UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2021

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _________ to ___________

Commission file number 1-4858

INTERNATIONAL FLAVORS & FRAGRANCES INC.

(Exact name of registrant as specified in its charter)

New York	**13-1432060**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

521 West 57th Street, New York, NY 10019-2960
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (212) 765-5500

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value 12 1/2¢ per share	IFF	New York Stock Exchange
6.00% Tangible Equity Units	IFFT	New York Stock Exchange
0.500% Senior Notes due 2021	IFF 21	New York Stock Exchange
1.750% Senior Notes due 2024	IFF 24	New York Stock Exchange
1.800% Senior Notes due 2026	IFF 26	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 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 ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☑	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

Number of shares of common stock outstanding as of July 29, 2021: 249,064,711

PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS.
INTERNATIONAL FLAVORS & FRAGRANCES INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(DOLLARS IN MILLIONS)	June 30, 2021	December 31, 2020
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 935	$ 650
Restricted cash	7	7
Trade receivables (net of allowances of $42 and $21, respectively)	2,059	929
Inventories: Raw materials	836	566
Work in process	304	38
Finished goods	1,324	528
Total Inventories	2,464	1,132
Prepaid expenses and other current assets	832	342
Total Current Assets	6,297	3,060
Property, plant and equipment, at cost	6,148	2,928
Accumulated depreciation	(1,582)	(1,470)
Property, plant and equipment, net	4,566	1,458
Goodwill	17,250	5,593
Other intangible assets, net	11,448	2,727
Operating lease right-of-use assets	785	299
Other assets	518	418
Total Assets	$ 40,864	$ 13,555
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Bank borrowings, overdrafts, and current portion of long-term debt	$ 616	$ 634
Accounts payable	1,389	556
Accrued payroll and bonus	241	133
Dividends payable	191	82
Other current liabilities	790	499
Total Current Liabilities	3,227	1,904
Long-term debt	11,354	3,779
Retirement liabilities	550	326
Deferred income taxes	2,674	593
Operating lease liabilities	682	265
Other liabilities	477	268
Total Other Liabilities	15,737	5,231
Commitments and Contingencies (Note 15)		
Redeemable noncontrolling interests	100	98
Shareholders' Equity:		
Common stock 12 1/2¢ par value; 500,000,000 shares authorized; 270,266,598 shares issued as of June 30, 2021 and 128,526,137 shares issued as of December 31, 2020; and 249,050,541 and 106,937,990 shares outstanding as of June 30, 2021 and December 31, 2020, respectively	34	16
Capital in excess of par value	19,800	3,853
Retained earnings	3,759	4,156
Accumulated other comprehensive loss	(834)	(698)
Treasury stock, at cost (21,216,057 and 21,588,147 shares as of June 30, 2021 and December 31, 2020, respectively)	(998)	(1,017)
Total Shareholders' Equity	21,761	6,310
Noncontrolling interest	39	12
Total Shareholders' Equity including Noncontrolling interest	21,800	6,322
Total Liabilities and Shareholders' Equity	$ 40,864	$ 13,555

See Notes to Consolidated Financial Statements

INTERNATIONAL FLAVORS & FRAGRANCES INC.
CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)
(Unaudited)

