><u>8</u></a>
8. Effect of Federal Excise Tax	<a href="#"><u>10</u></a>
9. Conditions to Receipt of Severance Payments and Benefits	<a href="#"><u>12</u></a>
10. Other Provisions Applicable to Severance Payments and Benefits	<a href="#"><u>16</u></a>
11. Other Plans and Policies; Non-Duplication of Payments or Benefits	<a href="#"><u>16</u></a>
12. Special Rules for Compliance with Code Section 409A	<a href="#"><u>17</u></a>
13. Miscellaneous	<a href="#"><u>19</u></a>

**INTERNATIONAL FLAVORS & FRAGRANCES INC.**  
Executive Severance Policy

1. **Purpose.** The purpose of this International Flavors & Fragrances Inc. Executive Severance Policy (this "Policy") is to provide certain Severance Payments and Benefits (as defined below) to designated key executives and employees of the Company in the event of a termination of their employment in certain specified circumstances. This Policy has been adopted in the form set forth herein effective as of October 23, 2014 (the "Effective Date"). This Policy is an amendment and restatement of the International Flavors & Fragrances Inc. Executive Separation Policy, which was last amended and restated effective as of February 6, 2014.

2. **Definitions.** The following definitions are applicable for purposes of this Policy (including in any Annex hereto), in addition to terms defined in Section 1 above:

(a) "2010 SAIP" means the Company's 2010 Stock Award and Incentive Plan, as it may be amended and/or restated from time to time.

(b) "Accounting Forfeiture Event" has the meaning specified in Section 9(b)(ii).

(c) "Accrued Obligations" means (i) the Employee's base salary otherwise payable through the Date of Termination, (ii) any incentive compensation and benefits which have become vested or payable as of the Date of Termination in accordance with the terms of the applicable Company incentive compensation and benefit plans and applicable Award Agreements but which have not yet been paid to the Employee, and (iii) unreimbursed business expenses reimbursable under Company policies then in effect; provided, however, that in each of (i), (ii) and (iii), to the extent permissible under applicable law, the Company may offset such amounts against any obligations and liabilities of the Employee to the Company.

(d) "Affected Employee" has the meaning specified in Section 8(a).

(e) "Affiliate" means with respect to a specified Person, a Person that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, the specified Person.

(f) "AIP" means, for each Employee, the plan or arrangement of the Company providing cash-denominated bonuses for annual Company and/or business unit performance in which such Employee participates.

(g) "Award" shall mean any stock-based award or cash award permitted to be granted to an Employee under an SAIP or an AIP.

(h) "Award Agreement" means an agreement (whether in written or electronic form) evidencing an Award granted under an SAIP or an AIP.

(i) "Beneficiary" means a person or entity that an Employee designates in writing to the Company to receive payments or benefits hereunder in the event of the

**INTERNATIONAL FLAVORS & FRAGRANCES INC.**  
Executive Severance Policy

Employee's death. If no such person or entity is named or there is no surviving designated Beneficiary, such Employee's Beneficiary shall be the Employee's estate.

(j) "Benefit Continuation" shall mean, subject to the continued co-payment of premiums by the Employee, the continued participation for the Employee and his or her eligible dependents in the Company's Benefit Plans, upon the same terms and conditions in effect from time to time for active employees of the Company, as determined in good faith by the Committee.

(k) "Benefit Continuation Period" has the meaning specified in Section 6(b).

(l) "Benefit Plans" shall mean all medical and dental benefit plans of the Company and any group life insurance, group accident insurance and group disability insurance plans of the Company, in each case, as may be in effect from time to time.

(m) "Board" means the Board of Directors of the Company.

(n) "Cause" means, with respect to an Employee, the definition as such term is defined in any effective employment agreement with such Employee as of the Employee's Date of Termination, otherwise Cause means (i) the Employee's failure to perform his or her material duties in any material respect, which if such failure is reasonably susceptible to cure, has continued after the Company has provided written notice of such failure and the Employee has not cured such failure within ten (10) days of receipt by the Employee of such written notice, (ii) willful misconduct or gross negligence by the Employee that has caused or is reasonably expected to result in material injury to the Company's business, reputation or prospects, (iii) the engagement by the Employee in illegal conduct or in any act of serious dishonesty which could reasonably be expected to result in material injury to the Company's business or reputation or which adversely affects the Employee's ability to perform his or her duties, (iv) the Employee being indicted or convicted of (or having pled guilty or nolo contendere to) a felony or any crime involving moral turpitude, dishonesty, fraud, theft or financial impropriety, or (v) a material and willful violation by the Employee of the Company's rules, policies or procedures. Notwithstanding the foregoing, a Tier I Employee shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to the Employee a copy of the resolution duly adopted by the affirmative vote of the majority of the membership of the Board of Directors of the Company so finding.

(o) A "Change in Control" shall be deemed to have occurred if, after the Effective Date, there shall have occurred any of the following:

(i) any Person becomes the "beneficial owner," as such term is defined in Rule 13d-3 under the Exchange Act, directly or indirectly, of securities of the Company representing 40% or more of the combined voting power of the Company's then outstanding securities, other than beneficial ownership by the

**INTERNATIONAL FLAVORS & FRAGRANCES INC.**  
Executive Severance Policy

Company, any employee benefit plan of the Company or any Person organized, appointed or established pursuant to the terms of any such benefit plan;

(ii) individuals who at the Effective Date constitute a majority of the Board (the “Incumbent Directors”) cease to constitute a majority of the Board for any reason; provided, however, that any individual becoming a director subsequent to the Effective Date whose election or nomination for election to the Board was approved by a vote of at least two-thirds of the Incumbent Directors then on the Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director without objection to such nomination) shall be an Incumbent Director. No individual shall be an Incumbent Director if such individual is initially elected or nominated as a director of the Company as a result of an actual or threatened election contest with respect to directors or as a result of any other actual or threatened solicitation of proxies by or on behalf of any person other than the Board; or;

(iii) The consummation of:

A. A merger, consolidation, reorganization or similar transaction with or into the Company or in which securities of the Company are issued, as a result of which the holders of the outstanding voting securities of the Company immediately before such event own, directly or indirectly, immediately after such event less than 60% of the combined voting power of the outstanding voting securities of the parent entity resulting from, or issuing its voting securities as part of, such event;

B. A complete liquidation or dissolution of the Company; or

C. The sale or other disposition of all or substantially all of the assets of the Company (on a consolidated basis) to any Person other than (x) the Company, (y) an employee benefit plan (or a trust forming a part thereof) maintained by the Company or (z) a Person whose voting securities immediately following such sale or disposition will be owned by the holders of the outstanding voting securities of the Company immediately prior thereto, in substantially the same proportions.

