

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended March 31, 1998

Commission file number 1-4858

INTERNATIONAL FLAVORS & FRAGRANCES INC.

(Exact Name of Registrant as specified in its charter)

NEW YORK

13-1432060

(State or other jurisdiction of incorporation or organization)

(IRS 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 Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve 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 X No

Number of shares outstanding as of May 11, 1998: 107,764,894

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

INTERNATIONAL FLAVORS & FRAGRANCES INC.

CONSOLIDATED BALANCE SHEET (Dollars in Thousands)

3/31/98 12/31/97

Table with 2 columns: Description, 3/31/98, 12/31/97. Row 1: ASSETS. Row 2: Current Assets: Cash & Cash Equivalents \$ 159,286 \$ 216,994

Short-term Investments	12,816	43,452
Trade Receivables	288,754	242,791
Allowance For Doubtful Accounts	(8,322)	(8,101)
Inventories: Raw Materials	217,046	193,136
Work in Process	10,677	13,593
Finished Goods	139,192	153,345
Total Inventories	366,915	360,074
Other Current Assets	77,093	80,249
Total Current Assets	896,542	935,459
Property, Plant & Equipment, At Cost	808,232	810,901
Accumulated Depreciation	(364,993)	(364,392)
Other Assets	443,239	446,509
.....	41,407	40,293
Total Assets	\$1,381,188	\$1,422,261
.....	=====	=====

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities:		
Bank Loans	\$ 10,978	\$ 10,490
Accounts Payable-Trade	65,793	57,832
Dividends Payable	39,908	40,407
Income Taxes	69,199	56,070
Other Current Liabilities	86,232	100,062
Total Current Liabilities	272,110	264,861
Other Liabilities:		
Deferred Income Taxes	21,416	23,139
Long-term Debt	4,232	5,114
Retirement and Other Liabilities	130,324	128,659
Total Other Liabilities	155,972	156,912
Shareholders' Equity:		
Common Stock (115,761,840 shares issued in '98 and in '97)	14,470	14,470
Capital in Excess of Par Value	137,101	137,418
Restricted Stock	(8,437)	(9,000)
Retained Earnings	1,189,066	1,166,348
Accumulated Other Comprehensive Income:		
Cumulative Translation Adjustment	(47,798)	(36,851)
Treasury Stock, at cost -- 7,951,696 shares in '98 and 6,630,911 in '97	1,284,402	1,272,385
.....	(331,296)	(271,897)
Total Shareholders' Equity	953,106	1,000,488
Total Liabilities and Shareholders' Equity	\$1,381,188	\$1,422,261
.....	=====	=====

See Notes to Consolidated Financial Statements

INTERNATIONAL FLAVORS & FRAGRANCES INC.

CONSOLIDATED STATEMENT OF INCOME
(Dollars in thousands except per share amounts)

	3 Months Ended 3/31	
	1998	1997
	-----	-----
Net Sales	\$373,411	\$382,813
Cost of Goods Sold	198,207	207,293
Research and Development Expenses	23,850	23,573
Selling and Administrative Expenses	57,373	56,330
Interest Expense	459	559
Other (Income) Expense, Net	(3,272)	(4,071)
	-----	-----
	276,617	283,684
	-----	-----
Income Before Taxes on Income	96,794	99,129
Taxes on Income	34,168	35,885
	-----	-----
Net Income	62,626	63,244
	-----	-----
Other Comprehensive Income:		
Foreign Currency Translation Adjustments	(10,947)	(30,127)
	-----	-----
Comprehensive Income	\$ 51,679	\$ 33,117
	=====	=====
Net Income Per Share -- Basic	\$0.58	\$0.58
Net Income Per Share -- Diluted	\$0.58	\$0.58
Average Number of Shares Outstanding -- Basic	108,129	109,454
Average Number of Shares Outstanding -- Diluted	108,524	109,946
Dividends Paid Per Share	\$0.37	\$0.36

See Notes to Consolidated Financial Statements

INTERNATIONAL FLAVORS & FRAGRANCES INC.

