

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 September 30, 1994 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.

10019-2905

(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 November 4, 1994: 111,434,266

PART I. FINANCIAL INFORMATION

1

Item 1. Financial Statements

INTERNATIONAL FLAVORS & FRAGRANCES INC.

CONSOLIDATED BALANCE SHEET
(Dollars in thousands)

Assets	9/30/94	12/31/93
-----	-----	-----
Current Assets:		
Cash & Cash Equivalents	\$204,399	\$187,205
Short-term Investments	92,014	124,073
Trade Receivables	263,722	203,088
Allowances For Doubtful Accounts	(7,136)	(6,314)
Inventories: Raw Materials	210,612	175,269
Work in Process	25,266	26,902
Finished Goods	112,860	100,755
	-----	-----
Total Inventories	348,738	302,926
Other Current Assets	77,467	68,045
	-----	-----
Total Current Assets	979,204	879,023

Property, Plant & Equipment, At Cost	715,610	610,629
Accumulated depreciation	(324,937)	(287,212)
	-----	-----
	390,673	323,417
Other Assets	22,240	22,817
	-----	-----
Total Assets	\$1,392,117	\$1,225,257
	=====	=====
Liabilities and Shareholders' Equity		
Current Liabilities:		
Bank Loans	\$ 12,550	\$ 30,937
Accounts Payable-Trade	60,898	43,771
Dividends Payable	30,087	30,259
Income Taxes	63,635	45,512
Other Current Liabilities	85,793	76,108
	-----	-----
Total Current Liabilities	252,963	226,587
	-----	-----
Other Liabilities:		
Deferred Income Taxes	13,903	11,099
Long-term Debt	14,754	-
Other	102,810	95,702
	-----	-----
Total Other Liabilities	131,467	106,801
	-----	-----
Shareholders' Equity:		
Common Stock (115,761,840 shares issued in '94 and 115,761,240 in '93)	14,470	14,470
Capital in Excess of Par Value	146,392	150,114
Retained Earnings	953,142	860,640
Cumulative Translation Adjustment	50,895	448
	-----	-----
	1,164,899	1,025,672
	-----	-----
Treasury Stock, at cost - 4,329,330 shares in '94 and 3,701,259 in '93	(157,212)	(133,803)
	-----	-----
Total Shareholders' Equity	1,007,687	891,869
	-----	-----
Total Liabilities and Shareholders' Equity	\$1,392,117	\$1,225,257
	=====	=====

See Notes to Consolidated Financial Statements

INTERNATIONAL FLAVORS & FRAGRANCES INC.
CONSOLIDATED STATEMENT OF INCOME
(Dollars in thousands except per share amounts)

2

	3 Months Ended 9/30	
	1994	1993
	----	----
Net Sales	\$341,684	\$298,650
Cost of Goods Sold	176,565	154,822
Research and Development Expenses	20,501	18,757
Selling and Administrative Expenses	52,632	48,148
Interest Expense	1,359	5,436
Other (Income) Expense, Net	(3,322)	(9,030)
	-----	-----
	247,735	218,133
	-----	-----
Income Before Taxes on Income	93,949	80,517
Taxes on Income	35,043	30,881
	-----	-----
Net income	\$ 58,906	\$ 49,636
	=====	=====
Earnings per share *	\$0.53	\$0.44
Dividends Paid Per Share *	\$0.27	\$0.25

	9 Months Ended 9/30	
	1994	1993
	----	----
Net Sales	\$1,010,431	\$929,056
Cost of Goods Sold	515,792	475,863
Research and Development Expenses	59,777	56,243
Selling and Administrative Expenses	151,593	145,091
Interest Expense	12,903	12,289
Other (Income) Expense, Net	(21,132)	(27,230)
	-----	-----
	718,933	662,256
	-----	-----
Income Before Taxes on Income	291,498	266,800
Taxes on Income	108,735	100,003
	-----	-----
Net income	\$182,763	\$166,797
	=====	=====
Earnings Per Share *	\$1.64	\$1.46
Dividends Paid Per Share *	\$0.81	\$0.75
Average Number of Shares Outstanding (000) *	111,553	114,415

* Reflects three-for-one stock split, distributed on January 19, 1994 to shareholders of record on December 28, 1993.

