

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OF

THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended March 31, 2001 Commission file number 1-4858

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INTERNATIONAL FLAVORS & FRAGRANCES INC.

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(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

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(Address of principal executive offices)

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(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 May 4, 2001: 95,807,526

## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

## INTERNATIONAL FLAVORS &amp; FRAGRANCES INC.

CONSOLIDATED BALANCE SHEET  
(Dollars in thousands)  
(Unaudited)

	3/31/01	12/31/00
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Assets		
- -----		
Current Assets:		
Cash & Cash Equivalents	\$ 65,934	\$ 128,869
Short-term Investments	5,469	369
Trade Receivables	358,632	343,294
Allowance For Doubtful Accounts	(11,899)	(11,074)
Inventories: Raw Materials	216,944	243,327
Work in Process	21,621	21,212
Finished Goods	179,118	170,773
Total Inventories	417,683	435,312
Other Current Assets	134,803	122,170
Total Current Assets	970,622	1,018,940
Property, Plant & Equipment, At Cost	1,050,988	1,141,301
Accumulated Depreciation	(447,023)	(461,427)
	603,965	679,874
Intangible Assets, net	790,025	755,923
Other Assets	42,351	34,296
Total Assets	\$ 2,406,963	\$ 2,489,033
	=====	=====
Liabilities and Shareholders' Equity		
- -----		
Current Liabilities:		
Bank Loans	\$ 26,024	\$ 43,633
Commercial Paper	417,878	809,352
Accounts Payable - Trade	80,582	75,021
Dividends Payable	14,365	14,614
Income Taxes	43,999	61,073
Other Current Liabilities	201,218	175,324
Total Current Liabilities	784,066	1,179,017
Other Liabilities:		
Deferred Income Taxes	76,251	103,151
Long-term Debt	838,532	417,402
Retirement and Other Liabilities	175,231	158,204
Total Other Liabilities	1,090,014	678,757
Shareholders' Equity:		
Common Stock (115,761,840 shares issued)	14,470	14,470
Capital in Excess of Par Value	129,899	133,041
Restricted Stock	(3,077)	-
Retained Earnings	1,210,468	1,204,561
Accumulated Other Comprehensive Income:		
Cumulative Translation Adjustment	(146,371)	(77,578)
Accumulated Losses on Derivatives Qualifying as Hedges	(1,597)	-
Treasury Stock, at cost - 19,988,321 shares in '01 and 18,335,796 in '00	1,203,792	1,274,494
Total Shareholders' Equity	532,883	631,259
Total Liabilities and Shareholders' Equity	\$ 2,406,963	\$ 2,489,033
	=====	=====

See Notes to Consolidated Financial Statements

## INTERNATIONAL FLAVORS &amp; FRAGRANCES INC.

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

	3 Months Ended 3/31	
	2001	2000
Net Sales	\$ 483,661	\$ 369,912
Cost of Goods Sold	284,139	204,677
Research and Development Expenses	35,406	26,812
Selling and Administrative Expenses	85,845	61,749
Amortization of Goodwill and Other Intangibles	11,355	-
Nonrecurring Charges	12,420	9,354
Interest Expense	22,300	2,137
Other (Income) Expense, Net	(240)	(329)
	-----	-----
	451,225	304,400
	-----	-----
Income Before Taxes on Income	32,436	65,512
Taxes on Income	12,164	21,736
	-----	-----
Net Income	20,272	43,776
Other Comprehensive Income:		
Foreign Currency Translation Adjustments	(68,793)	(15,042)
Accumulated Losses on Derivatives Qualifying as Hedges	(1,597)	-
	-----	-----
Comprehensive Income	\$ (50,118)	\$ 28,734
	=====	=====
Net Income Per Share-Basic	\$0.21	\$0.42
Net Income Per Share-Diluted	\$0.21	\$0.42
Average Number of Shares Outstanding-Basic	96,984	104,264
Average Number of Shares Outstanding-Diluted	97,586	104,285
Dividends Paid Per Share	\$0.15	\$0.38

See Notes to Consolidated Financial Statements

## INTERNATIONAL FLAVORS &amp; FRAGRANCES INC.

CONSOLIDATED STATEMENT OF CASH FLOWS  
(Dollars in thousands)  
(Unaudited)