CONSOLIDATED STATEMENT OF CASH FLOWS
(Dollars in thousands)

	3 Months Ended 3/31	
	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	\$ 62,626	\$ 63,244
Adjustments to Reconcile to Net Cash Provided by Operations:		
Depreciation	11,972	12,296
Deferred Income Taxes	1,636	376
Changes in Assets and Liabilities:		
Current Receivables	(51,448)	(47,100)
Inventories	(9,577)	1,491
Current Payables	10,325	11,024
Other, Net	2,256	1,504
Net Cash Provided by Operations	27,790	42,835
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds From Sales/Maturities of		
Short-term Investments	29,999	3,037
Purchases of Short-term Investments	0	(1,746)
Additions to Property, Plant & Equipment, Net of Minor Disposals	(12,860)	(9,620)
Net Cash Provided by (Used in) Investing Activities	17,139	(8,329)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash Dividends Paid to Shareholders	(40,407)	(39,628)
Increase (Decrease) in Bank Loans	638	(171)
Decrease in Long-term Debt	(892)	(884)
Proceeds From Issuance of Stock Under Stock Option Plans	1,049	4,588
Purchase of Treasury Stock	(60,765)	(45,880)
Net Cash Used in Financing Activities	(100,377)	(81,975)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(2,260)	(6,646)
Net Change in Cash and Cash Equivalents	(57,708)	(54,115)
Cash and Cash Equivalents at Beginning of Year	216,994	261,370
Cash and Cash Equivalents at End of Period	\$ 159,286	\$ 207,255
Interest Paid	\$ 428	\$ 533
Income Taxes Paid	\$ 17,034	\$ 17,555

See Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

These interim statements and management's related 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 and financial condition included in the Company's 1997 Annual Report to Shareholders. In the opinion of the Company's management, all normal recurring adjustments necessary for a fair statement of the results for the interim periods have been made.

Effective January 1, 1998, the Company adopted Statement of Financial Accounting Standards No. 130 (FAS 130), Reporting Comprehensive Income, which is effective for both interim and annual periods ending after December 15, 1997. FAS 130 establishes standards for the reporting and display of comprehensive income and its components, and requires that an enterprise classify items of other comprehensive income by their nature in a financial statement, and display the accumulated balance of other comprehensive income separately in the statement of financial position. Taxes which would result from dividend distributions by subsidiary companies are provided to the extent such dividends are anticipated; no provision is made for additional taxes on undistributed earnings of subsidiary companies which are intended to be permanently invested. As a result, no income tax effect is attributable to the currency translation component of Comprehensive Income. Prior year amounts have been reclassified for comparability purposes.

Effective January 1, 1998, the Company adopted Statement of Financial Accounting Standards No. 131 (FAS 131), Disclosures about Segments of an Enterprise and Related Information, which is effective for periods ending after December 15, 1997. This statement need not be applied to interim financial statements in the initial year of application. FAS 131 establishes standards for the way public business enterprises report information about operating segments in reports to shareholders. The Company's 1998 Annual Report to Shareholders will reflect the adoption of this standard.

As described in Note 2 of the Notes to the Consolidated Financial Statements included in the Company's 1997 Annual Report to Shareholders, the Company undertook a program to expand and streamline its aroma chemical production facilities during 1996. The aroma chemical streamlining resulted in a nonrecurring pretax charge to second quarter 1996 earnings of \$49,707,000 (\$31,315,000 after tax or \$.29 per share). Utilization of the reserve in 1998 and the remaining reserve balance at March 31, 1998 were as follows:

	Balance at 12/31/97	Utilized in 1998	Balance at 3/31/98
Employee related	\$ 2,024,000	\$ 761,000	\$ 1,263,000
Closing manufacturing plants	15,978,000	4,091,000	11,887,000
Total	<u>\$18,002,000</u>	<u>\$4,852,000</u>	<u>\$13,150,000</u>