Notwithstanding the foregoing, no payment of any payment or benefit under this Policy that constitutes “non-qualified deferred compensation” within the meaning of Section 409A of the Code shall be made solely upon the occurrence of a Change in Control to the extent such Change in Control does not also qualify as a “change in control event” under Section 409A of the Code and such payment or benefit shall be paid on its otherwise scheduled payment date(s).



**INTERNATIONAL FLAVORS & FRAGRANCES INC.**  
Executive Severance Policy

- (p) “CIC Benefit Continuation Period” has the meaning specified in Section 7(f).
- (q) “CIC Severance Factor” means, unless otherwise provided in the Employee’s effective employment agreement with the Company as of the Date of Termination, the multiple for each Employee as set forth in Annex I hereto.
- (r) “COBRA” means the continuation coverage requirements for “group health plans” under Title X of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, and as codified in Code Section 4980B and ERISA Sections 601 through 608, each as amended from time to time, including rules thereunder and successor provisions and rules thereto.
- (s) “Code Section 409A” means Section 409A of the United States Internal Revenue Code of 1986, as amended from time to time, and the Treasury Regulations promulgated thereunder.
- (t) “Committee” means the Compensation Committee of the Board or such other committee as the Board may designate to perform administrative functions under this Policy.
- (u) “Company” means International Flavors & Fragrances Inc., a New York corporation, or any successor corporation, and its Affiliates.
- (v) “Confidential Information” has the meaning specified in Section 9(a)(iii).
- (w) “Covenant Forfeiture Event” has the meaning specified in Section 9(b)(i).
- (x) “Date of Termination” means, unless otherwise agreed by the Company, (i) if the Employee’s employment is terminated by the Company for Cause, or by the Employee for Good Reason and there is an ability to cure, the date that is one day after the last day of any applicable cure period, (ii) if the Employee’s employment is terminated by reason of death, the date of death of the Employee, or (iii) if the Employee’s employment is terminated for any other reason, the date on which a notice of termination is given or the date set forth in such notice, which, in the event of a termination by the Employee without Good Reason, shall not be less than 60 days after such notice.
- (y) “Delay Period” has the meaning specified in Section 12(c).
- (z) “Disability” means a condition that entitles an Employee to long term disability benefits under any applicable Company disability plan, any successor plan, or as defined under any applicable local laws, rules, or regulations.
- (aa) “Effective Date” means the date set forth in the first paragraph of this Policy.

**INTERNATIONAL FLAVORS & FRAGRANCES INC.**  
Executive Severance Policy

(bb) “Employee” has the meaning specified in Section 3.

(cc) “Entity” has the meaning specified in Section 10(a).

(dd) Equity Choice Award means an equity choice program award under a SAIP.

(ee) “Excess Benefit Plan” means the Company’s Supplemental Retirement Plan and any other supplemental pension plans sponsored or maintained by the Company as may be in effect from time to time.

(ff) “Excess Compensation” has the meaning specified in Section 9(b)(ii)(A).

(gg) “Excise Tax” has the meaning specified in Section 8.

(hh) “Forfeiture Event” has the meaning specified in Section 9(b)(ii).

(ii) “Good Reason” means, with respect to an Employee, the definition as such term is defined in any effective employment agreement with such Employee as of the Employee’s Date of Termination, otherwise Good Reason means the occurrence of any of the following events, unless the Employee has consented in writing thereto:

(i) a material decrease in the Employee’s base salary, target bonus under an AIP, LTIP or Equity Choice Award, other than as part of an across-the-board reduction applicable to all similarly situated employees of the Employee’s employer;

(ii) a material diminution in the Employee’s authority, duties or responsibilities;

(iii) a relocation of the Employee’s primary work location more than 50 miles from the Employee's primary work location at the time of such requested relocation;

(iv) the failure of the Company to obtain the binding agreement of any successor to the Company expressly to assume and agree to fully perform the Company’s obligations under this Policy, as contemplated in the last sentence of Section 13(a) hereof;

provided, that within 90 days after the initial occurrence of any of the events or the initial existence of any of the conditions set forth in (i) through (iii) above the Employee delivers written notice to the Company of his or her intention to terminate his or her employment for Good Reason which specifies in reasonable details the circumstances claimed to give rise to the Employee’s right to terminate employment for Good Reason, and the Company fails to correct such conduct or condition after a period of 30 days following receipt of such notice. For purposes of this Policy, "Good Reason" is intended

**INTERNATIONAL FLAVORS & FRAGRANCES INC.**  
Executive Severance Policy

to constitute an "involuntary separation" within the meaning of Treasury Regulation § 1.409A-1(n)(2).

(jj) "Independent Advisors" has the meaning specified in Section 8(c)(i).

(kk) "Initial Payment Period" has the meaning specified in Section 12(c).

(ll) "Limit" has the meaning specified in Section 12(c).

(mm) "LTIP" means a long-term performance incentive plan of the Company under an SAIP.

(nn) "Person" means an individual, corporation, partnership, limited liability company, association, trust, other entity, group or organization including a governmental authority.

(oo) "PPACA" means the Patient Protection and Affordable Care Act of 2010 and the related regulations and guidance promulgated thereunder.

(pp) "Reduced Amount" has the meaning specified in Section 8(a).

(qq) "Release" has the meaning specified in Section 9(c)(i).

(rr) "Release Period" has the meaning specified in Section 9(c)(i).

(ss) "Restatement Clawback Period" has the meaning specified in Section 9(b)(ii).

(tt) "SAIP" shall mean each plan, policy, program or arrangement maintained by the Company pursuant to which equity-based awards or cash awards may be granted to Employees, as may be amended and/or restated from time to time.