(AMOUNTS IN MILLIONS EXCEPT PER SHARE AMOUNTS)	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Net sales	$ 3,089	$ 1,199	$ 5,554	$ 2,546
Cost of goods sold	2,179	717	3,890	1,498
Gross profit	910	482	1,664	1,048
Research and development expenses	164	81	307	167
Selling and administrative expenses	412	230	863	460
Amortization of acquisition-related intangibles	200	49	352	97
Restructuring and other charges	24	2	28	7
Losses on sales of fixed assets	—	—	—	1
Operating profit	110	120	114	316
Interest expense	77	32	142	64
Other income, net	(11)	(16)	(18)	(5)
Income (loss) before taxes	44	104	(10)	257
Provision for income taxes	14	16	—	42
Net income (loss)	30	88	(10)	215
Net income attributable to noncontrolling interests	2	1	4	4
Net income (loss) attributable to IFF stockholders	28	87	(14)	211
Other comprehensive income (loss), net, after tax:				
Foreign currency translation adjustments	263	147	(154)	(305)
Gains (losses) on derivatives qualifying as hedges	2	(3)	6	(2)
Pension and postretirement net liability	3	3	12	7
Other comprehensive income (loss), net	268	147	(136)	(300)
Comprehensive income (loss) attributable to IFF stockholders	$ 296	$ 234	$ (150)	$ (89)
Net income (loss) per share - basic	$ 0.11	$ 0.75	$ (0.06)	$ 1.91
Net income (loss) per share - diluted	$ 0.11	$ 0.74	$ (0.06)	$ 1.89
Average number of shares outstanding - basic	254	112	230	112
Average number of shares outstanding - diluted	255	114	230	114

See Notes to Consolidated Financial Statements

INTERNATIONAL FLAVORS & FRAGRANCES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(DOLLARS IN MILLIONS)	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Cash flows from operating activities:		
Net (loss) income	$ (10)	$ 215
Adjustments to reconcile to net cash provided by operating activities		
Depreciation and amortization	564	161
Deferred income taxes	(137)	(8)
Losses on sale of assets	—	1
Stock-based compensation	27	19
Pension contributions	(12)	(14)
Amortization of inventory step-up	377	—
Changes in assets and liabilities, net of acquisitions:		
Trade receivables	(205)	(132)
Inventories	(130)	(67)
Accounts payable	250	62
Accruals for incentive compensation	7	7
Other current payables and accrued expenses	32	(30)
Other assets/liabilities, net	(65)	(6)
Net cash provided by operating activities	698	208
Cash flows from investing activities:		
Additions to property, plant and equipment	(165)	(80)
Proceeds from life insurance contracts	—	2
Proceeds from disposal of assets	2	1
Cash provided by the Merger with N&B	193	—
Net cash provided by (used in) investing activities	30	(77)
Cash flows from financing activities:		
Cash dividends paid to shareholders	(274)	(160)
Decrease in revolving credit facility and short-term borrowings	(104)	(1)
Repayments on debt	(24)	(23)
Proceeds from issuance of long-term debt	3	—
Contingent consideration paid	(14)	(1)
Purchases of redeemable noncontrolling interest	—	(22)
Proceeds from issuance of stock in connection with stock options	5	—
Employee withholding taxes paid	(19)	(8)
Net cash used in financing activities	(427)	(215)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(18)	(28)
Net change in cash, cash equivalents and restricted cash	283	(112)
Cash, cash equivalents and restricted cash at beginning of year	660	624
Cash, cash equivalents and restricted cash at end of period	$ 943	$ 512
Supplemental Disclosures:		
Interest paid, net of amounts capitalized	$ 160	$ 57
Income taxes paid	134	58
Accrued capital expenditures	36	29

See Notes to Consolidated Financial Statements

INTERNATIONAL FLAVORS & FRAGRANCES INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Unaudited)

(DOLLARS IN MILLIONS)	Common stock Shares	Common stock Cost	Capital in excess of par value	Retained earnings	Accumulated other comprehensive (loss) income	Treasury stock Shares	Treasury stock Cost	Non-controlling interest	Total
Balance at March 31, 2020	128,526,137	$ 16	$ 3,835	$ 4,162	$ (1,164)	(21,713,880)	$ (1,021)	$ 13	$ 5,841
Net income				87					87
Cumulative translation adjustment					147				147
Losses on derivatives qualifying as hedges; net of tax of $0					(3)				(3)
Pension liability and postretirement adjustment; net of tax of $(1)					3				3
Cash dividends declared ($0.75 per share)				(80)					(80)
Stock options/SSARs						43,465	2		2
Vested restricted stock units and awards			(5)			76,318	2		(3)
Stock-based compensation			10						10
Redeemable NCI			(2)						(2)
Dividends paid on noncontrolling interest and Other				(1)					(1)
Balance at June 30, 2020	128,526,137	$ 16	$ 3,838	$ 4,168	$ (1,017)	(21,594,097)	$ (1,017)	$ 13	$ 6,001

