

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

	Third Quarter	
	2018	2017
Reported (GAAP)	\$ 400,666	\$ 380,398
Operational Improvement Initiatives (a)	398	407
Acquisition Related Costs (b)	-	5,147
Integration Related Costs (c)	18	131
FDA Mandated Product Recall (e)	(9,800)	-
Adjusted (Non-GAAP)	\$ 391,282	\$ 386,083

Reconciliation of Selling and Administrative Expenses

	Third Quarter	
	2018	2017
Reported (GAAP)	\$ 157,796	\$ 145,652
Acquisition Related Costs (b)	1	(289)
Integration Related Costs (c)	(915)	(383)
Frutarom Acquisition Related Costs (g)	(14,341)	-
Adjusted (Non-GAAP)	\$ 142,541	\$ 144,980

Reconciliation of Operating Profit

	Third Quarter	
	2018	2017
Reported (GAAP)	\$ 159,268	\$ 149,000
Operational Improvement Initiatives (a)	344	407
Acquisition Related Costs (b)	(1)	5,436
Integration Related Costs (c)	958	580
Restructuring and Other Charges, net (d)	927	3,249
Gains on Sale of Assets	(1,630)	(31)
FDA Mandated Product Recall (e)	(9,800)	-
Frutarom Acquisition Related Costs (g)	14,341	-
Adjusted (Non-GAAP)	\$ 164,407	\$ 158,641

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Reconciliation of Net Income

Third Quarter

	2018				2017			
	Income before taxes	Taxes on income (h)	Net income	Diluted EPS	Income before taxes	Taxes on income (h)	Net income	Diluted EPS
Reported (GAAP)	\$ 100,702	\$ 4,986	\$ 95,716	\$ 1.17	\$ 141,326	\$ 31,065	\$ 110,261	\$ 1.39
Operational Improvement Initiatives (a)	345	125	220	-	407	102	305	-
Acquisition Related Costs (b)	(1)	1	(2)	-	5,436	1,949	3,487	0.04
Integration Related Costs (c)	959	237	722	0.01	580	152	428	0.01
Restructuring and Other Charges, net (d)	927	228	699	0.01	3,249	1,012	2,237	0.03
Gains on Sale of Assets	(1,630)	(387)	(1,243)	(0.02)	(31)	(10)	(21)	-
FDA Mandated Product Recall (e)	(9,800)	(2,344)	(7,456)	(0.09)	-	-	-	-
U.S. Tax Reform (f)	-	8,151	(8,151)	(0.10)	-	-	-	-
Frutarom Acquisition Related Costs (g)	54,994	9,561	45,433	0.56	-	-	-	-
Adjusted (Non-GAAP)	\$ 146,496	\$ 20,558	\$ 125,938	\$ 1.54	\$ 150,967	\$ 34,270	\$ 116,697	\$ 1.47

- (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 2017, represents the amortization of inventory "step-up" related to the acquisitions of David Michael, Fragrance Resources and PowderPure, 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) For 2018, represents costs related to the integration of Frutarom. For 2017, represents costs related to the integration of David Michael and Fragrance Resources acquisitions.
- (d) For 2018, represents severance costs related to the 2017 Productivity Program. For 2017, represents severance costs related to the 2017 Productivity Program which were partially offset by the reversal of 2015 severance charges that were no longer needed.
- (e) Represents recoveries from the supplier related to the previously disclosed FDA mandated recall.
- (f) Represents charges incurred related to enactment of certain U.S. tax legislation changes in December 2017.
- (g) Represents transaction-related costs and expenses related to the acquisition of Frutarom. Amount primarily includes \$28.8 million of bridge loan commitment fees partially offset by \$25.3 million net mark-to-market gains on deal-contingent interest rate derivatives 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; \$1.9 million realized gain on a foreign currency derivative included in Other income; and \$14.3 million of transaction costs included in administrative expenses.
- (h) 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 third quarter of 2018, certain non-GAAP adjustments were subject to valuation allowances and therefore was calculated at 0%.