(uu) "Severance Factor" means, unless otherwise provided in the Employee's effective employment agreement with the Company as of the Date of Termination, the multiple for each Employee as set forth in Annex I hereto.

(vv) "Severance Continuation Period" means, unless otherwise provided in the Employee's effective employment agreement with the Company as of the Date of Termination, a period of a number of months following the Date of Termination for each Employee during which certain Severance Payments and Benefits will be provided pursuant to this Policy, as set forth in Annex I hereto.

(ww) "Severance Payments and Benefits" means all benefits provided or payments made by the Company to or for the benefit of an Employee under this Policy.

**INTERNATIONAL FLAVORS & FRAGRANCES INC.**  
Executive Severance Policy

(xx) “Supplemental Retirement Plan” means the International Flavors & Fragrances Inc. Supplemental Retirement Plan.

3. Eligibility. Each key executive or employee of the Company who has been designated in writing by the Committee (each an “Employee”) shall be eligible for the Severance Payments and Benefits and other provisions of this Policy if his or her termination of employment qualifies hereunder. Each Employee shall be designated in writing by the Committee as either (i) the Chief Executive Officer, (ii) a Tier I Employee or (iii) a Tier II Employee. Employees shall include persons employed outside the United States, if designated by the Committee and subject to Section 13(h) of this Policy. Unless expressly indicated in this Policy, the Chief Executive Officer shall be a Tier I Employee for all purposes under this Policy.

4. Administration. Subject to Section 13(e) hereof, this Policy shall be interpreted, administered and operated by the Committee, which shall have complete authority, subject to the express provisions of this Policy, to interpret this Policy, to prescribe, amend and rescind rules and regulations relating to this Policy, and to make all other determinations necessary or advisable for the administration of this Policy. The Committee may delegate any of its duties hereunder to a subcommittee, or to such person or persons from time to time as it may designate. All decisions, interpretations and other actions of the Committee shall be final, conclusive and binding on all parties who have an interest in this Policy. No member of the Committee, nor any Person acting pursuant to authority delegated by the Committee, shall be liable for any action, omission, or determination relating to this Policy, and the Company shall, to the fullest extent permitted by law, indemnify and hold harmless each member of the Committee and each Person to whom any duty or power relating to the administration or interpretation of this Policy has been delegated, against any cost or liability arising out of any action, omission or determination relating to this Policy, unless, in either case, such action, omission, or determination was taken or made by such member or other Person acting pursuant to authority delegated by the Committee in bad faith and without reasonable belief that it was in the best interests of the Company.

5. Termination of Employment for any Reason. Subject to the terms and conditions hereof, in the event of any termination of an Employee’s employment with the Company for any reason, including but not limited to a termination of employment by the Company for Cause, a termination of employment as a result of the Employee’s death, Disability or retirement, or the voluntary resignation by Employee without Good Reason:

(a) The Company shall pay the Employee the Accrued Obligations, payable on the dates such amounts would have been payable under the Company’s policies if the Employee’s employment had not terminated, but in no event more than 60 days after Employee’s Date of Termination, or sooner if required by applicable law.

(b) Except as expressly provided in Section 7, any outstanding Awards (including, for the avoidance of doubt, any AIP, LTIP and Equity Choice Awards) held by the Employee as of the Date of Termination shall be governed by the terms and conditions of the applicable AIP, SAIP and Award Agreements.

**INTERNATIONAL FLAVORS & FRAGRANCES INC.**  
Executive Severance Policy

(c) Except as expressly provided in Section 7, the Employee's benefits and rights under any of the Company's Benefit Plans, tax-qualified retirement or pension plans and any Excess Benefit Plan shall be determined in accordance with the applicable provisions of such plans, as may be in effect at the Employee's Date of Termination.

In the event of a termination of employment by the Company for Cause, a termination of employment as a result of the Employee's death, Disability or retirement, or the voluntary resignation by Employee without Good Reason, Employee shall not be entitled to receive any compensation, payments or benefits except as specified in Section 5(a)-(c).

6. Termination of Employment by the Company Not for Cause or by a Tier I Employee for Good Reason Prior to or More than Two Years After a Change in Control. In addition to the payments and benefits set forth in Section 5, in the event the Employee's employment with the Company is terminated prior to a Change in Control or more than two (2) years following a Change in Control either (i) by the Company without Cause or (ii) by a Tier I Employee for Good Reason, the Employee shall also be entitled to receive the following payments and benefits:

(a) An amount equal to the product of the Employee's Severance Factor times the sum of (i) the Employee's annual base salary as of the Date of Termination and (ii) the Employee's target annual incentive under the AIP for the year in which the Date of Termination occurs prorated based on the number of the Employee's active days of employment with the Company during the performance period in which the Employee's Date of Termination occurs, payable in equal installments in accordance with the Company's normal payroll practices starting on the first payroll period following the Employee's Date of Termination and continuing until the expiration of the Employee's Severance Continuation Period.

(b) For a period commencing on the Employee's Date of Termination until the earlier of (i) the expiration of the Employee's Severance Continuation Period, (ii) the date of the Employee's commencement of eligibility for benefits under a new employer's welfare benefit plans, and (iii) the Employee attaining age 65 (such period, the "Benefit Continuation Period"), the Employee shall be eligible for Benefit Continuation. Benefit Continuation shall be provided concurrently with any health care benefit required under COBRA. Notwithstanding the foregoing, if the Company's providing Benefit Continuation under this Section 6(b) would violate the nondiscrimination rules applicable to non-grandfathered plans, or would result in the imposition of penalties under the PPACA, the Committee shall have the right to amend this Section 6(b) in a manner it determines, in its sole discretion, to comply with the PPACA. For the avoidance of doubt, in no event shall an Employee's employment be deemed to have been terminated without Cause or for Good Reason as a result of the Employee's death, Disability or retirement.