(DOLLARS IN MILLIONS)	Common stock Shares	Common stock Cost	Capital in excess of par value	Retained earnings	Accumulated other comprehensive (loss) income	Treasury stock Shares	Treasury stock Cost	Non-controlling interest	Total
Balance at March 31, 2021	270,266,598	$ 34	$ 19,796	$ 3,922	$ (1,102)	(21,406,957)	$ (1,008)	$ 39	$ 21,681
Net income				28					28
Cumulative translation adjustment					263				263
Gains on derivatives qualifying as hedges; net of tax of $0					2				2
Pension liability and postretirement adjustment; net of tax of $(2)					3				3
Cash dividends declared ($0.77 per share)				(191)					(191)
Stock options/SSARs			1			15,906	1		2
Vested restricted stock units and awards			(14)			174,994	9		(5)
Stock-based compensation			16						16
Redeemable NCI			1						1
Balance at June 30, 2021	270,266,598	$ 34	$ 19,800	$ 3,759	$ (834)	(21,216,057)	$ (998)	$ 39	$ 21,800

See Notes to Consolidated Financial Statements

(DOLLARS IN MILLIONS)	Common stock		Capital in excess of par value	Retained earnings	Accumulated other comprehensive (loss) income	Treasury stock		Non-controlling interest	Total
	Shares	Cost				Shares	Cost		
Balance at January 1, 2020	128,526,137	$ 16	$ 3,823	$ 4,118	$ (717)	(21,738,838)	$ (1,023)	$ 12	$ 6,229
Net income				211				1	212
Cumulative translation adjustment					(305)				(305)
Losses on derivatives qualifying as hedges; net of tax of $0					(2)				(2)
Pension liability and postretirement adjustment; net of tax of $(2)					7				7
Cash dividends declared ($1.50 per share)				(160)					(160)
Stock options/SSARs			(1)			57,228	3		2
Vested restricted stock units and awards			(7)			87,513	3		(4)
Stock-based compensation			19						19
Redeemable NCI			4						4
Dividends paid on noncontrolling interest and Other				(1)					(1)
Balance at June 30, 2020	128,526,137	$ 16	$ 3,838	$ 4,168	$ (1,017)	(21,594,097)	$ (1,017)	$ 13	$ 6,001

(DOLLARS IN MILLIONS)	Common stock		Capital in excess of par value	Retained earnings	Accumulated other comprehensive (loss) income	Treasury stock		Non-controlling interest	Total
	Shares	Cost				Shares	Cost		
Balance at January 1, 2021	128,526,137	$ 16	$ 3,853	$ 4,156	$ (698)	(21,588,147)	$ (1,017)	$ 12	$ 6,322
Net loss				(14)				1	(13)
Cumulative translation adjustment					(154)				(154)
Gains on derivatives qualifying as hedges; net of tax of $1					6				6
Pension liability and postretirement adjustment; net of tax of $(1)					12				12
Cash dividends declared ($1.54 per share)				(383)					(383)
Stock options/SSARs			2			114,635	6		8
Vested restricted stock units and awards			(18)			257,455	13		(5)
Stock-based compensation			27						27
Impact of N&B Merger	141,740,461	18	15,936					26	15,980
Balance at June 30, 2021	270,266,598	$ 34	$ 19,800	$ 3,759	$ (834)	(21,216,057)	$ (998)	$ 39	$ 21,800

INTERNATIONAL FLAVORS & FRAGRANCES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

International Flavors & Fragrances Inc. and its subsidiaries (the “Registrant,” “IFF,” “the Company,” “we,” “us” and “our”) is a leading creator and manufacturer of food, beverage, health & biosciences, scent and pharma solutions and complementary adjacent products, including cosmetic active and natural health ingredients, which are used in a wide variety of consumer products. Our products are sold principally to manufacturers of perfumes and cosmetics, hair and other personal care products, soaps and detergents, cleaning products, dairy, meat and other processed foods, beverages, snacks and savory foods, sweet and baked goods, sweeteners, dietary supplements, food protection, infant and elderly nutrition, functional food, and pharmaceutical excipients and oral care products.

