

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

	Fourth Quarter	
	2018	2017
Reported (GAAP)	\$ 477,515	\$ 355,998
Operational Improvement Initiatives (a)	396	329
Acquisition Related Costs (b)	-	(194)
Integration Related Costs (c)	84	163
FDA Mandated Product Recall (e)	(2,325)	7,500
Frutarom Acquisition Related Costs (h)	23,550	-
Adjusted (Non-GAAP)	<u>\$ 499,220</u>	<u>\$ 363,796</u>

Reconciliation of Selling and Administrative Expenses

	Fourth Quarter	
	2018	2017
Reported (GAAP)	\$ 249,614	\$ 141,469
Acquisition Related Costs (b)	770	(81)
Integration Related Costs (c)	(5,145)	(1,390)
UK Pension Settlement Charges (f)	-	(1,882)
Frutarom Acquisition Related Costs (h)	(39,286)	-
Adjusted (Non-GAAP)	<u>\$ 205,953</u>	<u>\$ 138,116</u>

Reconciliation of Operating Profit

	Fourth Quarter	
	2018	2017
Reported (GAAP)	\$ 95,250	\$ 121,879
Operational Improvement Initiatives (a)	396	329
Acquisition Related Costs (b)	(770)	(113)
Integration Related Costs (c)	5,237	1,676
Restructuring and Other Charges, net (d)	2,249	5,528
Gain on Sale of Assets	(742)	(64)
FDA Mandated Product Recall (e)	(2,325)	7,500
UK Pension Settlement Charges (f)	-	2,769
Frutarom Acquisition Related Costs (h)	62,836	-
Adjusted (Non-GAAP)	<u>\$ 162,131</u>	<u>\$ 139,504</u>

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Reconciliation of Net Income and EPS

	Fourth Quarter							
	2018				2017			
	Income before taxes	Taxes on income (j)	Net Income Attributable to IFF (k)	Diluted EPS (l)	Income before taxes	Taxes on income (j)	Net Income Attributable to IFF	Diluted EPS
Reported (GAAP)	\$ 66,300	\$ 50,800	\$ 13,021	\$ 0.09	\$ 115,192	\$ 155,347	\$ (40,155)	\$ (0.51)
Operational Improvement Initiatives (a)	395	133	262	-	329	82	247	-
Acquisition Related Costs (b)	(770)	(177)	(593)	(0.01)	(113)	(45)	(68)	-
Integration Related Costs (c)	5,236	1,160	4,076	0.04	1,676	574	1,102	0.01
Restructuring and Other Charges, net (d)	2,249	577	1,672	0.01	5,528	1,561	3,967	0.05
Gain on Sale of Assets	(742)	(211)	(531)	-	(64)	(20)	(44)	-
FDA Mandated Product Recall (e)	(2,325)	(453)	(1,872)	(0.02)	7,500	2,652	4,848	0.06
UK Pension Settlement Charges (f)	-	-	-	-	2,769	526	2,243	0.03
U.S. Tax Reform (g)	-	(32,847)	32,847	0.30	-	(139,172)	139,172	1.76
Frutarom Acquisition Related Costs (h)	63,586	12,386	51,200	0.46	-	-	-	-
Redemption value adjustment to EPS (i)	-	-	-	0.03	-	-	-	-
Adjusted (Non-GAAP)	<u>\$ 133,929</u>	<u>\$ 31,368</u>	<u>\$ 100,082</u>	<u>\$ 0.89</u>	<u>\$ 132,817</u>	<u>\$ 21,505</u>	<u>\$ 111,312</u>	<u>\$ 1.40</u>

Reconciliation of Adjusted (Non-GAAP) EPS ex. Amortization

	Fourth Quarter	
	2018	2017
Numerator		
Adjusted (Non-GAAP) Net Income	\$ 100,082	\$ 111,312
Amortization of Acquisition related Intangible Assets	48,106	10,366
Tax impact on Amortization of Acquisition related Intangible Assets	11,257	1,679
Amortization of Acquisition related Intangible Assets, net of tax (m)	36,849	8,687
Adjusted (Non-GAAP) Net Income ex. Amortization	136,931	119,999
Denominator		
Weighted average shares assuming dilution (diluted)	112,155	79,413
Adjusted (Non-GAAP) EPS ex. Amortization	<u>\$ 1.22</u>	<u>\$ 1.51</u>