7. Termination by the Company Not for Cause or by Employee for Good Reason Within Two Years After a Change in Control. In addition to the payments and benefits set forth in Section 5, in the event the Employee's employment with the Company is terminated within

**INTERNATIONAL FLAVORS & FRAGRANCES INC.**  
Executive Severance Policy

two (2) years following a Change in Control either (i) by the Company without Cause or (ii) by the Employee for Good Reason, the Employee shall also be entitled to receive the following payments and benefits:

(a) A lump-sum cash payment equal to the Employee's target annual incentive Award under the AIP for the year in which the Date of Termination occurs, with such Award prorated based on the number of the Employee's active days of employment with the Company during the performance period in which the Employee's Date of Termination occurs, payable within 15 days following the Employee's Date of Termination.

(b) An amount equal to the product of the Employee's CIC Severance Factor times the sum of (i) the Employee's annual base salary as of the Date of Termination and (ii) the greater of (x) the Employee's target annual incentive opportunity under the AIP for the year in which the Date of Termination occurs and (y) the average annual incentive award paid to Employee under the AIP for the three (3) completed fiscal years immediately preceding the year in which the Date of Termination occurs (or, if the Employee was not employed by the Company or eligible for an Award under the AIP for the last three (3) completed fiscal years, such lesser number of completed fiscal years during which the Executive was eligible for an Award under the AIP), payable in a lump sum within 15 days following the Employee's Date of Termination.

(c) Any outstanding Awards held by the Employee as of the Date of Termination shall be governed by the terms and conditions of the applicable SAIP and Award Agreements; provided however that any outstanding Awards under the 2010 SAIP shall be governed by the terms and conditions of the 2010 SAIP and applicable Award Agreements as if the Employee had been terminated by the Company without Cause within two years following a Change in Control.

(d) Unless otherwise provided in the applicable Award Agreement, with respect to each LTIP Award outstanding as of the Employee's Date of Termination:

(i) For each performance period that ends prior to the Employee's Date of Termination, the Employee shall receive an LTIP Award equal to the LTIP Award, if any, the Employee would have been entitled to receive for such performance period had the Employee's employment with the Company not been terminated, determined in accordance with the LTIP and the applicable Award Agreement; and

(ii) With respect to each LTIP Award for which the Employee's Date of Termination occurs during the performance period for such LTIP Award, the Employee shall receive an LTIP Award equal to the product of (x) the Employee's target LTIP Award for the performance period during which the Employee's Date of Termination occurred and (y) a fraction, the numerator of which is the number of days during the performance period preceding the Employee's Date of

**INTERNATIONAL FLAVORS & FRAGRANCES INC.**  
Executive Severance Policy

Termination and the denominator of which is the total number of days in the performance period), with each of (i) and (ii) payable within 15 days following the Employee's Date of Termination.

(e) The Employee will be deemed to be fully vested in any benefits he or she has accrued, if any, under the Supplemental Retirement Plan, with the time or times at which benefits are payable under the Supplemental Retirement Plan unchanged; provided, however, that with respect to any "grandfathered" accrued obligations or to the extent permitted under Code Section 409A, the Company may elect to satisfy all obligations to the Employee and his beneficiaries under the Supplemental Retirement Plan by a lump sum payment of the present value of the accrued benefit under the Supplemental Retirement Plan.

(f) For a period commencing on the Employee's Date of Termination until the earlier of (i) the expiration of the Employee's Severance Continuation Period, (ii) the date of the Employee's commencement of eligibility for benefits under a new employer's welfare benefit plans, and (iii) the Employee attaining age 65 (such period, the "CIC Benefit Continuation Period"), the Employee shall be eligible for Benefit Continuation. Benefit Continuation shall be provided concurrently with any health care benefit required under COBRA. Notwithstanding the foregoing, if the Company's providing Benefit Continuation under this Section 7(f) would violate the nondiscrimination rules applicable to non-grandfathered plans, or would result in the imposition of penalties under the PPACA, the Committee shall have the right to amend this Section 7(f) in a manner it determines, in its sole discretion, to comply with the PPACA.

8. Effect of Federal Excise Tax. This Section 8 specifies certain adjustments to the Severance Payments and Benefits an Employee may receive under this Policy if the Company determines that any Severance Payment or Benefit would subject such Employee to an obligation to pay an excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (or any similar tax that may be imposed) or any interest or penalties related to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax").

(a) Cut-Back to Maximize Retained After-Tax Amounts. In the event the Company determines that any Severance Payment or Benefits would, in whole or part when aggregated with any other right, payment or benefit to or for the Employee (such Employee, the "Affected Employee") under all other agreements, arrangements or plans of the Company, cause any Severance Payment and Benefit or any other payments or benefits to be subject to the Excise Tax, then the Severance Payments and Benefits and all such rights, payments and benefits shall, at the Company's discretion, either (i) be paid in full or (ii) be reduced (or appropriately adjusted) to an amount that is one dollar less than the smallest amount that would give rise to the Excise Tax (the "Reduced Amount"), but only if such Reduced Amount would be greater than the net after-tax

**INTERNATIONAL FLAVORS & FRAGRANCES INC.**  
Executive Severance Policy

proceeds (taking into account the Excise Tax) of the unreduced Severance Payments and Benefits and all such other rights, payments and benefits.

(b) *Implementation Rules.* If the Severance Payments and Benefits must be reduced as provided in Section 8(a), any reduction in payments and/or benefits required by this provision will occur in the following order: (1) reduction of cash payments; (2) reduction of vesting acceleration of equity awards; and (3) reduction of other benefits paid or provided. In the event that acceleration of vesting of equity awards is to be reduced, such acceleration of vesting will be cancelled in the reverse order of the date of grant for the equity awards. If two or more equity awards are granted on the same date, each award will be reduced on a pro-rata basis. The Employee shall be advised of the determination as to which compensation will be reduced and the reasons therefor, and the Employee and his or her advisors will be entitled to present information that may be relevant to this determination. In no event shall such reduction be effected through a delay in the timing of any Severance Payment and Benefit that is subject to Code Section 409A of the Code (or that would become subject to Code Section 409A as a result of such delay).