Basis of Presentation

These interim Consolidated Financial Statements and related management’s discussion and analysis should be read in conjunction with the Consolidated Financial Statements and the related notes and management’s discussion and analysis of results of operations, liquidity and capital resources included in our 2020 Annual Report on Form 10-K (“2020 Form 10-K”).

These interim Consolidated Financial Statements are unaudited. In addition, certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States of America have been condensed or omitted, if not materially different from the 2020 Form 10-K. The year-end balance sheet data included in this Form 10-Q was derived from audited financial statement. In the opinion of management, all adjustments, which consist of normal recurring adjustments necessary for a fair statement of the interim Consolidated Financial Statements, have been made.

On February 1, 2021 (the “Closing Date”), the Company completed the combination (the "Merger") of IFF and DuPont de Nemours, Inc (“DuPont”) nutrition and biosciences business (the “N&B Business”), which had been transferred to Nutrition and Biosciences, Inc., a Delaware corporation and wholly owned subsidiary of DuPont ("N&B") in a Reverse Morris Trust transaction. See Note 3 for additional information. As a result, the Company’s Consolidated Financial Statements for the three and six months ended June 30, 2021 reflect the results of N&B from the Closing Date, whereas the Company’s Consolidated Financial Statements for the three and six months ended June 30, 2020 do not.

In the current year, the Company has changed its presentation from thousands to millions and, as a result, any necessary rounding adjustments have been made to prior year disclosed amounts.

Reporting Periods

Effective 2021, the Company changed its fiscal year end from a 52/53-week fiscal year ending on the Friday closest to the last day of the quarter, to a calendar year of the twelve-month period from January 1 to December 31. The Company elected to change its fiscal year end in connection with the Merger with N&B to align the Company’s fiscal year with N&B’s. For the 2020 comparative quarter presented, the actual closing date was July 3. For ease of presentation, June 30 and December 31 are used consistently throughout this Form 10-Q and these interim financial statements and related notes to represent the period-end dates in the comparative periods. The three and six months ended June 30, 2021 both contained three fewer business days than the corresponding periods in 2020, however the impact of this on revenue and net income for the three months ended June 30, 2021, and revenue and net loss for the six months ended June 30, 2021, was not material.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (“U.S. GAAP”) requires management to make estimates and judgments that affect the amounts reported in the Consolidated Financial Statements and accompanying notes. The inputs into our judgments and estimates take into account the current economic implications of the novel coronavirus ("COVID-19") on our critical and significant accounting estimates, including estimates associated with future cash flows that are used in assessing the risk of impairment of certain long-lived assets. Actual results could differ from those estimates.

Cash, Cash Equivalents and Restricted Cash

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported in the Company's statement of cash flows periods ended June 30, 2021 and June 30, 2020 to the amounts reported in the Company's balance sheet as at June 30, 2021, December 31, 2020, June 30, 2020 and December 31, 2019.

(DOLLARS IN MILLIONS)	June 30, 2021	December 31, 2020	June 30, 2020	December 31, 2019
Current assets				
Cash and cash equivalents	$ 935	$ 650	$ 498	$ 60
Restricted cash	7	7	10	1
Noncurrent assets				
Restricted cash included in Other assets	1	3	4	–
Cash, cash equivalents and restricted cash	$ 943	$ 660	$ 512	$ 62

Accounts Receivable

The Company has various factoring agreements in the U.S. and The Netherlands under which it can factor up to approximately $100 million in receivables. In addition, the Company has factoring agreements sponsored by certain customers. Under all of the arrangements, the Company sells the receivables on a non-recourse basis to unrelated financial institutions and accounts for the transactions as a sale of receivables. The applicable receivables are removed from the Company's Consolidated Balance Sheets when the cash proceeds are received by the Company.