	3 Months Ended 3/31	
	2001	2000
Cash Flows From Operating Activities:		
-----		
Net Income	\$ 20,272	\$ 43,776
Adjustments to Reconcile to Net Cash Provided by Operations:		
Depreciation and Amortization	29,413	14,500
Deferred Income Taxes	(1,606)	(2,116)
Changes in Assets and Liabilities:		
Current Receivables	(25,641)	(22,400)
Inventories	5,456	20,713
Current Payables	(33,470)	(26,644)
Other, Net	(17,496)	15,626
	-----	-----
Net Cash (Used in) Provided by Operations	(23,072)	43,455
Cash Flows From Investing Activities:		
-----		
Proceeds From Sales/Maturities of Short-term Investments	328	127
Purchases of Short-term Investments	(5,492)	-
Additions to Property, Plant & Equipment	(9,353)	(17,852)
Proceeds From Disposal of Assets	1,474	3,392
	-----	-----
Net Cash Used in Investing Activities	(13,043)	(14,333)
Cash Flows From Financing Activities:		
-----		
Cash Dividends Paid to Shareholders	(14,614)	(39,882)
(Decrease) Increase in Bank Loans	(12,445)	5,060
(Decrease) Increase in Commercial Paper	(391,474)	41,972
Increase in Long-term Debt	429,208	11,374
Decrease in Long-term Debt	(2,869)	(235)
Proceeds From Issuance of Stock Under Stock Option Plans	-	1,116
Purchase of Treasury Stock	(34,109)	(59,174)
	-----	-----
Net Cash Used in Financing Activities	(26,303)	(39,769)
Effect of Exchange Rate Changes on Cash and Cash Equivalents		
	(517)	(425)
	-----	-----
Net Change in Cash and Cash Equivalents	(62,935)	(11,072)
Cash and Cash Equivalents at Beginning of Year	128,869	62,135
	-----	-----
Cash and Cash Equivalents at End of Period	\$ 65,934	\$ 51,063
	=====	=====
Interest Paid	\$ 21,844	\$ 2,323
Income Taxes Paid	\$ 35,379	\$ 20,934

See Notes to Consolidated Financial Statements

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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 2000 Annual Report to Shareholders. These interim statements are unaudited. In the opinion of the Company's management, all normal recurring adjustments necessary for a fair presentation of the results for the interim periods have been made.

Derivative Instruments and Hedging Activities:

Effective January 1, 2001, the Company adopted Statement of Financial Accounting Standards No. 133 (FAS 133), Accounting for Derivative Instruments and Hedging Activities. FAS 133 establishes accounting and reporting standards for derivative instruments, and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. The effect of adopting this Standard was not material.

The Company has entered into various interest rate swaps with the objective of managing exposure to interest rate risk. In anticipation of the debt issued in May 2001, the Company had outstanding U.S. treasury locks with notional amounts of \$400.0 million at March 31, 2001. The Company has designated these swaps as qualified cash flow hedges. Accordingly, the effective portion of the gain or loss on the derivative instrument is reported as a component of other comprehensive income and will be recognized in earnings in the same period or periods during which the hedged transaction affects earnings. The Company did not have any ineffective interest rate swaps at March 31, 2001.

The Company enters into foreign currency forward contracts with the objective of reducing exposure to cash flow volatility arising from foreign currency fluctuations associated with certain foreign currency receivables and payables. The notional amount and maturity dates of these contracts match those of the underlying receivables or payables. The Company also enters into foreign currency forward contracts to reduce cash flow volatility associated with anticipated purchases of certain raw materials used in operations. At March 31, 2001, the Company had outstanding foreign currency forward contracts of approximately \$53.0 million. The Company has designated these contracts as qualified fair value and cash flow hedges. Accordingly, the effective portion of the gain or loss on the derivative instrument is reported as a component of other comprehensive income and recognized in earnings in the same period or periods during which the hedged transaction affects earnings. The Company did not have any ineffective foreign currency forward contracts at March 31, 2001.

