

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 June 30, 1997 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 No

Number of shares outstanding as of August 8, 1997: 109,279,253

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

INTERNATIONAL FLAVORS & FRAGRANCES INC.

CONSOLIDATED BALANCE SHEET
(DOLLARS IN THOUSANDS)

	6/30/97	12/31/96
Assets		
Current Assets:		
Cash & Cash Equivalents	\$ 208,529	\$ 261,370
Short-term Investments	46,326	56,613
Trade Receivables	305,217	253,484
Allowance For Doubtful Accounts	(7,674)	(8,733)
Inventories: Raw Materials	201,734	211,124
Work in Process	16,519	24,644
Finished Goods	131,248	133,310

Total Inventories	349,501	369,078
Other Current Assets	90,477	74,544
Total Current Assets	992,376	1,006,356
Property, Plant & Equipment, At Cost	859,233	878,224
Accumulated Depreciation	(406,487)	(410,427)
Other Assets	452,746	467,797
	33,702	32,760
Total Assets	\$1,478,824	\$1,506,913
	=====	=====
Liabilities and Shareholders' Equity		

Current Liabilities:		
Bank Loans	\$ 22,903	\$ 18,929
Accounts Payable-Trade	62,190	57,681
Dividends Payable	39,300	39,628
Income Taxes	77,445	56,832
Other Current Liabilities	99,820	107,394
Total Current Liabilities	301,658	280,464

Other Liabilities:		
Deferred Income Taxes	15,043	16,941
Long-term Debt	7,351	8,289
Retirement and Other Liabilities	124,654	124,682
Total Other Liabilities	147,048	149,912

Shareholders' Equity:		
Common Stock (115,761,840 shares issued in '97 and in '96)	14,470	14,470
Capital in Excess of Par Value	137,547	138,480
Restricted Stock	(10,125)	--
Retained Earnings	1,154,432	1,106,572
Cumulative Translation Adjustment	4,283	47,555
Treasury Stock, at cost--6,644,763 shares in '97 and 5,790,323 in '96	1,300,607	1,307,077
	(270,489)	(230,540)
Total Shareholders' Equity	1,030,118	1,076,537
Total Liabilities and Shareholders' Equity	\$1,478,824	\$1,506,913
	=====	=====

See Notes to Consolidated Financial Statements

INTERNATIONAL FLAVORS & FRAGRANCES INC.

CONSOLIDATED STATEMENT OF CASH FLOWS
(DOLLARS IN THOUSANDS)

	6 Months Ended 6/30	
	1997	1996
Cash Flows From Operating Activities:		

Net Income	\$ 126,553	\$ 95,867
Adjustments to Reconcile to Net Cash		
Provided by Operations:		
Nonrecurring Charge	--	49,707
Depreciation	24,765	23,078
Deferred Income Taxes	(2,071)	(11,263)
Changes in Assets and Liabilities:		
Current Receivables	(80,435)	(51,696)
Inventories	5,522	25,410
Current Payables	26,421	99
Other, Net	360	(444)
Net Cash Provided by Operations	101,115	130,758
Cash Flows From Investing Activities:		

Proceeds From Sales/Maturities of Short-term		
Investments	14,573	12,424
Purchases of Short-term Investments	(4,900)	(43,830)
Additions to Property, Plant & Equipment,		
Net of Minor Disposals	(24,131)	(45,278)
Net Cash Used in Investing Activities	(14,458)	(76,684)
Cash Flows From Financing Activities:		

Cash Dividends Paid to Shareholders	(79,021)	(75,503)
Increase in Bank Loans	3,979	4,937
Decrease in Long-term Debt	(1,008)	(1,138)
Proceeds From Issuance of Stock Under Stock		
Option Plans	7,389	6,288
Purchase of Treasury Stock	(59,752)	(5,319)
Net Cash Used In Financing Activities	(128,413)	(70,735)
Effect of Exchange Rate Changes on Cash and Cash		
Equivalents	(11,085)	(7,969)
Net Change in Cash and Cash Equivalents	(52,841)	(24,630)
Cash and Cash Equivalents at Beginning of Year	261,370	251,430
Cash and Cash Equivalents at End of Period	\$ 208,529	\$226,800
Interest Paid	\$ 1,090	\$ 1,263
Income Taxes Paid	\$ 46,816	\$ 48,451

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 1996 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.