- (a) For 2018, represents accelerated depreciation related to a plant relocation in India. 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" included in Cost of goods sold and transaction costs related to the acquisitions of Fragrance Resources and PowderPure within Selling and administrative expenses.
- (c) For 2018, represents costs related to the integration of the Frutarom acquisition. For 2017, represents costs related to the integration of the David Michael and Fragrance Resources acquisitions.
- (d) For 2018, represents severance costs related to the 2017 Productivity Program and costs associated with the termination of agent relationships in a subsidiary. For 2017, represents severance costs related to the 2017 Productivity Program.
- (e) For 2018, principally represents recoveries from our insurance in the fourth quarter. For 2017, represents management's best estimate of losses related to the previously disclosed FDA mandated recall.
- (f) Represents pension settlement charges incurred in one of the Company's UK pension plans.
- (g) For 2017, represents charges incurred related to enactment of certain U.S. tax legislation changes in December 2017, including \$38.6 million related to net adjustments on deferred tax assets, and \$100.6 million related to taxes on deemed repatriation of earnings. For 2018, represents additional expense based on updated repatriation plans requiring accruals for withholding taxes on deemed repatriation.
- (h) Represents transaction-related costs and expenses related to the acquisition of Frutarom. Amount primarily includes \$23.5 million of amortization for inventory "step-up" costs and \$39.2 million of transaction costs included in Selling and
- (i) Represents the adjustment to EPS related to the excess of the redemption value of certain redeemable noncontrolling interests over their existing carrying value.
- (j) Except for amortization, 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 fiscal year 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). For amortization, the tax benefit has been calculated based on the Company's adjusted worldwide effective tax rate.
- (k) For 2018, net income is reduced by income attributable to noncontrolling interest of \$2.479M.
- (l) The sum of these items does not foot due to rounding.
- (m) Represents all amortization of intangible assets acquired in connection with acquisitions, net of tax.

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Reconciliation of Gross Profit

	Year Ended December	
	2018	2017
Reported (GAAP)	\$ 1,682,707	\$1,472,463
Operational Improvement Initiatives (a)	1,650	1,802
Acquisition Related Costs (b)	-	15,860
Integration Related Costs (c)	102	480
FDA Mandated Product Recall (h)	(7,125)	11,000
Frutarom Acquisition Related Costs (k)	23,550	-
Adjusted (Non-GAAP)	<u>\$ 1,700,884</u>	<u>\$1,501,605</u>

Reconciliation of Selling and Administrative Expenses

	Year Ended December	
	2018	2017
Reported (GAAP)	\$ 707,461	\$ 570,144
Acquisition Related Costs (b)	1,289	(4,529)
Integration Related Costs (c)	(6,060)	(3,258)
Legal Charges/Credits, net (d)	-	(1,000)
Tax Assessment (e)	-	(5,331)
UK Pension Settlement Charges (i)	-	(1,882)
Frutarom Acquisition Related Costs (k)	(66,082)	-
Adjusted (Non-GAAP)	<u>\$ 636,608</u>	<u>\$ 554,144</u>

Reconciliation of Operating Profit

	Year Ended December	
	2018	2017
Reported (GAAP)	\$ 583,882	\$ 552,630
Operational Improvement Initiatives (a)	2,169	1,802
Acquisition Related Costs (b)	(1,289)	20,389
Integration Related Costs (c)	7,188	4,179
Legal Charges/Credits, net (d)	-	1,000
Tax Assessment (e)	-	5,331
Restructuring and Other Charges, net (f)	4,086	19,711
Gain on Sale of Assets	(1,177)	(184)
FDA Mandated Product Recall (h)	(7,125)	11,000
UK Pension Settlement Charges (i)	-	2,769
Frutarom Acquisition Related Costs (k)	89,632	-
Adjusted (Non-GAAP)	<u>\$ 677,366</u>	<u>\$ 618,627</u>

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Reconciliation of Net Income and EPS

