

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, 1997

Commission file number 1-4858

INTERNATIONAL FLAVORS & FRAGRANCES INC.

(Exact Name of Registrant as specified in its charter)

NEW YORK

(State or other jurisdiction
or organization)

13-1432060

(IRS Employer
identification No.)

521 WEST 57TH STREET, NEW YORK, N.Y.

(Address of principal executive offices)

10019-2960

(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
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Number of shares outstanding as of November 10, 1997: 109,178,599

PART I. FINANCIAL INFORMATION

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ITEM 1. FINANCIAL STATEMENTS

INTERNATIONAL FLAVORS & FRAGRANCES INC.

CONSOLIDATED BALANCE SHEET
(Dollars in thousands)

	9/30/97	12/31/96
Assets		
Current Assets:		
Cash & Cash Equivalents	\$ 233,459	\$ 261,370
Short-term Investments	47,063	56,613
Trade Receivables	281,396	253,484
Allowance For Doubtful Accounts	(7,706)	(8,733)

Inventories: Raw Materials	198,105	211,124
Work in Process	16,379	24,644
Finished Goods	141,993	133,310
	-----	-----
Total Inventories	356,477	369,078
Other Current Assets	82,727	74,544
	-----	-----
Total Current Assets	993,416	1,006,356
	-----	-----
Property, Plant & Equipment, At Cost	859,357	878,224
Accumulated Depreciation	(412,872)	(410,427)
	-----	-----
	446,485	467,797
Other Assets	33,506	32,760
	-----	-----
Total Assets	\$1,473,407	\$1,506,913
	=====	=====
Liabilities and Shareholders' Equity		
Current Liabilities:		
Bank Loans	\$ 18,674	\$ 18,929
Accounts Payable-Trade	58,804	57,681
Dividends Payable	39,353	39,628
Income Taxes	69,238	56,832
Other Current Liabilities	104,733	107,394
	-----	-----
Total Current Liabilities	290,802	280,464
	-----	-----
Other Liabilities:		
Deferred Income Taxes	17,087	16,941
Long-term Debt	6,080	8,289
Retirement and Other Liabilities	126,284	124,682
	-----	-----
Total Other Liabilities	149,451	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	136,163	138,480
Restricted Stock	(9,563)	--
Retained Earnings	1,171,794	1,106,572
Cumulative Translation Adjustment	(13,518)	47,555
	-----	-----
	1,299,346	1,307,077
Treasury Stock, at cost -- 6,522,541 shares in '97 and 5,790,323 in '96	(266,192)	(230,540)
	-----	-----
Total Shareholders' Equity	1,033,154	1,076,537
	-----	-----
Total Liabilities and Shareholders' Equity	\$1,473,407	\$1,506,913
	=====	=====

See Notes to Consolidated Financial Statements

INTERNATIONAL FLAVORS & FRAGRANCES INC.

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

	3 Months Ended 9/30	
	1997	1996
Net Sales	\$ 356,242	\$ 354,865
Cost of Goods Sold	191,978	193,768
Research and Development Expenses	23,068	23,431
Selling and Administrative Expenses	54,913	55,714
Interest Expense	737	800
Other (Income) Expense, Net	(2,349)	(2,494)
	-----	-----
	268,347	271,219
	-----	-----
Income Before Taxes on Income	87,895	83,646
Taxes on Income	31,180	30,531
	-----	-----
Net Income	\$ 56,715	\$ 53,115
	=====	=====
Earnings Per Share	\$0.52	\$0.48
Dividends Paid Per Share	\$0.36	\$0.34
	9 Months Ended 9/30	
	-----	-----
	1997	1996
	-----	-----
Net Sales	\$ 1,120,525	\$ 1,112,029
Cost of Goods Sold	603,326	599,646
Research and Development Expenses	70,137	69,476
Selling and Administrative Expenses	168,244	166,390
Nonrecurring Charge	--	49,707
Interest Expense	1,914	2,093
Other (Income) Expense, Net	(8,917)	(9,607)
	-----	-----
	834,704	877,705
	-----	-----
Income Before Taxes on Income	285,821	234,324
Taxes on Income	102,553	85,342
	-----	-----
Net Income	\$ 183,268	\$ 148,982
	=====	=====
Earnings Per Share	\$1.68	\$1.34
Average Number of Shares Outstanding (000's) ...	109,365	110,933
Dividends Paid Per Share	\$1.08	\$1.02

See Notes to Consolidated Financial Statements

INTERNATIONAL FLAVORS & FRAGRANCES INC.