See Notes to Consolidated Financial Statements

INTERNATIONAL FLAVORS & FRAGRANCE INC.

CONSOLIDATED STATEMENT OF CASH FLOWS
(Dollars in thousands)

	9 Months Ended 9/30	
	1994	1993
	----	----
Cash Flows From Operating Activities:		

Net Income	\$182,763	\$166,797
Adjustments to Reconcile to Net Cash Provided by Operations:		
Depreciation	26,689	26,206
Deferred Income Taxes	1,567	1,052
Changes in Assets and Liabilities:		
Current Receivables	(53,360)	(62,596)
Inventories	(27,185)	(8,226)
Current Payables	40,739	30,205
Other, Net	(2,309)	3,182
	-----	-----
Net Cash Provided by Operations	168,904	156,620
	-----	-----
Cash Flows From Investing Activities:		
Proceeds From Sale/Maturities Short Term Investment	103,443	216,793
Purchases of Short Term Investments	(68,679)	(146,316)
Additions to Property, Plant & Equipment, Net of Minor Disposals	(73,535)	(42,944)
	-----	-----
Net Cash Provided by (Used in) Investing Activities	(38,771)	27,533
	-----	-----
Cash Flows From Financing Activities:		
Cash Dividends Paid	(90,432)	(86,187)
Increase (Decrease) in Bank Loans	(8,510)	4,749
Proceeds From Issuance of Stock Under Stock Option Plans	4,954	3,083
Purchase of Treasury Stock	(32,433)	(85,577)
	-----	-----
Net Cash Used In Financing Activities	(126,421)	(163,932)
	-----	-----
Effect of Exchange Rate Changes on Cash and Cash Equivalents	13,482	(13,624)
	-----	-----
Net Change in Cash and Cash Equivalents	17,194	6,597
Cash and Cash Equivalents at Beginning of Year	187,205	210,798
	-----	-----
Cash and Cash Equivalents at End of Period	\$204,399	\$217,395
	=====	=====
Interest Paid	\$ 13,172	\$ 12,625
Income Taxes Paid	\$ 88,924	\$ 85,814

See Notes to Consolidated Financial Statements

Notes to Consolidated Financial Statements

These interim statements and 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 and financial condition included in the Company's 1993 Annual Report to Shareholders.

Effective January 1, 1994, the Company adopted Statement of Financial Accounting Standards No. 115, Accounting For Certain Debt and Equity Securities, classifying all marketable securities as available for sale. The effect of adopting this standard was not material.

The financial statements at and for the quarter and nine month period ended September 30, 1994 include the balances and results of operations of the Company's 80% owned joint venture, International Flavors & Fragrances (Hangzhou) Co., Ltd. The inclusion of these accounts was not material to the Company's financial condition or results of operations.

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.

Earnings per share were calculated on the basis of the average number of shares of common stock outstanding during the applicable period. Earnings per share amounts reflect the three-for-one stock split distributed on January 19, 1994 to shareholders of record on December 28, 1993.

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

Operations

Worldwide net sales for the third quarter of 1994 increased 14% over the prior year to \$341,684,000. For the first nine months of 1994, net sales increased 9% over the prior year to \$1,010,431,000. Sales increases in flavor and fragrance products were recorded in both the third quarter and the nine month periods. The sales increase for the third quarter, as compared to the same period in 1993, was favorably affected by the translation of European currencies into the weaker U.S. dollar. If the dollar exchange rate had remained the same during 1994 and 1993, the sales increase for the quarter ended September 30, 1994 would have been 11%. On a worldwide basis, translating local currencies into the dollar had no significant effect on the reported sales increase for the nine months ended September 30, 1994 over the comparable period in 1993.

Net income for the third quarter was \$58,906,000, an increase of 19% from the third quarter 1993. Net income for the first nine months of 1994 was \$182,763,000, an increase of 10% over the comparable 1993 period. This profit growth was primarily the result of the sales increase during these periods.