	Year Ended December 31,							
	2018				2017			
	Income before taxes	Taxes on income (m)	Net Income Attributable to IFF (n)	Diluted EPS (o)	Income before taxes	Taxes on income (m)	Net Income Attributable to IFF	Diluted EPS
Reported (GAAP)	\$ 447,757	\$ 107,976	\$ 337,302	\$ 3.79	\$ 537,045	\$ 241,380	\$ 295,665	\$ 3.72
Operational Improvement Initiatives (a)	2,169	694	1,475	0.02	1,802	450	1,352	0.02
Acquisition Related Costs (b)	(1,289)	(311)	(978)	(0.01)	20,389	6,514	13,875	0.17
Integration Related Costs (c)	7,188	1,397	5,791	0.07	4,179	1,331	2,848	0.03
Legal Charges/Credits, net (d)	-	-	-	-	1,000	354	646	0.01
Tax Assessment (e)	-	-	-	-	5,331	1,885	3,446	0.04
Restructuring and Other Charges, net (f)	4,086	1,020	3,066	0.03	19,711	5,465	14,246	0.17
Gains on Sale of Assets	(1,177)	(352)	(825)	(0.01)	(184)	(59)	(125)	-
CTA Realization (g)	-	-	-	-	(12,217)	-	(12,217)	(0.15)
FDA Mandated Product Recall (h)	(7,125)	(1,601)	(5,524)	(0.06)	11,000	3,890	7,110	0.09
UK Pension Settlement Charges (i)	-	-	-	-	2,769	526	2,243	0.03
U.S. Tax Reform (j)	-	(25,345)	25,345	0.29	-	(139,172)	139,172	1.76
Frutarom Acquisition Related Costs (k)	155,569	28,490	127,079	1.44	-	-	-	-
Redemption value adjustment to EPS (l)	-	-	-	0.03	-	-	-	-
Adjusted (Non-GAAP)	\$ 607,178	\$ 111,968	\$ 492,731	\$ 5.58	\$ 590,825	\$ 122,564	\$ 468,261	\$ 5.89

Reconciliation of Adjusted (Non-GAAP) EPS ex. Amortization

Numerator	2018		2017	
Adjusted (Non-GAAP) Net Income		\$ 492,731		\$ 468,261
Amortization of Acquisition related Intangible Assets	75,879		34,693	
Tax impact on Amortization of Acquisition related Intangible Assets	13,962		7,181	
Amortization of Acquisition related Intangible Assets, net of tax (p)		61,917		27,512
Adjusted (Non-GAAP) Net Income ex. Amortization		554,648		495,773
Denominator				
Weighted average shares assuming dilution (diluted)		88,121		79,370
Adjusted (Non-GAAP) EPS ex. Amortization		\$ 6.28		\$ 6.23

- (a) For 2018, represents accelerated depreciation related to a plant relocation in India and Taiwan asset write off. 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" included in Cost of goods sold and transaction costs related to the acquisitions of Fragrance Resources and PowderPure within Selling and administrative expenses.
- (c) For 2018, represents costs related to the integration of the Frutarom acquisition. For 2017, represents costs related to the integration of the David Michael and Fragrance Resources acquisitions.
- (d) Represents additional charge related to litigation settlement.
- (e) Represents the reserve for payment of a tax assessment related to commercial rent for prior periods.
- (f) For 2018, represents severance costs related to the 2017 Productivity Program and costs associated with the termination of agent relationships in a subsidiary. For 2017, represents severance costs related to the 2017 Productivity Program.
- (g) Represents the release of CTA related to the liquidation of a foreign entity.
- (h) For 2018, principally represents recoveries from the supplier for the third and fourth quarter, partially offset by final payments to the customer made for the effected product in the first quarter. For 2017, represents management's best estimate of losses related to the previously disclosed FDA mandated recall.
- (i) Represents pension settlement charges incurred in one of the Company's UK pension plans.
- (j) For 2017, represents charges incurred related to enactment of certain U.S. tax legislation changes in December 2017, including \$38.6 million related to net adjustments on deferred tax assets, and \$100.6 million related to taxes on deemed repatriation of earnings. For 2018, represents additional expense based on updated repatriation plans requiring accruals for withholding taxes on deemed repatriation.
- (k) Represents transaction-related costs and expenses related to the acquisition of Frutarom. Amount primarily includes \$23.5 million of amortization for inventory "step-up" costs, \$39.4 million of bridge loan commitment fees included in Interest expense; \$34.9 million make whole payment on the Senior Notes - 2007 and \$3.9 million realized loss on a fair value hedge included in Loss on extinguishment of debt; \$12.5 million realized gain on a foreign currency derivative included in Other income; and \$66.0 million of transaction costs included in Selling and administrative expenses.
- (l) Represents the adjustment to EPS related to the excess of the redemption value of certain redeemable noncontrolling interests over their existing carrying value.
- (m) Except for amortization, 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 fiscal year 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). For amortization, the tax benefit has been calculated based on the Company's adjusted worldwide effective tax rate.
- (n) For 2018, net income is reduced by income attributable to noncontrolling interest of \$2.479M.
- (o) The sum of these items does not foot due to rounding.
- (p) Represents all amortization of intangible assets acquired in connection with acquisitions, net of tax.