Nonrecurring and Other Charges:

As described in Note 2 of the Notes to the Consolidated Financial Statements included in the Company's 2000 Annual Report to Shareholders, in October 2000, the Company announced a reorganization, including management changes, further consolidation of production facilities and related actions. In connection with this program, the Company recorded a nonrecurring charge of \$12.4 million (\$7.8 million after tax) in the first quarter 2001, related primarily to employee separation costs and other reorganization activities. There were no significant non-cash related elements included in the first quarter 2001 charge. The majority of the pretax nonrecurring charges recorded in the first quarter 2001 relate to operations in Asia-Pacific (\$4.5 million) and North America, including corporate (\$4.2 million). For Europe, Latin America and CAME, first quarter 2001 charges totaled \$1.7 million, \$1.2 million and \$0.8 million, respectively. The total pretax cost of actions taken in connection with the reorganization, including \$31.9 million recorded in 2000, is expected to approximate \$90.0 million to \$100.0 million through the end of 2002. Certain costs associated with the merger and the integration of BBA operations are accounted for as part of the acquisition cost, and do not affect current earnings.

Movements in the reserves related to the nonrecurring charges were as follows  
(in thousands):

	Employee - Related	Asset-Related and Other	Total
Balance December 31, 2000	\$24,379	\$ 2,053	\$26,432
Additional Reserves	4,847	7,573	12,420
Utilized in 2001	(5,028)	(3,188)	(8,216)
Balance March 31, 2001	\$24,198	\$ 6,438	\$30,636

The balance of the reserves is expected to be utilized in 2001 and 2002 in connection with the final decommissioning and disposal of affected equipment and as severance and other benefit obligations to affected employees are satisfied.

Segment Information:

The Company acquired Bush Boake Allen ("BBA"), effective November 3, 2000, and BBA operating results are included in the Company's consolidated results from that date.

As previously announced, effective January 1, 2001 the Company was reorganized into five geographic regions with an individual manager responsible for each region. The five regions include North America, Europe, the newly-constituted Central Asia, Middle East ("CAME"), Latin America and Asia-Pacific; previously Europe and CAME had been combined as one geographic region - Europe, Africa and the Middle East ("EAME"). North and Latin America and Asia-Pacific were unaffected by the geographic reorganization.

The Company's reportable segment information, based on geographic area, for the first three months 2001 and 2000 follows. Certain prior year amounts have been reclassified for comparative purposes to reflect the separation of EAME into the regions of Europe and CAME. The Company evaluates the performance of its geographic areas based on operating profit, excluding interest expense, other income and expense, certain unallocated expenses, amortization of goodwill and other intangibles, the effects of nonrecurring items and accounting changes, and income tax expense.

2001 (Dollars in thousands)	North America	Europe	CAME	Latin America	Asia- Pacific	Eliminations	Consolidated
Sales to unaffiliated customers	\$157,582	\$175,287	\$19,894	\$61,490	\$69,408	\$ --	\$483,661
Transfers between areas	23,365	34,336	224	385	3,909	(62,219)	--
Total sales	\$180,947	\$209,623	\$20,118	\$61,875	\$73,317	\$(62,219)	\$483,661
Operating profit	\$ 18,708	\$ 43,098	\$ 2,659	\$13,422	\$15,560	\$ (1,196)	\$ 92,251
Corporate and other unallocated expenses							(13,980)
Amortization of goodwill and other intangibles							(11,355)
Nonrecurring charges							(12,420)
Interest expense							(22,300)
Other income (expense), net							240
Income before taxes on income							\$ 32,436

2000 (Dollars in thousands)	North America	Europe	CAME	Latin America	Asia-Pacific	Eliminations	Consolidated
Sales to unaffiliated customers	\$114,747	\$144,157	\$5,910	\$55,244	\$49,854	\$ --	\$369,912
Transfers between areas	12,377	34,418	2	312	2,981	(50,090)	--
Total sales	\$127,124	\$178,575	\$5,912	\$55,556	\$52,835	\$ (50,090)	\$369,912
Operating profit	\$ 16,627	\$ 47,565	\$1,335	\$10,595	\$10,432	\$ (1,264)	\$ 85,290
Corporate and other unallocated expenses							(8,616)
Nonrecurring charges							(9,354)
Interest expense							(2,137)
Other income (expense), net							329
Income before taxes on income							\$ 65,512

Net Income Per Share:

Options to purchase 4,549,224 shares and 4,518,805 shares were outstanding for the first quarter of 2001 and 2000, respectively, but were not included in the computation of diluted net income per share because the options' exercise prices were greater than the average market price of the common shares in the respective periods.