The percentage relationship of cost of goods sold and other operating expenses to sales for the first nine months of 1994 and 1993 remained fairly constant, especially on an overall basis:

	First Nine Months	
	-----	-----
	1994	1993
	----	----
Cost of Goods Sold	51.0%	51.2%
Research and Development Expense	5.9%	6.1%
Selling and Administrative Expense	15.0%	15.6%

Interest expense was \$1,359,000 for the third quarter of 1994, compared to \$5,436,000 for the third quarter 1993. For the first nine months 1994, interest expense was \$12,903,000, compared to \$12,289,000 in the first nine months of 1993. The lower interest expense in the third quarter of 1994, compared to 1993, resulted mainly from a lower level of borrowings and lower interest rates. In both 1994 and 1993, a substantial portion of the borrowings were incurred in Brazil, where such borrowings serve as hedges against devaluations which occur in that country. Such borrowings in Brazil generate significant offsetting exchange gains which were included in Other Income.

The effective tax rate for the third quarter and first nine months of 1994 was 37.3%, as compared to 38.4% and 37.5% for the comparable periods in 1993. The higher effective tax rate in the third quarter of 1993 reflected the higher U.S. statutory rate under the 1993 Tax Act, enacted during that quarter, retroactive to January 1, 1993.

Financial Condition

The financial condition of the Company continued to be strong during the third quarter. Cash, cash equivalents and short-term investments totaled \$296,413,000 at September 30, 1994. At September 30, 1994, working capital was \$726,241,000 compared to \$652,436,000 at December 31, 1993. Gross additions to property, plant and equipment during the first nine months of 1994 were \$75,099,000. In January 1994, the Company's cash dividend was increased 8% to an annual rate of \$1.08 per share, and \$.27 per share was paid to shareholders in each of the first three quarters of 1994. The Company anticipates that its growth, capital expenditure programs and share repurchase program will be funded from internal sources.

The cumulative translation adjustment component of Shareholders' Equity at September 30, 1994 was \$50,895,000 compared to \$448,000 at December 31, 1993. 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

Exhibit 27 -- Financial Data Schedule

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.

Item Number	Item Description	9 Months Ended 9/30 1994
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5-02(1)	Cash and cash items	204,399
5-02(2)	Marketable securities	92,014
5-02(3)(a)(1)	Notes and accounts receivable-trade	263,722
5-02(4)	Allowances for doubtful accounts	(7,136)
5-02(6)	Inventory	348,738
5-02(9)	Total current assets	979,204
5-02(13)	Property, Plant and equipment	715,610
5-02(14)	Accumulated depreciation	(324,937)
5-02(18)	Total assets	1,392,117
5-02(21)	Total current liabilities	252,963
5-02(22)	Bonds, mortgages and similar debt	14,754
5-02(28)	Preferred stock-mandatory redemption	0
5-02(29)	Preferred stock-no mandatory redemption	0
5-02(30)	Common Stock	14,470
5-02(31)	Other stockholders' equity	993,217
5-02(32)	Total liabilities and stockholders' equity	1,392,117
5-03(b)1(a)	Net sales of tangible products	1,010,431
5-03(b)1	Total revenues	1,010,431
5-03(b)2(a)	Cost of tangible goods sold	515,792
5-03(b)2	Total costs and expenses applicable to sales and revenues	727,162
5-03(b)3	Other costs and expenses	(21,132)
5-03(b)5	Provision for doubtful accounts and notes	0
5-03(b)(8)	Interest and amortization of debt discount	12,903
5-03(b)(10)	Income before taxes and other items	291,498
5-03(b)(11)	Income tax expense	108,735
5-03(b)(14)	Income/loss from continuing operations	0
5-03(b)(15)	Discontinued operations	0
5-03(b)(17)	Extraordinary items	0
5-03(b)(18)	Cumulative effect-changes in accounting principles	0
5-03(b)(19)	Net income or loss	182,763
5-03(b)(20)	Earnings per share - primary	1.64
5-03(b)(20)	Earnings per share - fully diluted	1.64

(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: November 14, 1994 By: /s/ Thomas H. Hoppel

Thomas H. Hoppel, Vice President & Treasurer

Dated: November 14, 1994 By: /s/ Stephen A. Block

Stephen A. Block, Vice-President Law and Secretary