Through these factoring programs, the Company removed $384 million and $249 million of receivables from its Consolidated Balance Sheets as of June 30, 2021 and December 31, 2020, respectively, which are primarily related to the factoring agreements sponsored by certain customers.

The impact on cash provided by operations from participating in these programs was an increase of $72 million for the six months ended June 30, 2021 and an increase of $8 million for the six months ended June 30, 2020.

The cost of participating in these programs was approximately $2 million and $1 million for the three months ended June 30, 2021 and 2020, respectively, and was $3 million and $2 million for the six months ended June 30, 2021 and 2020, respectively.

Revenue Recognition

The Company recognizes revenue when control of the promised goods is transferred to its customers in an amount that reflects the consideration it expects to be entitled to in exchange for those goods. Sales, value added, and other taxes the Company collects are excluded from revenues. The Company receives payment in accordance with standard customer terms. See Note 11 for further details on revenues disaggregated by segment.

Contract Assets and Liabilities

With respect to a small number of contracts for the sale of compounds, the Company has an “enforceable right to payment for performance to date” and as the products do not have an alternative use, the Company recognizes revenue for these contracts over time and records a contract asset using the output method. The output method recognizes revenue on the basis of direct measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract.

As of June 30, 2021 and December 31, 2020, the Company's gross accounts receivable was $2.101 billion and $950 million, respectively. The Company's contract assets and contract liabilities as of June 30, 2021 and December 31, 2020 were not material.

Expected Credit Losses

The Company is exposed to credit losses primarily through its sales of products. To determine the appropriate allowance for expected credit losses, the Company considers certain credit quality indicators, such as aging, collection history, and creditworthiness of debtors. Regional and Global Credit committees review and approve specific customer allowance reserves. The allowance for expected credit losses is primarily based on two primary factors: i) the aging of the different categories of trade receivables, and ii) a specific reserve for accounts identified as uncollectible.

The Company also considers current and future economic conditions in the determination of the allowance. At June 30, 2021, the Company reported $2.059 billion of trade receivables, net of allowances of $42 million. Based on the aging analysis as of June 30, 2021, approximately 90% of our accounts receivable were current based on the payment terms of the invoice. Receivables that are past due by over 365 days account for approximately 1% of our accounts receivable.

The following is a rollforward of the Company's allowances for bad debts for the six months ended June 30, 2021, with the write-offs being under $1 million, which was not material:

(DOLLARS IN MILLIONS)		Allowances for Bad Debts
Balance at December 31, 2020	$	21
Bad debt expense		2
Other adjustments[1]		20
Foreign exchange		(1)
Balance at June 30, 2021	$	42

(1) The adjustment to allowances for bad debts was a result of purchase price allocation related to the Merger with N&B.

Long-lived assets

Property, Plant and Equipment Property, plant and equipment are recorded at cost. Depreciation is calculated on a straight-line basis, principally over the following estimated useful lives: buildings and improvements, 1 to 50 years; machinery and equipment, 1 to 40 years; information technology hardware and software, 1 to 23 years; and leasehold improvements which are included in buildings and improvements, the estimated life of the improvements or the remaining term of the lease, whichever is shorter.

Finite-Lived Intangible Assets Finite-lived intangible assets include customer relationships, patents, trade names, technological know-how and other intellectual property valued at acquisition and amortized on a straight-line basis over the following estimated useful lives: customer relationships, 11 – 25 years; patents, 11 - 15 years; trade names, 4 - 28 years; and technological know-how, 5 - 28 years.

The Company reviews long-lived assets for impairment when events or changes in business conditions indicate that their carrying value may not be recovered. An estimate of undiscounted future cash flows produced by an asset or group of assets is compared to the carrying value to determine whether impairment exists. If assets are determined to be impaired, the loss is measured based on an estimate of fair value using various valuation techniques, including a discounted estimate of future cash flows.