(c) For purposes of determining whether any of the Severance Payments or Benefits will be subject to the Excise Tax and the amount of such Excise Tax:

(i) All Severance Payments and Benefits shall be treated as “parachute payments” within the meaning of Section 280G(b)(2) of the Code, and all “excess parachute payments” within the meaning of Section 280G(b)(1) of the Code shall be treated as subject to the Excise Tax, unless, and except to the extent that, in the written opinion of independent compensation consultants, counsel or auditors of nationally recognized standing (“Independent Advisors”) selected by the Company, the Severance Payments and Benefits (in whole or in part) do not constitute parachute payments, or such excess parachute payments (in whole or in part) represent reasonable compensation for services actually rendered within the meaning of Section 280G(b)(4) of the Code in excess of the base amount within the meaning of Section 280G(b)(3) of the Code or are otherwise not subject to the Excise Tax.

(ii) The value of any non-cash benefits or any deferred payment or benefit shall be determined by the Independent Advisors in accordance with the principles of Sections 280G(d)(3) and (4) of the Code.

(d) For purposes of determining the amount of the reductions in Severance Payments and Benefits pursuant to Section 8(b), the Affected Employee shall be deemed (i) to pay federal income taxes at the applicable rates of federal income taxation for the calendar year in which the compensation would be payable; and (ii) to pay any applicable state and local income taxes at the applicable rates of taxation for the calendar year in which the compensation would be payable, taking into account any effect on federal income taxes from payment of state and local income taxes.



**INTERNATIONAL FLAVORS & FRAGRANCES INC.**  
Executive Severance Policy

9. Conditions to Receipt of Severance Payments and Benefits: Forfeiture and Repayment Obligations.

(a) Conditions to Receipt of Payments; Employee Obligations. The following requirements must be met by the Employee as a condition to the right to receive, continue to receive, or retain any Severance Payments or Benefits under this Policy:

(i) The Employee, acting directly or indirectly, shall not, during the period of employment and the twelve month period following the Employee's Date of Termination, become employed by, render services for, serve as an agent or consultant to, or become a partner, member, principal, shareholder or other owner of any of the following entities: Firmenich, S.A., Givaudan, S.A., V. Mane Fils, S.A., Robertet, S.A., Symrise A.G., Takasago International Corporation, Wild Flavors GmbH, or any of their respective Affiliates.

(ii) The Employee, acting directly or indirectly, shall not, during the period of employment and the twenty-four month period following the Employee's Date of Termination, (1) solicit, induce, divert, employ or retain, or interfere with or attempt to influence the relationship of the Company, with any Person or entity that is or was, during the last twelve (12) months of the Employee's employment with the Company, (i) an employee of the Company or (ii) a Person engaged to provide services to the Company; or (2) interfere with or attempt to influence the relationship of the Company with any customer, supplier or other Person with whom the Company does business.

(iii) The Employee shall not, at any time, directly or indirectly (a) disclose any Confidential Information (as defined below) to any Person (other than, only with respect to the period that the Employee is employed by the Company, to an employee or outside advisor of the Company who requires such information to perform his or her duties for the Company) or (b) use, sell or otherwise transfer, any Confidential Information for Employee's own benefit or the benefit of any third party. "Confidential Information," shall mean confidential, proprietary or commercially sensitive information relating to the Company, its Affiliates, or their employees, board members, customers, vendors, or other business partners and their businesses, operations, or affairs, including, without limitation, information relating to products, formulations, protocols, processes, designs, formulae, ideas, know-how, test methods, evaluation techniques, patents, trade secrets, scientific or technical data, regardless of the form in which it is maintained or provided, orally or in writing, whether prepared by the Company, a third party or Employee, together with all analyses, compilations, notes and other documents relating thereto.

(iv) The Employee shall cooperate with the Company by making himself or herself available to testify on behalf of the Company in any action, suit, or proceeding, whether civil, criminal, administrative, or investigative, and shall not otherwise fail to assist the Company in any such action, suit, or proceeding by

**INTERNATIONAL FLAVORS & FRAGRANCES INC.**  
Executive Severance Policy

providing information and meeting and consulting with members of management of, other representatives of, or counsel to, the Company, as reasonably requested.

(v) The Employee shall not, during the period of employment, engage in any action or inaction that would constitute grounds for being terminated for Cause, as determined by the Committee in its sole discretion.

(vi) The Employee shall, upon termination of employment with the Company, execute the Exiting Employee Acknowledgement/Certification and return to the Company all property of the Company, its customers and vendors in Employee's possession or control including, without limitation, all materials, work product or documents containing or pertaining to Confidential Information, and including without limitation, any Company car, all computers (including laptops), cell phones, keys, PDAs, Blackberries, iPhones, Androids, iPads, credit cards, printers, facsimile machines, televisions, card access to any Company building, customer lists, reports, files, e-mails, work papers, memoranda, notes, formulae, tapes, programs, records and software, computer access codes or disks, instructional manuals, and other similar materials or documents used, received or prepared or supervised by Employee in connection with Employee's work for the Company. Employee shall not retain any copies, duplicates, reproductions or excerpts of any of the aforementioned materials or documents and shall not at any time use, recreate or reproduce any said materials or documents.

(b) Forfeiture and Repayment Obligations

(i) Due to Employee Failure to Comply with Obligations. If an Employee fails to comply with any of the obligations set forth in Section 9(a) (a "Covenant Forfeiture Event"):

- (A) the Company shall have no obligation to make, provide or continue to make or provide any Severance Payments and Benefits to the Employee under this Policy; and
- (B) The Employee will forfeit or repay, as the case may be, all Severance Payments and Benefits to the extent paid or provided by the Company, as determined by the Company in its sole discretion.

(ii) Due to an Accounting Restatement or Misstatement. If the Company is required to prepare an accounting restatement, or if the Company determines that it has misstated its financial results, whether or not as a result of misconduct on the part of the Employee (an "Accounting Forfeiture Event" and, together with a Covenant Forfeiture Event, a "Forfeiture Event"), then, the Employee shall forfeit or repay the Excess Compensation (as defined below) that was granted or paid during the period commencing on the first day of the 12-month period covered by such misstated financial statement through the later of (x) the date of the filing of a restatement where an accounting restatement is

**INTERNATIONAL FLAVORS & FRAGRANCES INC.**  
Executive Severance Policy

required to be filed; (y) the date of the discovery of the misstated financials where any accounting restatement is not required to be filed; or (z) any later date as may be required by applicable law, including the Dodd–Frank Wall Street Reform and Consumer Protection Act (the “Restatement Clawback Period”).