CONSOLIDATED STATEMENT OF CASH FLOWS
(Dollars in thousands)

	9 Months Ended 9/30	
	1997	1996
Cash Flows From Operating Activities:		
Net Income	\$ 183,268	\$ 148,982
Adjustments to Reconcile to Net Cash Provided by Operations:		
Nonrecurring Charge	--	49,707
Depreciation	37,511	34,674
Deferred Income Taxes	2,285	(12,340)
Changes in Assets and Liabilities:		
Current Receivables	(64,215)	(30,606)
Inventories	(8,489)	29,312
Current Payables	25,716	1,610
Other, Net	6,096	3,520
Net Cash Provided by Operations	182,172	224,859
Cash Flows From Investing Activities:		
Proceeds From Sales/Maturities of Short-term Investments ...	17,691	29,804
Purchases of Short-term Investments	(8,341)	(47,400)
Additions to Property, Plant & Equipment, Net of Minor Disposals	(37,101)	(63,490)
Net Cash Used in Investing Activities	(27,751)	(81,086)
Cash Flows From Financing Activities:		
Cash Dividends Paid to Shareholders	(118,321)	(113,276)
Increase in Bank Loans	166	488
Decrease in Long-term Debt	(1,908)	(2,096)
Proceeds From Issuance of Stock Under Stock Option Plans ...	14,124	7,593
Purchase of Treasury Stock	(63,689)	(32,470)
Net Cash Used In Financing Activities	(169,628)	(139,761)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(12,704)	(8,351)
Net Change in Cash and Cash Equivalents	(27,911)	(4,339)
Cash and Cash Equivalents at Beginning of Year	261,370	251,430
Cash and Cash Equivalents at End of Period	\$ 233,459	\$ 247,091
Interest Paid	\$ 1,814	\$ 2,079
Income Taxes Paid	\$ 83,821	\$ 92,081

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
	=====

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 third quarter of 1997 were \$356,242,000, compared to \$354,865,000 in the 1996 third quarter. For the first nine months of 1997, net sales totaled \$1,120,525,000, compared to \$1,112,029,000 for the nine month period in 1996. Sales in the third quarter and first nine 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.

Net income for the third quarter and the first nine months of 1997, both of which were also affected by the stronger U.S. dollar, totaled \$56,715,000 and \$183,268,000, compared to \$53,115,000 and \$180,297,000 in the comparable periods in 1996. Earnings per share for the third quarter and first nine months of 1997 were \$.52 and \$1.68, as compared to \$.48 and \$1.63 per share in the prior year quarter and nine 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 nine months ended September 30, 1996 was \$148,982,000 and earnings per share was \$1.34.

The percentage relationship of cost of goods sold and other operating expenses to sales for the first nine months 1997 and 1996 remained fairly constant.

	FIRST NINE MONTHS	
	1997	1996
Cost of Goods Sold	53.8%	53.9%
Research and Development Expense	6.3%	6.2%
Selling and Administrative Expense	15.0%	15.0%

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 \$280,522,000 at September 30, 1997. At September 30, 1997, working capital was \$702,614,000 compared to \$725,892,000 at December 31, 1996. Gross additions to property, plant and equipment during the first nine months of 1997 were \$37,558,000. 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 each of the first three 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 September 30, 1997 was (\$13,518,000) 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 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

Number

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: November 14, 1997

By: /s/ THOMAS H. HOPPEL

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

Dated: November 14, 1997

By: /s/ STEPHEN A. BLOCK

Stephen A. Block, Vice-President
Law and Secretary

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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9-MOS

	DEC-31-1997	
	SEP-30-1997	
		233,459
		47,063
		281,396
		(7,706)
		356,477
	993,416	
		859,357
		(412,872)
		1,473,407
	290,802	
		6,080
	0	
		0
		14,470
		1,018,684
1,473,407		
		1,120,525
	1,120,525	
		603,326
		841,707
		(8,917)
		0
	1,914	
		285,821
		102,553
	183,268	
		0
		0
		0
		183,268
		1.68
		1.68