Comprehensive Income:

The accumulated comprehensive income component of Shareholders' Equity, comprised principally of the cumulative translation adjustment, at March 31, 2001, was (\$148.0 million) compared to (\$77.6 million) at December 31, 2000. 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. Included in the cumulative translation adjustment at March 31, 2001 is the effect of the previously disclosed change in functional currency for certain subsidiaries from the U.S. dollar to local currency, effective January 1, 2001. Accumulated losses on derivatives qualifying as hedges were \$1.6 million at March 31, 2001 and are included in the accumulated comprehensive income component of Shareholders' Equity.

Acquisition of Bush Boake Allen Inc.:

On November 3, 2000, the Company acquired all of the outstanding shares of Bush Boake Allen Inc. ("BBA") for \$48.50 per share in cash; total consideration paid, including transaction costs, approximated \$970.0 million.

The acquisition was accounted for under the purchase method of accounting and, accordingly, the purchase price has been preliminarily allocated to the assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. Final determination of the purchase price, as well as its allocation to the net assets acquired, is not complete as of March 31, 2001 pending the final valuation of tangible and intangible assets acquired and the quantification of certain liabilities assumed. The excess of the purchase price over the estimated value of tangible and identified intangible assets acquired is recorded as goodwill, and is being amortized on a straight-line basis over 20 years. Other intangible assets include patents, trademarks and other intellectual property owned or developed by BBA, the value of which is being amortized over periods ranging from 7 to 20 years. At March 31, 2001, goodwill and other intangible assets, net of accumulated amortization, was \$790.0 million compared to \$755.9 million at December 31, 2000. The increase in goodwill and other intangible assets relates to revisions associated with further quantification of certain liabilities assumed in connection with the merger, primarily related to integration of the BBA operations.

The following unaudited pro-forma results of operations give effect to the BBA acquisition as if it had occurred as of January 1, 2000. These pro-forma results do not purport to be indicative of the results that would have actually been obtained if the BBA acquisition had occurred as of the beginning of the period presented or that may be obtained in the future.

(Dollars in thousands except per share amounts)	3 Months Ended 3/31/00
Net sales	\$485,818
Net income	29,724
Net income per share-basic	\$0.29
Net income per share-diluted	\$0.29

Restricted Stock:

In January 2001, the Company awarded approximately 190,000 IFF Stock Units ("Units") to eligible employees in exchange for surrender of their "under water" stock options. The Units vest, in four equal installments, over not more than a seven-year period, upon the Company's Common Stock attaining successively higher market price targets beginning at \$22.50 per share, and earn dividend equivalents as and when cash dividends are paid. Compensation expense is recognized over the Unit's vesting period. The amount of compensation expense recognized in the first quarter was not significant. The unvested Units are reported as Restricted Stock on the Company's Consolidated Balance Sheet.

Borrowings:

At March 31, 2001, the Company's outstanding commercial paper had an average interest rate of 5.95%. Commercial paper maturities did not extend beyond June 15, 2001. Long-term debt increased \$429.2 million in the first three months of 2001 due to the reclassification of short-term borrowings as a result of the issuance of \$700.0 million of 6.45% five-year notes in the 144A private placement market on May 2, 2001. The notes mature May 15, 2006. Long-term debt also includes a financing agreement with a major European financial institution that provides for \$125.0 million (Euro 140.0 million) of debt issued with maturities to 2005 and 2006. Interest on this debt will not exceed the applicable LIBOR base rate plus 1.4%. Proceeds from long-term debt were used to reduce commercial paper outstanding. As discussed in Note 8 of the Notes to the Consolidated Financial Statements in the Company's 2000 Annual Report to Shareholders, the Company classified \$400.0 million of commercial paper as noncurrent in the December 31, 2000 consolidated balance sheet.

Intangible Assets, net:

(Dollars in thousands)	3/31/01	12/31/00
Goodwill	\$649,762	\$ 563,897
Trademarks and other	160,841	199,058
	810,603	762,955
Accumulated amortization	20,578	7,032
	\$790,025	\$755,923
	=====	=====

Changes in the value of intangibles reflect the further adjustments of the preliminary allocation of the BBA purchase accounting.