In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128 (FAS 128), Earnings per Share, which is effective for both interim and annual periods ending after December 15, 1997. FAS 128 simplifies the rules of computing earnings per share and prescribes that companies present basic and diluted earnings per share amounts, as defined, on the face of the income statement. The Company is studying the implications of FAS 128 but does not believe the impact on earnings per share will be material.

In June 1997, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 130 (FAS 130) and 131 (FAS 131), Reporting Comprehensive Income, and Disclosures about Segments of an Enterprise and Related Information, respectively. FAS 130 establishes standards for 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. FAS 131 establishes standards for the way public business enterprises report information about operating segments in annual financial statements and requires that such enterprises report selected information about operating segments in interim reports to shareholders. Both standards are effective for periods beginning after December 15, 1997. The Company is currently evaluating the standards and the reporting implications thereof.

Effective January 1, 1997, the Company adopted Statement of Position 96-1 (SOP 96-1), Accounting for Environmental Remediation Liabilities issued by the American Institute of Certified Public Accountants. SOP 96-1 establishes guidance for when environmental liabilities should be recorded and the factors to be considered in determining amounts recognized. The effect of adopting this standard was not material to the Company.

As described in Note 2 of the Notes to the Consolidated Financial Statements included in the Company's 1996 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). At December 31, 1996, the remaining balance in the reserve was as follows:

Employee related	\$10,069,000
Closing manufacturing plants	32,632,000

Total	\$42,701,000
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Utilization of the reserve since December 31, 1996 has not been material.

In connection with an employment contract, the Company made a restricted stock award effective January 1, 1997. The restrictions generally relate to continuous employment and expire over a five year period from the date of grant. Compensation expense is recognized over the restricted period.

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

Operations

Worldwide net sales for the second quarter of 1997 were \$381,470,000, compared to \$374,397,000 in the 1996 second quarter. For the first six months of 1997, net sales totaled \$764,283,000, compared to \$757,164,000 for the six month period in 1996. Sales in the second quarter and first six months of 1997 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 6% and 5%, respectively, over the sales reported in the comparable periods last year. Local sales increases were particularly strong in the emerging market areas of Latin America and the Far East, with good increases also achieved in Western Europe.

Net income for the second quarter of 1997 totaled \$63,309,000 compared to \$61,018,000 in the prior year second quarter; net income for the first six months of 1997 totaled \$126,553,000 compared to \$127,182,000 for the comparable 1996 period. Earnings per share for the second quarter and first six months of 1997 were \$.58 and \$1.16, as compared to \$.55 and \$1.15 per share in the prior year quarter and six month periods, respectively. The 1996 amounts exclude the effect of the one-time charge to second quarter earnings for streamlining the Company's aroma chemical operations; including this charge, net income for the second quarter and six months ended June 30, 1996 was \$29,703,000 and \$95,867,000, respectively, and earnings per share were \$.26 and \$.86, respectively.

The percentage relationship of cost of goods sold and other operating expenses to sales for the first half 1997 and 1996 remained fairly constant, especially on an overall basis.

	First Half	
	1997	1996
Cost of Goods Sold	53.8%	53.6%
Research and Development Expense	6.2%	6.1%
Selling and Administrative Expense	14.8%	14.6%

As described in Note 2 of the Notes to the Consolidated Financial Statements included in the Company's 1996 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). At December 31, 1996, the remaining balance in the reserve was as follows:

Employee related	\$10,069,000
Closing manufacturing plants	32,632,000

Total	\$42,701,000
	=====

Utilization of the reserve since December 31, 1996 has not been material.