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

OPERATIONS

Worldwide net sales for the first quarter of 1998 were \$373,411,000, compared to \$382,813,000 in the 1997 first quarter. Sales in the first quarter of 1998 were affected by the translation of local currency sales gains into the stronger U.S. dollar. If the dollar exchange rate had remained the same during these periods, worldwide sales would have increased approximately 2% over the sales reported in the first quarter of last year. Local sales increases were achieved in all geographic areas, with the exception of the Far East where they were affected by the current economic disruption in Southeast Asia. Sales increases were strong in Europe, in both flavors and fragrances, and solid growth was also achieved in fragrances in both North and Latin America.

Net income for the first quarter of 1998 totaled \$62,626,000 compared to \$63,244,000 in the prior year first quarter. Basic and diluted earnings per share for the quarter were \$.58, the same as the previous year's first quarter.

The percentage relationship of cost of goods sold and other operating expenses to sales for the first quarter 1998 and 1997 remained fairly constant, especially on an overall basis.

	First Quarter	
	1998	1997
Cost of Goods Sold	53.1%	54.1%
Research and Development Expense	6.4%	6.2%
Selling and Administrative Expense	15.4%	14.7%

As described in Note 2 of the Notes to the Consolidated Financial Statements included in the Company's 1997 Annual Report to Shareholders, the Company undertook a program to expand and streamline its aroma chemical production facilities during 1996. The aroma chemical streamlining resulted in a nonrecurring pretax charge to second quarter 1996 earnings of \$49,707,000 (\$31,315,000 after tax or \$.29 per share). Utilization of the reserve in 1998 and the remaining reserve balance at March 31, 1998 were as follows:

	Balance at 12/31/97	Utilized in 1998	Balance at 3/31/98
Employee related	\$ 2,024,000	\$ 761,000	\$ 1,263,000
Closing manufacturing plants	15,978,000	4,091,000	11,887,000
Total	\$18,002,000	\$4,852,000	\$13,150,000

The effective tax rate for the first quarter 1998 was 35.3% as compared to 36.2% for the same period in 1997. The lower effective tax rate reflects the effects of lower tax rates in various tax jurisdictions in which the Company operates.

FINANCIAL CONDITION

The financial condition of the Company continued to be strong. Cash, cash equivalents and short-term investments totaled \$172,102,000 at March 31, 1998. At March 31, 1998, working capital was \$624,432,000 compared to \$670,598,000 at December 31, 1997. Gross additions to property, plant and equipment during the first quarter of 1998 were \$13,115,000. In September 1996, the Company announced a plan to repurchase up to an additional 7.5 million shares of its common stock. Repurchases will be made from time to time on the open market or through private transactions as market and business conditions warrant. The repurchased shares will be available for use in connection with the Company's employee benefit plans and for other general corporate purposes. In the first quarter of 1998, the Company repurchased approximately 1.4 million shares of common stock under the program. At March 31, 1998, approximately 2.5 million shares of common stock had been repurchased under the 1996 program.

In January 1998, the Company's cash dividend was increased to an annual rate of \$1.48 per share from \$1.44 in 1997, and \$.37 per share was paid to shareholders in the first quarter of 1998. The Company anticipates that its growth, capital expenditure programs and share repurchase program will be funded from internal sources.

The accumulated comprehensive income component of Shareholders' Equity, comprised principally of the cumulative translation adjustment, at March 31, 1998, was (\$47,798,000) compared to (\$36,851,000) at December 31, 1997. Changes in the component result from translating the net assets of the majority of the Company's foreign subsidiaries into U.S. dollars at current exchange rates as required by the Statement of Financial Accounting Standards No. 52 on accounting for foreign currency translation.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS

Number -----	Description -----
3(a)	Amendments to Registrant's By-laws adopted March 10, 1998.
10(a)	Agreement dated February 25, 1998 between Registrant and Thomas H. Hoppel, former Vice President, Chief Financial Officer and Director of Registrant.
27	Financial Data Schedule (EDGAR version only).