Reclassifications:

Certain reclassifications have been made to the prior year's financial statements to conform to fiscal 2001 classifications.



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

Financial Condition

Operations

Worldwide net sales for the first quarter of 2001 were \$483.7 million, compared to reported sales in the first quarter 2000 of \$369.9 million. The Company acquired BBA effective November 3, 2000; BBA's sales and operating results are included in the Company's consolidated results. On a pro forma basis, first quarter 2000 sales of the combined Company totaled \$485.8 million.

On a local currency basis, consolidated first quarter 2001 sales increased approximately 3% in comparison to the first quarter 2000 pro forma sales. However, the local currency sales gains were unfavorably impacted on translation into the continuing strong U.S. dollar, resulting in the flat sales in reported dollars. For the quarter, there was an approximate 8-9% unfavorable exchange effect on translating European results into the U.S. dollar, and a 4% unfavorable effect on translation of Asia-Pacific results. Local currency sales increases were led by Europe, which achieved an increase of 7%, and by Asia-Pacific which increased 4%; local currency sales in Central Asia Middle East ("CAME") increased 1%. Latin America sales increased 2% while North America sales increased 1%.

The percentage relationship of cost of goods sold and other operating expenses to sales for the first three months 2001 and 2000 are detailed below. The pro-forma information presented in the table below reflects operating expenses as a percent of sales as though the acquisition of BBA had taken place as of January 1, 2000.

	First Three Months		
	2001	IFF Alone 2000	Pro-Forma 2000
Cost of Goods Sold	58.7%	55.3%	57.2%
Research and Development Expenses	7.3%	7.2%	7.0%
Selling and Administrative Expenses	17.7%	16.7%	17.7%

The above table reflects the reclassification of shipping and handling costs for 2000 (both reported and pro-forma) from Selling expense to Cost of goods sold in accordance with guidance established by Emerging Issues Task Force Issue No. 00-10, "Accounting for Shipping and Handling Fees and Costs." The amount reclassified in the first quarter 2000 was \$3.6 million.

Cost of goods sold, as a percentage of net sales, increased from the prior year pro-forma percentage primarily due to the unfavorable absorption of manufacturing costs resulting from the relative weakness in the North America flavors business and partially due to changes in product mix.

Research and development expenses were somewhat higher due to increased activities in this area. Selling and administrative expenses are comparable with the pro-forma 2000 expenses.

Net income for the first quarter of 2001, totaled \$20.3 million compared to reported net income in the first quarter 2000 of \$43.8 million. The amounts for the first three months of 2001 and 2000 include the effects of the nonrecurring charges discussed below. Excluding these charges, net income for the first quarter 2001 and 2000 was \$28.0 million and \$50.0 million, respectively. On a pro-forma basis, first quarter 2000 net income totaled \$29.7 million including nonrecurring charges, and \$36.0 million excluding such charges.

The effective tax rate for the first quarter of 2001 was 37.5% compared to reported 33.2% and pro-forma 38.7% for the comparable period in 2000. The lower effective rate compared to the pro-forma rate reflects the effects of lower tax rates in various tax jurisdictions in which the Company operates. The higher effective rate compared to

the reported rate results from the amortization of goodwill which tax laws preclude the Company's deduction from taxable income.

Nonrecurring and Other Charges:

As described in Note 2 of the Notes to the Consolidated Financial Statements included in the Company's 2000 Annual Report to Shareholders, in October 2000, the Company announced a reorganization, including management changes, further consolidation of production facilities and related actions. In connection with this program, the Company recorded a nonrecurring charge of \$12.4 million (\$7.8 million after tax) in the first quarter 2001, related primarily to employee separation costs and other reorganization activities. There were no significant non-cash related elements included in the first quarter 2001 charge. The majority of the pretax nonrecurring charges recorded in the first quarter 2001 relate to operations in Asia-Pacific (\$4.5 million) and North America, including corporate (\$4.2 million). For Europe, Latin America and CAME, first quarter 2001 charges totaled \$1.7 million, \$1.2 million and \$0.8 million, respectively. The total pretax cost of actions taken in connection with the reorganization, including \$31.9 million recorded in 2000, is expected to approximate \$90.0 million to \$100.0 million through the end of 2002. Certain costs associated with the merger and the integration of BBA operations are accounted for as part of the acquisition cost, and do not affect current earnings.