Financial Condition

The financial condition of the Company continued to be strong. Cash, cash equivalents and short-term investments totaled \$254,855,000 at June 30, 1997. At June 30, 1997, working capital was \$690,718,000 compared to \$725,892,000 at December 31, 1996. Gross additions to property, plant and equipment during the first half of 1997 were \$24,390,000. In September 1996, the Company announced a plan to repurchase up to an additional 7.5 million shares of its common stock. An existing program to repurchase 7.5 million shares, which has been in effect since 1992, was completed in the first quarter of 1997. 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 January 1997, the Company's cash dividend was increased 5.9% to an annual rate of \$1.44 per share, and \$.36 per share was paid to shareholders in both the first and second quarters of 1997. The Company anticipates that its growth, capital expenditure programs and share repurchase programs will be funded from internal sources.

The cumulative translation adjustment component of Shareholders' Equity at June 30, 1997 was \$4,283,000 compared to \$47,555,000 at December 31, 1996. 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 4. Submission of Matters to a Vote of Security Holders

At the annual meeting of Registrant's shareholders held Thursday, May 8, 1997, at which 99,156,961 shares, or 90.2%, of Registrant's Common Stock were represented in person or by proxy, the 12 nominees for director of Registrant, as listed in Registrant's proxy statement dated March 27, 1997 previously filed with the Commission, were duly elected to Registrant's Board of Directors. There was no solicitation of proxies in opposition to these nominees.

At such annual meeting, the shareholders also voted with respect to the other matter submitted for shareholder consideration as follows, the vote being legally sufficient to adopt the proposal:

Proposal to approve registrant's 1997 Employee Stock Option Plan, covering up to 3.5 million shares of Registrant's Common Stock.

	No. of Shares -----
FOR	95,774,417
AGAINST	2,532,442
ABSTAIN AND NON-VOTING	850,102

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

Number

3(a) Amendment to By-laws adopted May 8, 1997.

10(a) Registrant's 1997 Employee Stock Option Plan incorporated by reference to Exhibit A to the Proxy Statement of Registrant dated April 27, 1997 (File No. 1-4858).

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: August 13, 1997 By: /s/ THOMAS H. HOPPEL

Thomas H. Hoppel, Vice-President and Chief
Financial Officer

Dated: August 13, 1997 By: /s/ STEPHEN A. BLOCK

Stephen A. Block, Vice-President Law and Secretary

RESOLUTION ADOPTED MAY 8, 1997 BY BOARD
OF DIRECTORS OF INTERNATIONAL FLAVORS &
FRAGRANCES INC. AMENDING BY-LAWS
IN RESPECT OF ANNUAL MEETING DATE

RESOLVED that Section 1 of Article I of the By-laws of the Corporation, as amended, is hereby amended, effective with the 1999 Annual Meeting of Shareholders, to read in its entirety as follows:

"SECTION 1. ANNUAL MEETING. The annual meeting of the stockholders of the Corporation for the election of directors and for the transaction of such other business as may properly come before the meeting shall be held on the third Thursday of May in each year, if not a legal holiday, and if a legal holiday, then on the next succeeding day not a legal holiday, at the office of the Corporation or at such other place and at such hour as shall be designated in the notice thereof."

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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6-MOS

	DEC-31-1997	
	JUN-30-1997	
		208,529
		46,326
		305,217
		(7,674)
		349,501
	992,376	
		859,233
	(406,487)	
	1,478,824	
301,658		
		7,351
0		
		0
		14,470
		1,015,648
1,478,824		
		764,283
	764,283	
		411,348
		571,748
	(6,568)	
	0	
	1,177	
	197,926	
		71,373
126,553		
		0
		0
		0
		126,553
		1.16
		1.16