(b) REPORTS ON FORM 8-K

Registrant filed no report on Form 8-K during the quarter for which this report on Form 10-Q is filed.

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: May 14, 1998

By: /s/ DOUGLAS J. WETMORE

Douglas J. Wetmore, Vice-President
and Chief Financial Officer

Dated: May 14, 1998

By: /s/ STEPHEN A. BLOCK

Stephen A. Block, Vice-President
Law and Secretary

AMENDMENTS TO REGISTRANT'S BY-LAWS ADOPTED BY REGISTRANT'S
BOARD OF DIRECTORS ON MARCH 10, 1998

RESOLVED that Article II, SECTION 2 OF THE BY-LAWS OF THE CORPORATION, AS AMENDED, IS HEREBY FURTHER AMENDED, EFFECTIVE APRIL 1, 1998, BY CHANGING THE WORD "TWELVE" APPEARING THEREIN TO "ELEVEN;" AND

RESOLVED THAT ARTICLE I, SECTION 7 OF THE BY-LAWS OF THE CORPORATION, AS AMENDED, IS HEREBY FURTHER AMENDED, EFFECTIVE APRIL 1, 1998, BY CHANGING THE WORD "FIFTY" APPEARING THEREIN TO "SIXTY."

February 25, 1998

Mr. Thomas H. Hoppel
273 Grove Avenue
Metuchen New Jersey 08840

CONSULTING AGREEMENT

Dear Tom:

In accordance with our discussion, we propose the following agreement under which you will act as a consultant to International Flavors & Fragrances Inc. ("IFF" or the "Company") after your retirement on March 31, 1998.

1. During the period beginning April 1, 1998 and ending March 31, 1999 (the "Consulting Period"), you will serve as a financial consultant to IFF, when and as requested by the Chairman and President of the Company, in those fields in which you have special competence and experience. It is understood that during the Consulting Period you will be free to devote the greater part of your time to other pursuits. It is further understood that during the Consulting Period the Chairman and President of the Company may request you to take one or more trips within or outside the United States under such consultancy. IFF will reimburse you for all reasonable itemized travel expenses incurred by you on such trips. As a consultant to IFF you will not hold yourself out to be an employee or agent of the Company.

2. IFF will pay you a monthly consulting fee at the rate of \$167,500 per year during the Consulting Period, unless you die or become totally disabled during the Consulting Period, in which event no further consulting fees will be payable after the month in which you die or become totally disabled.

3. During the Consulting Period you will retain the right to use the IFF-provided automobile now in your

MR. THOMAS H. HOPPEL
FEBURARY 25, 1998
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possession (the "Company Car") . You agree and acknowledge, however, that, irrespective of any IFF policy or program, at no time during the Consulting Period will IFF have any obligation to purchase for you or provide to you a new automobile. At the expiration or earlier termination for any reason of the Consulting Period, ownership of the Company Car will be transferred to you. Any compensation resulting from this transfer will be reported on Form 1099 Miscellaneous for 1999.

4. During the Consulting Period, you will not engage directly or indirectly in any business which is competitive to that of IFF or any subsidiary of IFF, domestic or foreign, and you will not accept employment by, perform consulting services for or otherwise give material assistance to any competitor of IFF or any of its subsidiaries, or to any person, firm or corporation which, to your knowledge, intends to become such a competitor. For the purpose of this paragraph, a business will be deemed "competitive" if its operations (a) are in the flavor, fragrance or aroma chemical business or (b) interfere (i) with the availability to IFF or any IFF subsidiary of any commodity of the kind purchased, acquired or used by IFF or any subsidiary, or (ii) with the demand of others for products made or sold by IFF or any IFF subsidiary in any locality in which such availability or demand exists at the time you contemplate your employment with or services on behalf of such business; and you will be deemed directly or indirectly to engage in a business if you participate in such business (x) as a director, officer, employee, partner, individual proprietor, consultant or representative; (y) as an investor with a beneficial interest in more than five percent (5%) of the outstanding net equity of such business; or (z) as a lender who makes loans or advances in an amount in excess of five percent (5%) of its outstanding net equity.