Movements in the reserves related to the nonrecurring charges were as follows (in thousands):

	Employee - Related	Asset-Related and Other	Total
Balance December 31, 2000	\$24,379	\$ 2,053	\$26,432
Additional Reserves	4,847	7,573	12,420
Utilized in 2001	(5,028)	(3,188)	(8,216)
	-----	-----	-----
Balance March 31, 2001	\$24,198	\$ 6,438	\$30,636
	=====	=====	=====

The balance of the reserves is expected to be utilized in 2001 and 2002 in connection with the final decommissioning and disposal of affected equipment and as severance and other benefit obligations to affected employees are satisfied.

Acquisition of Bush Boake Allen Inc.:

On November 3, 2000, the Company acquired all of the outstanding shares of Bush Boake Allen Inc. ("BBA") for \$48.50 per share in cash; total consideration paid, including transaction costs, approximated \$970.0 million.

The acquisition was accounted for under the purchase method of accounting and, accordingly, the purchase price has been preliminarily allocated to the assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. Final determination of the purchase price, as well as its allocation to the net assets acquired, is not complete as of March 31, 2001 pending the final valuation of tangible and intangible assets acquired and the quantification of certain liabilities assumed. The excess of the purchase price over the estimated value of tangible and identified intangible assets acquired is recorded as goodwill, and is being amortized on a straight-line basis over 20 years. Other intangible assets include patents, trademarks and other intellectual property owned or developed by BBA, the value of which is being amortized over periods ranging from 7 to 20 years. At March 31, 2001, goodwill and other intangible assets, net of accumulated amortization, was \$790.0 million compared to \$755.9 million at December 31, 2000. The increase in goodwill and other intangible assets relates to revisions associated with further quantification of certain liabilities assumed in connection with the merger, primarily related to integration of the BBA operations.

Pro-Forma Financial Data:

The following unaudited pro-forma income statement gives effect to the BBA acquisition as if it had occurred as of January 1, 2000. These pro-forma results do not purport to be indicative of the results that would have actually been obtained if the BBA acquisition had occurred as of the beginning of the period presented or that may be obtained in the future.

(Amounts in thousands)	Pro-Forma 3 Months Ended 3/31/00
Net Sales	\$485,818
Cost of Goods Sold	278,086
Research and Development Expenses	33,917
Selling and Administrative Expenses	86,179
Amortization of Goodwill and Other Intangibles	10,548
Nonrecurring Charges	9,354
Interest Expense	18,923
Other (income) expense, net	324
	-----
	437,331
	-----
Income Before Taxes on Income	48,487
Taxes on Income	18,763
	-----
Net Income	\$ 29,724
	=====

The Company's pro-forma reportable segment information, based on geographic area, for the first three months 2000 follows. The pro-forma reportable segment information gives effect to the BBA acquisition as if it had occurred as of January 1, 2000.

Pro-Forma (includes BBA) 2000 (Dollars in thousands)	North America	Europe	CAME	Latin America	Asia- Pacific	Eliminations	Consolidated
Sales to unaffiliated customers	\$154,858	\$179,637	\$21,445	\$60,346	\$69,532	\$ --	\$485,818
Transfers between areas	18,884	41,552	296	312	2,992	(64,036)	--
Total sales	\$173,742	\$221,189	\$21,741	\$60,658	\$72,524	\$ (64,036)	\$485,818
Operating profit	\$ 22,983	\$ 50,737	\$ 4,112	\$10,719	\$13,159	\$ (1,203)	\$100,507
Corporate and other unallocated expenses							(12,871)
Amortization of goodwill and other intangibles							(10,548)
Nonrecurring charges							(9,354)
Interest expense							(18,923)
Other income (expense), net							(324)
Income before taxes on income							\$ 48,487

Financial Condition

Cash, cash equivalents and short-term investments totaled \$71.4 million at March 31, 2001. Working capital, at March 31, 2001 was \$186.6 million compared to \$409.9 million at December 31, 2000, excluding commercial paper used to finance the BBA acquisition. Gross additions to property, plant and equipment during the first three months of 2001 were \$9.4 million.