- (A) For purposes of this Section 9(b)(ii), the term “Excess Compensation” means, the difference between (x) the fair market value of the cash or stock paid to or received by the Employee as part of its Severance Payments and Benefits less (y) the fair market value of the cash or stock that would have been paid to or received by the Employee had the financial statements requiring the misstatement or restatement been properly stated, as determined by the Committee in its sole discretion.

(iii) For the avoidance of doubt, Severance Payments and Benefits subject to the forfeiture and repayment obligations under this Section 9 shall include any unvested Award, and any amounts paid to Employee on settlement or vesting of an Award but shall not include (A) any earned and unpaid base salary payable through the Employee’s Date of Termination, (B) any unreimbursed business expenses reimbursable under Company policies then in effect, and (D) any amount paid by Employee to the Company as a condition of or in connection with settlement of a forfeited Award.

(iv) Any policy of the Company providing for forfeiture or recoupment of compensation, including Section 10 of the 2010 SAIP, shall apply by its terms and shall not be deemed limited in any way by this Section 9 or any other provision of this Policy.

(v) Any clawback or recoupment provisions required by law, including under the Dodd-Frank Wall Street Reform and Consumer Protection Act or any rules or regulations thereunder, shall apply to the Severance Payments and Benefits paid or payable under this Policy.

(vi) Any Severance Payments and Benefits (A) subject to repayment by the Employee under this Section 9 must be repaid to the Company, in the manner and on such terms and conditions as shall be required by the Company by written notice to the Employee and (B) subject to forfeiture will be forfeited immediately upon written notice to Employee from the Company.

(c) Employee Obligation to Execute Release and Termination Agreement.

(i) The Company’s obligations under this Policy to make and provide any Severance Payments and Benefits is also conditioned upon the Employee signing the Exiting Employee Acknowledgement/Certification and a release and termination agreement (the “Release”), in a form acceptable to, and to be provided by the Company, and such Release becoming effective, enforceable and

**INTERNATIONAL FLAVORS & FRAGRANCES INC.**  
Executive Severance Policy

irrevocable within 60 days following the Employee's Date of Termination (such period, the "Release Period").

(ii) Any Severance Payment or Benefit that is subject to Code Section 409A that would otherwise have been made to an Employee but that is conditioned upon the execution and effectiveness of the Release shall be paid or provided on the first business day following the Release Period subject to the execution and effectiveness of the Release; provided that any in-kind benefits provided pursuant to this Policy shall continue in effect after the Date of Termination pending the execution and delivery of the Release; provided that if the Release is not executed and delivered within the Release Period, the Employee shall reimburse the Company for the full cost of providing such in-kind benefits during the Release Period.

(d) Agreement Does Not Prohibit Competition or Other Participant Activities. An Employee is not prohibited from engaging in an activity identified in Section 9(a) (i) solely as a result of such provision. Rather, the non-occurrence of the Forfeiture Events set forth in Section 9(a) is a condition to the Employee's right to realize and retain value from his or her Severance Payments and Benefits, and the consequence under this Policy if the Employee engages in an activity giving rise to any such Forfeiture Event are the forfeitures specified herein. The Company and the Employee shall not be precluded by this provision or otherwise from entering into other agreements concerning the subject matter of Section 9(a).

(e) No Limitation of Rights. Any forfeiture or repayment under this Section 9 is in addition to, and not in lieu of, any other remedies or rights that may be available to the Company under applicable law, including, without limitation, the right to (i) dismiss the Employee, (ii) adjust the future compensation of the Employee, or (iii) take such other action to enforce the Employee's obligations to Company as the Company may deem appropriate in view of the facts and circumstances surrounding the particular situation.

(f) Committee Discretion. The Committee shall have the authority, in its sole discretion, to interpret and construe the provisions of this Section 9 and to make all determinations with respect hereto, including the determination of whether a Forfeiture Event has occurred, the timing of such Forfeiture Event and the amount and form of any forfeiture or reimbursement to be made to the Company from an Employee. The Committee may consider such factors as it deems relevant in making such determinations, including the factors contributing to the Forfeiture Event, harm or potential harm to the Company, the nature and severity of an Employee's behavior or conduct, legal and tax considerations and other facts and circumstances relating to a particular situation. All interpretations, constructions and determinations made by the Committee hereunder shall be final and binding on the Company and the Employee and the determinations of the Committee need not be uniform with respect to all Employees or situations. The Committee may waive in whole or in part the Company's right of

**INTERNATIONAL FLAVORS & FRAGRANCES INC.**  
Executive Severance Policy

recapture or impose additional conditions on an Award paid to an Employee under this Policy.

10. Other Provisions Applicable to Severance Payments and Benefits.

(a) *Limitation of Benefits In Case of Certain Business Dispositions.* Notwithstanding anything in this Policy to the contrary, unless the Committee in its sole discretion provides otherwise, an Employee shall not be entitled to any Severance Payments or Benefits upon a termination of employment prior to or more than two years after a Change in Control under Section 6, in the event such termination of employment results from the sale or spin-off of an Affiliate, the sale of a division, other business unit or facility (each an “Entity”) in which the Employee was employed immediately prior to such sale, and the Employee has been offered employment with the purchaser of such Entity on substantially the same terms and conditions, as determined by the Committee in its sole discretion, under which the Employee worked prior to the sale, whether or not such Employee accepts or rejects such offer of employment. Such terms and conditions shall include an agreement or plan binding on such purchaser or Entity providing that, upon any termination of the Employee’s employment with the purchaser or spun-off Entity of the kinds described in Sections 6 and 7, within two years following such sale or spin-off, the purchaser or spun-off entity shall pay and provide to such Employee payments and benefits comparable to those the Employee would have received under the applicable provisions of Sections 6 and 7 if the Employee had been terminated in like circumstances at the time of such sale and provided Severance Payments and Benefits.

(b) *Deferrals Included in Salary and Bonus.* All references in this Policy to salary and annual incentive amounts mean those amounts before reduction pursuant to any deferred compensation plan or agreement.