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, \$1.7M related to Fragrance Resources, \$1.1M related to David Michael, \$2.1M related to Lucas Meyer Cosmetics, and \$1.6M related to Ottens Flavors

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Reconciliation of Gross Profit		
	Third Quarter Year-to-Date	
	2018	2017
Reported (GAAP)	\$ 1,205,192	\$1,116,464
Operational Improvement Initiatives (a)	1,254	1,473
Acquisition Related Costs (b)	-	16,055
Integration Related Costs (c)	18	316
FDA Mandated Product Recall (h)	(4,800)	3,500
Adjusted (Non-GAAP)	\$ 1,201,664	\$1,137,808

Reconciliation of Selling and Administrative Expenses		
	Third Quarter Year-to-Date	
	2018	2017
Reported (GAAP)	\$ 457,847	\$ 428,675
Acquisition Related Costs (b)	519	(4,447)
Integration Related Costs (c)	(915)	(1,867)
Legal Charges/Credits, net (d)	-	(1,000)
Tax Assessment (e)	-	(5,331)
Frutarom Acquisition Related Costs (j)	(26,796)	-
Adjusted (Non-GAAP)	\$ 430,655	\$ 416,030

Reconciliation of Operating Profit		
	Third Quarter Year-to-Date	
	2018	2017
Reported (GAAP)	\$ 488,633	\$ 430,750
Operational Improvement Initiatives (a)	1,773	1,473
Acquisition Related Costs (b)	(519)	20,502
Integration Related Costs (c)	1,951	2,501
Legal Charges/Credits, net (d)	-	1,000
Tax Assessment (e)	-	5,331
Restructuring and Other Charges, net (f)	1,837	14,183
Gains on Sale of Assets	(435)	(120)
FDA Mandated Product Recall (h)	(4,800)	3,500
Frutarom Acquisition Related Costs (j)	26,796	-
Adjusted (Non-GAAP)	\$ 515,236	\$ 479,120

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Reconciliation of Net Income

	Third Quarter Year-to-Date							
	2018				2017			
	Income before taxes	Taxes on income (k)	Net income	Diluted EPS (l)	Income before taxes	Taxes on income (k)	Net income	Diluted EPS
Reported (GAAP)	\$ 381,457	\$ 57,176	\$ 324,281	\$ 4.04	\$ 421,853	\$ 86,033	\$ 335,820	\$ 4.22
Operational Improvement Initiatives (a)	1,774	561	1,213	0.02	1,473	368	1,105	0.01
Acquisition Related Costs (b)	(519)	(134)	(385)	-	20,502	6,559	13,943	0.18
Integration Related Costs (c)	1,952	237	1,715	0.02	2,501	757	1,744	0.02
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)	1,837	443	1,394	0.02	14,183	3,904	10,279	0.13
Gains on Sale of Assets	(435)	(141)	(294)	-	(120)	(39)	(81)	-
CTA Realization (g)	-	-	-	-	(12,214)	-	(12,214)	(0.15)
FDA Mandated Product Recall (h)	(4,800)	(1,148)	(3,652)	(0.05)	3,500	1,238	2,262	0.03
U.S. Tax Reform (i)	-	7,502	(7,502)	(0.09)	-	-	-	-
Frutarom Acquisition Related Costs (j)	91,983	16,104	75,879	0.95	-	-	-	-
Adjusted (Non-GAAP)	\$ 473,249	\$ 80,600	\$ 392,649	\$ 4.89	\$ 458,009	\$ 101,059	\$ 356,950	\$ 4.49

- (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" related to the acquisitions of David Michael, Fragrance Resources and PowderPure, 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) For 2018, represents costs related to the integration of David Michael and Frutarom. For 2017, represents costs related to the integration of 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. For 2017, represents severance costs related to the 2017 Productivity Program which were partially offset by the reversal of 2015 severance charges that were no longer needed.
- (g) Represents the release of CTA related to the liquidation of a foreign entity.
- (h) For 2018, represents recoveries from the supplier for the third 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 charges incurred related to enactment of certain U.S. tax legislation changes in December 2017.
- (j) Represents transaction-related costs and expenses related to the acquisition of Frutarom. Amount primarily includes \$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 \$26.8 million of transaction costs included in administrative expenses.
- (k) 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 third quarter of 2018, certain non-GAAP adjustments were subject to valuation allowances and therefore was calculated at 0%.
- (l) 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: \$2.1M related to PowderPure, \$5.6M related to Fragrance Resources, \$3.4M related to David Michael, \$6.4M related to Lucas Meyer Cosmetics, and \$4.7M related to Ottens Flavors