At March 31, 2001, the Company's outstanding commercial paper had an average interest rate of 5.95%. Commercial paper maturities did not extend beyond June 15, 2001. Long-term debt increased \$429.2 million in the first three months of 2001 due to the reclassification of short-term borrowings as a result of the issuance of \$700.0 million of 6.45% five-year notes in the 144A private

placement market on May 2, 2001. The notes mature May 15, 2006. Long-term debt also includes a financing agreement with a major European financial institution that provides for \$125.0 million (Euro 140.0 million) of debt issued with maturities to 2005 and 2006. Interest on this debt will not exceed the applicable LIBOR base rate plus 1.4%. Proceeds from long-term debt were used to reduce commercial paper outstanding. As discussed in Note 8 of the Notes to the Consolidated Financial Statements in the Company's 2000 Annual Report to Shareholders, the Company classified \$400.0 million of commercial paper as noncurrent in the December 31, 2000 consolidated balance sheet.

In January 2001, the Company paid a quarterly cash dividend of \$.15 per share to shareholders. The Company repurchased approximately 1.7 million shares in the first quarter 2001. 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. At March 31, 2001, the Company had approximately 0.2 million shares authorized to repurchase under its April 2000 repurchase plan and an additional \$100.0 million under its September 2000 repurchase plan.

The Company anticipates that its financing requirements will be funded from internal sources and credit facilities currently in place.

Cautionary Statement Under the Private Securities Litigation Reform Act of 1995  
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Statements in this Management's Discussion and Analysis which are not historical facts or information are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, and are subject to risks and uncertainties that could cause the Company's actual results to differ materially from those expressed or implied by such forward-looking statements. Risks and uncertainties with respect to the Company's business include general economic and business conditions, interest rates, the price and availability of raw materials, and political and economic uncertainties, including the fluctuation or devaluation of currencies in countries in which the Company does business. The Company intends its forward-looking statements to speak only as of the time of such statements, and does not undertake to update or revise them as more information becomes available.

Item 3. Quantitative and Qualitative Disclosures about Market Risk  
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There are no material changes from the disclosures in Form 10-K filed with the Securities and Exchange Commission as of December 31, 2000.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Number

3 Amendment to By-laws of Registrant adopted March 13, 2001 effective May 16, 2001.

(b) Reports on Form 8-K

Registrant filed the following reports on Form 8-K since the beginning of the quarter for which this report on Form 10-Q is filed:

- . Report on Form 8-K/A dated January 17, 2001 presenting certain unaudited pro-forma financial statements for Registrant and Bush Boake Allen Inc. through September 30, 2000, on an individual and combined basis.
- . Report on Form 8-K dated March 2, 2001 containing as exhibits Press Release dated February 20, 2001 on Registrant's reorganization and the status of the Bush Boake Allen Inc. integration and Transcript of an Internet Conference Call held February 20, 2001 re same.
- . Report on Form 8-K dated April 27, 2001 containing a description of, and certain unaudited pro-forma financial statements relating to, the reorganization of Registrant's geographic reporting regions effective January 1, 2001.
- . Report on Form 8-K dated April 27, 2001 containing as an exhibit Press Release dated April 27, 2001 announcing Registrant's offering of \$500.0 million in five-year notes to repay a portion of outstanding commercial paper borrowings.
- . Report on Form 8-K dated May 4, 2001 containing as an exhibit Press Release dated May 3, 2001 announcing Registrant's agreement to sell \$700.0 million in 6.45% notes due 2006 to repay a portion of outstanding commercial paper borrowings.

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: May 15, 2001

By: /S/ DOUGLAS J. WETMORE

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Douglas J. Wetmore, Senior Vice President and  
Chief Financial Officer

Dated: May 15, 2001

By: /S/ STEPHEN A. BLOCK

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Stephen A. Block, Senior Vice President,  
General Counsel and Secretary

AMENDMENT TO REGISTRANT'S BY-LAWS  
ADOPTED BY BOARD OF DIRECTORS  
ON MARCH 13, 2001  
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RESOLVED that Article II, Section 2  
of the By-laws of the Corporation, as  
amended, is hereby further amended,  
effective May 16, 2001, by changing the  
word "twelve" appearing therein to "ten."