(c) *Payments and Benefits to Beneficiary Upon Employee’s Death.* In the event of the death of an Employee, all payments and benefits hereunder due to such Employee shall be paid or provided to his or her Beneficiary.

(d) *Transfers of Employment.* Anything in this Policy to the contrary notwithstanding, a transfer of employment from the Company to an Affiliate or vice versa shall not be considered a termination of employment for purposes of this Policy.

11. Other Plans and Policies; Non-Duplication of Payments or Benefits.

(a) *Superseded Agreements and Rights.* This Policy constitutes the entire understanding between the Company and the Employee relating to Severance Payments and Benefits to be paid or provided to the Employee by the Company, and supersedes and cancels all prior agreements and understandings with respect to the subject matter of this Policy, other than (i) as expressly set forth in this Policy, (ii) as determined in writing by the Committee, or (iii) as expressly provided in a plan, program or arrangement of the Company which is established following the Effective Date and in which the Employee is a participant.

**INTERNATIONAL FLAVORS & FRAGRANCES INC.**  
Executive Severance Policy

(b) Non-Duplication of Payments and Benefits. The Employee shall not be entitled to any Severance Payment or Benefit under this Policy which duplicates a payment or benefit received or receivable by the Employee under any employment or severance agreement, or any other plan, program or arrangement of the Company or any severance required by applicable law, regulation, sound business practices and customs, provided however, that with respect to a benefit or payment that is expressly required to be provided by applicable law, regulation, sound business practices and customs, to the extent permissible under applicable law, the Company may offset the amount of any such benefits or payments against the Severance Payments or Benefits due under this Policy.

12. Special Rules for Compliance with Code Section 409A. This Section 12 serves to ensure compliance with applicable requirements of Code Section 409A. If the terms of this Section 12 conflict with other terms of this Policy, the terms of this Section 12 shall control.

(a) Termination of Employment Defined. For purposes of this Policy, a “termination of employment” means a separation from service within the meaning of Treasury Regulation § 1.409A-1(h), except for a termination of employment providing for payments or benefits that are “grandfathered” or excluded from being a deferral of compensation under Code Section 409A.

(b) Separate Payments. Any payment of Severance Payments and Benefits shall be deemed a separate payment for all purposes, including for purposes of Code Section 409A.

(c) Six-Month Delay Rule. In the event that any Severance Payments or Benefits constitute “nonqualified deferred compensation” within the meaning of Code Section 409A and as of the date of the Employee’s “separation from service,” Employee is a “specified employee” (within the meaning of that term under Code Section 409A(a)(2)(B), or any successor provision thereto), then, if the amount of any Severance Payments and Benefits, or any other payments and benefits due pursuant to any other agreement with or plan, program, payroll practice of the Company to be paid within the first six months following the date of such separation from service (the “Initial Payment Period”) exceed the amount referenced in Treas. Regs. Section 1.409A-1(b)(9)(iii)(A) (the “Limit”), then: (i) any portion of the Severance Payments and Benefits that is payable or can be provided during the Initial Payment Period that does not exceed the Limit shall be paid or provided at the times set forth in this Policy; (ii) any portion of the Severance Payments and Benefits that is a “short-term deferral” within the meaning of Treas. Regs. Section 1.409A-1(b)(4)(i) shall be paid or provided at the times set forth in in this Policy; and (iii) any portion of the Severance Payments and Benefits that exceeds the Limit and is not a “short-term deferral” (and would have been payable during the Initial Payment Period but for the Limit) shall not be paid or provided, to the extent making or providing such payment or benefit during the Initial Payment Period would result in additional taxes or interest under Code Section 409A of the Code, until the date which is the earlier of (i) the expiration of the six (6)-month period measured from the date of such “separation from service,” and (ii) the date of Employee’s death (the “Delay”).

**INTERNATIONAL FLAVORS & FRAGRANCES INC.**  
Executive Severance Policy

Period”) and this Policy shall hereby be deemed amended accordingly. Upon the expiration of the Delay Period, all payments and benefits delayed pursuant to this section (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid or reimbursed to Employee in a lump sum, and any remaining payments and benefits due under this Policy shall be paid or provided in accordance with the normal payment dates specified for them herein.

(d) Continued Benefits. To the extent required by Code Section 409A, any reimbursement or in-kind benefit provided under this Policy shall be provided in accordance with the following: (i) the amount of expenses eligible for reimbursement, or in-kind benefits provided during each calendar year cannot affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other calendar year; (ii) any payments in lieu of the benefits shall be paid no later than the end of Employee’s taxable year next following Employee’s taxable year in which the benefit or expense was due to be paid; and (iii) any right to reimbursements or in-kind benefits under this Plan shall not be subject to liquidation or exchange for another benefit.

(e) No Acceleration. The timing of payments and benefits under this Policy may not be accelerated to occur before the time specified for payment hereunder, except to the extent permitted under Treasury Regulation § 1.409A-3(j)(4) or as otherwise permitted under Code Section 409A without the Employee incurring a tax penalty.

(f) Limitation on Offsets. If the Company has a right of offset that could apply to a payment that constitutes a deferral of compensation under Code Section 409A, such right may only be exercised at the time the payment would have been made to the Employee and may be exercised only as an offset against an obligation that arose within 30 days before and within the same year as the payment date if application of such offset right against an earlier obligation would not be permitted under Code Section 409A.

(g) General Compliance. In addition to the foregoing provisions, the terms of this Policy, including any authority of the Company and rights of the Employee which constitute a deferral of compensation subject to Code Section 409A (and which is not grandfathered or excluded from being deemed such a deferral), shall be limited to those terms permitted under Code Section 409A without resulting in a tax penalty to Employee, and any terms not so permitted under Code Section 409A shall be modified and limited to the extent necessary to conform with Code Section 409A but only to the extent that such modification or limitation is permitted under Code Section 409A and the regulations and guidance issued thereunder. The Company and its employees and agents make no representation and are providing no advice regarding the taxation of the payments and benefits under this Policy, including with respect to taxes, interest and penalties under Code Section 409A and similar liabilities under state and local tax laws. No indemnification or gross-up is payable under this Policy with respect to any such tax, interest, or penalty under Code Section 409A or similar liability under state or local tax laws applicable to any Employee.