Recent Accounting Pronouncements

In January 2021, the FASB issued Accounting Standards Update ("ASU") 2021-01, "Reference Rate Reform (Topic 848): Scope." The ASU is intended to provide updates and responses to concerns over Topic 848 related to the cessation of reference rates in certain financial markets. Alternative reference rates that are more observable or transaction based have been identified and are being transitioned to in numerous jurisdictions globally, such as a receive-variable-rate, pay-variable-rate cross currency interest rate swap. This guidance is effective immediately for all entities, but does not apply to any contract modifications or new hedging relationships entered into after December 31, 2022. The Company is currently evaluating the impact of this guidance, but does not expect this guidance to have a material impact on its Consolidated Financial Statements.

In March 2020, the FASB issued ASU 2020-04, “Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting.” The ASU is intended to simplify various aspects related to the cessation of reference rates in certain financial markets that would otherwise create modification accounting or changes in estimate. This guidance is effective for the period from March 12, 2020 to December 31, 2022. The Company has not adopted any of the optional expedients or exceptions through June 30, 2021 but will continue to evaluate the possible adoption of any such expedients or exceptions during the effective period as circumstances evolve.

In December 2019, the FASB issued ASU 2019-12, “Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes”, and intended to simplify various aspects related to accounting for income taxes. This guidance is effective for fiscal years beginning after December 15, 2020, and for interim periods within those fiscal years, with early adoption permitted. This guidance was adopted on January 2, 2021 and does not have a material impact on the Company's Consolidated Financial Statements.

Fruit Preparation Divestiture

The Company classifies assets as "held for sale" when, among other factors, management approves and commits to a formal plan of sale with the expectation the sale will be completed within one year. The net assets of the business held for sale are then recorded at the lower of their current carrying value or the fair market value, less costs to sell.

During the second quarter of 2021, the Company entered into an agreement to divest its fruit preparation business, which is a part of the Nourish segment. As a result, for the period ended June 30, 2021, such assets were classified as held for sale and are reported as current assets and liabilities on the Consolidated Balance Sheets in the aggregate amount of approximately $113 million. The Company expects that the transaction will close at the end of the third quarter.

NOTE 2. NET INCOME (LOSS) PER SHARE

A reconciliation of the shares used in the computation of basic and diluted net income (loss) per share is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(AMOUNTS IN MILLIONS EXCEPT PER SHARE AMOUNTS)	2021	2020	2021	2020
Net Income (Loss)				
Net income (loss) attributable to IFF stockholders	$ 28	$ 87	$ (14)	$ 211
Adjustment related to (increase) decrease in redemption value of redeemable noncontrolling interests in excess of earnings allocated	1	(2)	—	4
Net income (loss) available to IFF stockholders	$ 29	$ 85	$ (14)	$ 215
Shares				
Weighted average common shares outstanding (basic)(1)	254	112	230	112
Adjustment for assumed dilution(2):				
Stock options and restricted stock awards	—	1	—	1
SPC portion of TEUs	1	1	—	1
Weighted average shares assuming dilution (diluted)	255	114	230	114
Net Income (Loss) per Share(3)				
Net income (loss) per share - basic(4)	$ 0.11	$ 0.75	$ (0.06)	$ 1.91
Net income (loss) per share - diluted(5)	0.11	0.74	(0.06)	1.89

(1) For the three and six months ended June 30, 2021 and 2020, the tangible equity units ("TEUs") were assumed to be outstanding at the minimum settlement amount for basic earnings per share. See below for details.

(2) Effect of dilutive securities includes dilution under stock plans and incremental impact of TEUs. See below for details.

(3) Diluted net income (loss) per share attributable to IFF for the six months ended June 30, 2021 excluded approximately one million potentially dilutive securities because there was a net loss attributable to IFF for the period and, as such, the inclusion of these securities would have been anti-dilutive.

(4) For the three and six months ended June 30, 2020, the basic net income per share cannot be recalculated based on the information presented in the table above due to the effects of rounding and change in presentation from thousands to millions between 2020 and 2021, respectively.

