

International Flavors & Fragrances Inc.
GAAP to Non-GAAP Reconciliation
(Amounts in thousands)
(Unaudited)

The following information and schedules provide reconciliation information between reported GAAP amounts and non-GAAP certain adjusted amounts. This information and schedules are not intended as, and should not be viewed as, a substitute for reported GAAP amounts or financial statements of the Company prepared and presented in accordance with GAAP.

Reconciliation of Gross Profit

<i>(DOLLARS IN THOUSANDS)</i>	First Quarter	
	2018	2017
Reported (GAAP)	\$ 405,809	\$ 363,083
Operational Improvement Initiatives (a)	453	621
Acquisition Related Costs (b)	—	5,301
Integration Related Costs (c)	—	88
FDA Mandated Product Recall (g)	5,000	—
Adjusted (Non-GAAP)	\$ 411,262	\$ 369,093

Reconciliation of Selling and Administrative Expenses

<i>(DOLLARS IN THOUSANDS)</i>	First Quarter	
	2018	2017
Reported (GAAP)	\$ 142,644	\$ 143,704
Acquisition Related Costs (b)	514	(3,487)
Integration Related Costs (c)	—	(943)
Tax Assessment (d)	—	(5,350)
Adjusted (Non-GAAP)	\$ 143,158	\$ 133,924

Reconciliation of Operating Profit

<i>(DOLLARS IN THOUSANDS)</i>	First Quarter	
	2018	2017
Reported (GAAP)	\$ 174,856	\$ 130,065
Operational Improvement Initiatives (a)	1,026	621
Acquisition Related Costs (b)	(514)	8,788
Integration Related Costs (c)	—	1,192
Tax Assessment (d)	—	5,350
Restructuring and Other Charges, net (e)	717	10,143
Gain on Sale of Assets	(69)	(21)
FDA Mandated Product Recall (g)	5,000	—
Adjusted (Non-GAAP)	\$ 181,016	\$ 156,138

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Reconciliation of Net Income										
(DOLLARS IN THOUSANDS)	First Quarter									
	2018					2017				
	Income before taxes	Taxes on income (i)	Net income	EPS (j)	Income before taxes	Taxes on income (i)	Net income	EPS		
Reported (GAAP)	\$ 158,837	\$ 29,421	\$ 129,416	\$ 1.63	\$ 138,487	\$ 22,723	\$ 115,764	\$ 1.45		
Operational Improvement Initiatives (a)	1,026	294	732	0.01	621	155	466	0.01		
Acquisition Related Costs (b)	(514)	(134)	(380)	—	8,788	3,138	5,650	0.07		
Integration Related Costs (c)	—	—	—	—	1,191	362	829	0.01		
Tax Assessment (d)	—	—	—	—	5,350	1,892	3,458	0.04		
Restructuring and Other Charges, net (e)	717	169	548	0.01	10,143	2,967	7,176	0.09		
Gain on Sale of Assets	(69)	(17)	(52)	—	(21)	(7)	(14)	—		
CTA Realization (f)	—	—	—	—	(12,214)	—	(12,214)	(0.15)		
FDA Mandated Product Recall (g)	5,000	1,196	3,804	0.05	—	—	—	—		
U.S. Tax Reform (h)	—	(649)	649	0.01	—	—	—	—		
Adjusted (Non-GAAP)	\$ 164,997	\$ 30,280	\$ 134,717	\$ 1.69	\$ 152,345	\$ 31,230	\$ 121,115	\$ 1.52		

- (a) For 2018, represents accelerated depreciation related to a plant relocation in India and a lab closure in Taiwan. For 2017, represents accelerated depreciation and idle labor costs in Hangzhou, China.
- (b) For 2018, represents adjustments to the contingent consideration payable for PowderPure and transaction costs related to Fragrance Resources and PowderPure within Selling and administrative expenses. For 2017, represents the amortization of inventory "step-up" related to the acquisitions of David Michael and Fragrance Resources, included in cost of goods sold and transaction costs related to the acquisitions of David Michael, Fragrance Resources and PowderPure, included in Selling and administrative expenses.
- (c) Represents costs related to the integration of the David Michael and Fragrance Resources acquisitions.
- (d) Represents the reserve for payment of a tax assessment related to commercial rent for prior periods.
- (e) Represents severance costs related to the 2017 Productivity Program and Taiwan lab closure.
- (f) Represents the release of CTA related to the liquidation of a foreign entity.
- (g) Represents management's best estimate of losses related to the previously disclosed FDA mandated recall.
- (h) Represents charges incurred related to enactment of certain U.S. tax legislation changes in December 2017.
- (i) The income tax expense (benefit) on non-GAAP adjustments is computed in accordance with ASC 740 using the same methodology as the GAAP provision of income taxes. Income tax effects of non-GAAP adjustments are calculated based on the applicable statutory tax rate for each jurisdiction in which such charges were incurred, except for those items which are non-taxable for which the tax expense (benefit) was calculated at 0%. For first quarter of 2018, these non-GAAP adjustments were not subject to foreign tax credits or valuation allowances, but to the extent that such factors are applicable to any future non-GAAP adjustments we will take such factors into consideration in calculating the tax expense (benefit).
- (j) The sum of these items does not foot due to rounding.
- The Company tracks the amount of amortization recorded on recent acquisitions in order to monitor its progress with respect to its Vision 2020 goals. The following amounts were recorded with respect to recent acquisitions: \$0.7M related to PowderPure, \$2.0M related to Fragrance Resources, \$1.1M related to David Michael, \$1.6M related to Ottens Flavors, and \$2.0M related to Lucas Meyer Cosmetics.