5. Attached to and made a part of this letter agreement is the security agreement which you signed on July 30, 1962. Both during and after the

Consulting Period you will continue to abide by the terms and conditions of the security agreement, as if the word "employment" therein meant "consultancy", but such obligation will no in way be

construed as a continuation of your IFF employment which will terminate effective March 31, 1998.

6. This agreement will be construed in accordance with and governed by the laws of the State of New York, excluding its conflicts-of-laws principles.

If the foregoing terms and conditions are acceptable to you, please so indicate by signing and returning the extra copy of this letter.

Sincerely,

INTERNATIONAL FLAVORS & FRAGRANCES
INC.

By: /s/ EUGENE P. GRISANTI

Eugene P. Grisanti
Chairman & President

Enclosure

AGREED AND ACCEPTED:

/s/ THOMAS H. HOPPEL

Thomas H. Hoppel
February 27, 1998

EMPLOYEE AGREEMENT

INTERNATIONAL FLAVORS & FRAGRANCES, INC.
521 West 57th St., New York 19, N.Y.

(IFF)

In consideration of my employment by IFF or any of its subsidiaries (herein together called IFF), I hereby agree as follows:

1. I acknowledge that in the course of my employment by IFF, I may have access to, acquire or gain confidential knowledge or information (i) with respect to formulae, secret processes, plans, devices, products, know-how and other data belonging or relating to IFF, or (ii) with respect to the identity of customers of IFF, and the identity of products and the quantity and prices of the same ordered by such customers. I acknowledge that all such information is the sole property of IFF and I shall treat it as set forth below.

2. I shall keep confidential all such knowledge or information described above and shall not divulge it to others nor use it for my own private purposes or personal gain, without the express written consent of IFF. This obligation on my part shall continue during and after the period of my employment by IFF.

3. Upon termination of my employment, or at any time IFF may request, I shall deliver to IFF all notes, memoranda, records, files or other papers, and copies thereof, in my custody relating to any such knowledge or information described above to which I have had access or which I may have developed during the term of my employment.

4. I shall not, without the prior written permission of IFF, after leaving the employ of IFF for any reason, work for others, or for my own account, on any of the secret processes or formulae on which I have worked or to which I have had access while in the employ of IFF.

5. Any invention, formula, process, product, idea, discovery and improvement conceived or developed by me within the period of my employment, relating to any activity engaged in by IFF, shall be the sole and exclusive property of IFF and I shall promptly communicate to IFF full information with respect to any of the foregoing conceived or developed by me. I shall execute and deliver all documents and do all other things as shall be deemed by IFF to be necessary and proper to effect the assignment of IFF of the sole and exclusive right, title and interest in and to all such inventions, formulae, processes, products, ideas, discoveries and improvements, and patent applications and patents thereon.

7/30/62

(date)

THOMAS H. HOPPEL

(signature)

The schedule contains summary financial information extracted from the Consolidated Balance Sheet & Consolidated Statement of Income and is qualified in its entirety by reference to such financial statements. Amounts in thousands of dollars, except per share amounts.

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3-MOS	DEC-31-1998	
	MAR-31-1998	
		159,286
		12,816
		288,754
		(8,322)
		366,915
	896,542	808,232
	(364,993)	
	1,381,188	
272,110		4,232
	0	0
		14,470
		938,636
1,381,188		373,411
	373,411	198,207
		279,430
	(3,272)	
	0	
	459	
	96,794	
	34,168	
62,626		0
	0	0
		0
	62,626	
	0.58	
	0.58	