(5) For the three months ended June 30, 2020, the diluted net income per share cannot be recalculated based on the information presented in the table above due to the effects of rounding and change in presentation from thousands to millions between 2020 and 2021, respectively.

As of the effective time of the Merger, each issued and outstanding share of common stock of N&B (except for shares of common stock of N&B held by N&B as treasury stock or by DuPont, which were canceled and ceased to exist and no consideration was delivered in exchange therefor) was converted into the right to receive one share of common stock of IFF. The Merger was completed in exchange for 141,740,461 shares of IFF common stock, par value $0.125 per share (or cash payment in lieu of fractional shares), which had been approved in the special shareholder meeting that occurred on August 27, 2020 where IFF shareholders voted to approve the issuance of shares of IFF common stock in connection with the N&B Transaction, pursuant to an Agreement and Plan of Merger (the "Merger Agreement"). The shares issued in the Merger represented approximately 55.4% of the common stock of IFF on a fully diluted basis, after giving effect to the Merger, as of February 1, 2021.

The Company declared a quarterly dividend to its shareholders of $0.77 and $0.75 per share for the three months ended June 30, 2021 and 2020, respectively. For the six months ended June 30, 2021 and 2020, the Company declared quarterly dividends to its shareholders totaling $1.54 and $1.50, respectively.

There were no stock options or stock-settled appreciation rights ("SSARs") excluded from the computation of diluted net income (loss) per share for the three months ended June 30, 2021 and three and six months ended June 30, 2020.

The Company issued 16,500,000 TEUs, consisting of a prepaid stock purchase contract ("SPC") and a senior amortizing note, for net proceeds of $800 million on September 17, 2018. For purposes of calculating basic net income (loss) per share, the SPCs were assumed to be settled at the minimum settlement amount of 0.3134 shares per SPC on June 30, 2021 and 2020. For purposes of calculating diluted earnings per share, the SPCs were assumed to be settled at a conversion factor not to exceed 0.3411 and 0.3839 on June 30, 2021 and 2020, respectively. The SPC conversion factor is based on the 20 day volume-weighted average price (“VWAP”) per share of the Company’s common stock. Per the TEU agreement, the maximum settlement amount is 0.3839 shares per SPC.

The Company has issued shares of purchased restricted common stock units (“PRSUs”) which contain rights to nonforfeitable dividends while these shares are outstanding and thus are considered participating securities. Such securities are required to be included in the computation of basic and diluted earnings per share pursuant to the two-class method.

The Company did not present the two-class method since the difference between basic and diluted net income (loss) per share for both unrestricted common shareholders and PRSU shareholders for the three months ended June 30, 2021 was less than $0.01 per share and there was no difference between basic and diluted net income (loss) per share for both unrestricted common shareholders and PRSU shareholders for the six months ended June 30, 2021. Additionally, the difference for the three and six months ended June 30, 2020 was less than $0.01 per share. The number of PRSUs outstanding as of June 30, 2021 and 2020 was not material. Net income allocated to such PRSUs was not material for the three months ended June 30, 2021 and 2020. Net loss allocated to such PRSUs was not material for the six months ended June 30, 2021 and net income allocated to such PRSUs was also not material for the six months ended June 30, 2020.

NOTE 3. ACQUISITIONS

Transaction with Nutrition & Biosciences, Inc.

On February 1, 2021, IFF completed the Merger with N&B. Pursuant to the transaction related agreements, DuPont transferred its N&B Business to N&B, a wholly-owned subsidiary of DuPont, and N&B merged with and into a wholly owned subsidiary of IFF in exchange for 141,740,461 shares of IFF common stock, par value $0.125 per share (“IFF Common Stock”).