**INTERNATIONAL FLAVORS & FRAGRANCES INC.**  
Executive Severance Policy

13. Miscellaneous

(a) Assignment; Non-transferability. No right of an Employee to any payment or benefit under this Policy shall be subject to assignment, anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment, or garnishment by creditors of the Employee or of any beneficiary of the Employee. The terms and conditions of this Policy shall be binding on the successors and assigns of the Company.

(b) Withholding. The Company shall have the right to deduct from all payments hereunder any taxes required by law to be withheld therefrom.

(c) No Right To Employment. Nothing in this Policy shall be construed as giving any person the right to be retained in the employment of the Company, nor shall it affect the right of the Company to dismiss an Employee without any liability except as provided in this Policy.

(d) Legal Fees. The Employee shall pay all legal fees and related expenses incurred in seeking to obtain or enforce any payment, benefit or right provided by this Policy; provided; however, that if the Employee prevails on at least one material claim that forms part of a dispute with the Company regarding the enforceability of any provision of the Policy, the Company shall promptly reimburse the Employee for all reasonable attorneys' fees and related expenses ("Legal Fees") incurred by the Employee in connection with such dispute, provided that the Participant shall have submitted an invoice for such Legal Fees at least 10 days before the end of the calendar year next following the calendar year in which such Legal Fees were incurred. In no event shall the payments by the Company of Legal Fees be made later than the end of the calendar year next following the calendar year in which such Legal Fees were incurred. The amount of such Legal Fees that the Company is obligated to pay in any given calendar year shall not affect the Legal Fees that the Company is obligated to pay in any other calendar year, and an Employee's right to have the Company pay such Legal Fees may not be liquidated or exchanged for any other benefit.

(e) Amendment and Termination. The Board may amend or terminate this Policy at any time, provided, however (i) during the two years following a Change in Control, this Policy may not be amended or terminated in any manner materially adverse to an Employee without the written consent of such Employee, and (ii), at any other time, this Policy may not be amended or terminated in any manner materially adverse to an Employee except with 60 day's advance notice to the affected Employee, and no such amendment or termination shall be effective to limit any right or benefit relating to a termination during the two years after a Change in Control under Section 7 if a Change in Control has occurred prior to the lapse of such 60-day notice period.

(f) Governing Law; Arbitration. THE VALIDITY, CONSTRUCTION, AND EFFECT OF THIS POLICY AND ANY RULES AND REGULATIONS RELATING TO THIS POLICY SHALL BE DETERMINED IN ACCORDANCE WITH THE LAWS (INCLUDING THOSE GOVERNING CONTRACTS) OF THE STATE OF NEW



**INTERNATIONAL FLAVORS & FRAGRANCES INC.**  
Executive Severance Policy

YORK, WITHOUT GIVING EFFECT TO PRINCIPLES OF CONFLICTS OF LAWS, AND APPLICABLE FEDERAL LAW. If any provision hereof shall be held by a court or arbitrator of competent jurisdiction to be invalid and unenforceable, the remaining provisions shall continue to be fully effective. Any dispute or controversy arising under or in connection with this Policy shall be settled exclusively by arbitration in New York, New York by one arbitrator in accordance with the rules of the American Arbitration Association in effect at the time of submission to arbitration. Judgment may be entered on the arbitrator's award in any court having jurisdiction. For purposes of settling any dispute or controversy arising hereunder or for the purpose of entering any judgment upon an award rendered by the arbitrator, the Company and the Employee hereby consent to the jurisdiction of any or all of the following courts: (i) the United States District Court for the Southern District of New York or (ii) any of the courts of the State of New York located in New York County. The Company and the Employee hereby waive, to the fullest extent permitted by applicable law, any objection which it may now or hereafter have to such jurisdiction and any defense of inconvenient forum. The Company and the Employee hereby agree that a judgment upon an award rendered by the arbitrator may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

(g) No Duty to Mitigate. No employee shall be required to mitigate, by seeking employment or otherwise, the amount of any payment that the Company becomes obligated to make under this Policy, and, except as expressly provided in this Policy, amounts or other benefits to be paid or provided to an Employee pursuant to this Policy shall not be reduced by reason of the Employee's obtaining other employment or receiving similar payments or benefits from another employer.

(h) Awards to Employees Outside the United States. The Committee may modify the terms and conditions of participation of any Employee who is then resident or primarily employed outside the United States or is subject to taxation by a non-U.S. jurisdiction in any manner deemed by the Committee to be necessary or appropriate in order that such terms and conditions shall conform to the laws, regulations, sound business practices or customs of the country in which the Employee is then resident or primarily employed.

**INTERNATIONAL FLAVORS & FRAGRANCES INC.**  
Executive Severance Policy

**Annex I**

<b>Title</b>	<b>Severance Factor</b>	<b>Severance Continuation Period</b>	<b>CIC Severance Factor</b>
Tier I Employees			
• Chief Executive Officer	24	24 months	3
• All Other Tier I Employees	1.5	18 months	2
Tier II Employees	1	12 months	1.5

**CERTIFICATION**

I, Andreas Fibig, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of International Flavors & Fragrances Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 4, 2014

By:           /s/ Andreas Fibig          

Name: Andreas Fibig

Title: Chief Executive Officer

CERTIFICATION

I, Kevin C. Berryman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of International Flavors & Fragrances Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 4, 2014

By:           /s/ Kevin C. Berryman          

Name: Kevin C. Berryman

Title: Executive Vice President and Chief Financial Officer

**CERTIFICATION OF CEO AND CFO PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of International Flavors & Fragrances Inc. (the "Company") for the quarterly period ended September 30, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Andreas Fibig, as Chief Executive Officer, and Kevin C. Berryman, as Chief Financial Officer, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934;

and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Andreas Fibig

Name: Andreas Fibig

Title: Chief Executive Officer

Dated: November 4, 2014

By: /s/ Kevin C. Berryman

Name: Kevin C. Berryman

Title: Executive Vice President and Chief Financial Officer

Dated: November 4, 2014