On the Closing Date, the Company completed its Merger with N&B in a Reverse Morris Trust transaction (the “Transactions”), pursuant to which the Company acquired the N&B Business of DuPont. In the Transactions, among other steps (i) DuPont transferred the N&B Business to N&B (the “Separation”); (ii) N&B made a cash distribution to DuPont of approximately $7.359 billion, subject to certain adjustments (the “Special Cash Payments”); (iii) DuPont distributed to its stockholders all of the issued and outstanding shares of N&B common stock by way of an exchange offer (the “Distribution”), and; (iv) N&B merged with and into a wholly owned subsidiary of IFF. As a result of the Merger, the existing shares of N&B common stock were automatically converted into the right to receive a number of shares of IFF Common Stock. Immediately after the Merger, holders of DuPont’s common stock that received shares of N&B common stock in the Distribution owned approximately 55.4% of the outstanding shares of IFF Common Stock on a fully diluted basis and existing holders of IFF Common Stock owned approximately 44.6% of the outstanding shares of IFF on a fully diluted basis.

The Merger was accounted for using the purchase method of accounting in accordance with ASC Topic 805, Business Combinations, with IFF identified as the acquirer. As a result of the Merger, N&B’s assets, liabilities and the operating results of N&B were included in the Company’s financial statements from the Closing Date. N&B contributed net sales of approximately $1.693 billion and net loss of approximately $85 million for the three months ended June 30, 2021 and net sales of approximately $2.769 billion and net loss of approximately $144 million for the six months ended June 30, 2021, which includes the effects of purchase accounting adjustments, primarily related to changes in amortization of intangible assets, depreciation of property, plant and equipment and amortization of stepped up inventory.

Prior to the Distribution, N&B incurred new indebtedness in the form of term loans and senior notes in an aggregate principal amount of $7.500 billion to pay the Special Cash Payments made to DuPont stockholders. See Note 7 for additional information regarding the new term loans and senior notes incurred by N&B and subsequently assumed by IFF.

Purchase Price

The following table summarizes the aggregate purchase price consideration paid to acquire N&B (in millions, except share and per share data):

(DOLLARS IN MILLIONS)		
Fair value of common stock issued to DuPont stockholders[1]	$	15,929
Fair value attributable to pre-merger service for replacement equity awards[2]		25
Total purchase consideration	$	15,954

(1) The fair value of common stock issued to DuPont stockholders represents 141,740,461 shares of the Company's common stock determined based on the number of fully diluted shares of IFF common stock, immediately prior to the Closing Date, multiplied by the quotient of 55.4%/44.6% and IFF common stock closing share price of $112.38 on the New York Stock Exchange on the Closing Date.

(2) At the time of the Transactions, each outstanding stock option, cash-settled stock appreciation right ("SAR"), restricted stock unit ("RSU") award, and restricted stock award ("RSA") with respect to DuPont common stock held by employees of N&B were canceled and converted into similar classes of equity awards of IFF's Class A Common Stock. Further, each outstanding Performance Share Unit ("PSU") award with respect to DuPont common stock held by employees of N&B were canceled and converted into IFF's RSU awards. The conversion was based on the ratio of the volume-weighted average per share closing price of DuPont stock on the twenty trading days prior to the Closing Date and IFF's stock on the twenty trading days following the Closing Date. The fair value of replacement equity-based awards attributable to pre-Merger service was recorded as part of the consideration transferred in the Merger (see Note 10 for additional information).

Purchase Price Allocation

The Merger with N&B was accounted for under the acquisition method under which the Company allocated the purchase consideration to the tangible net assets and identifiable assets acquired based on estimated fair values at the Closing Date, and recorded the excess of consideration over the fair values of net assets acquired as goodwill. The purchase price allocation is preliminary and is subject to change. The Company is still evaluating the valuation and estimated useful lives of property, plant and equipment, goodwill, intangible assets (trade names, customer relationships and technological know-hows), inventory and leases, in addition to ensuring all other assets and liabilities and contingencies have been identified and recorded. Due to the timing of the business combination and the magnitude of and multi-jurisdictional nature of the net assets acquired, at June 30, 2021, the valuation process to determine the fair values is not complete and further adjustments are expected in fiscal year 2021. The Company has estimated the preliminary fair value of net assets acquired based on information currently available and will continue to adjust those estimates as additional information becomes available during the measurement period. As of June 30, 2021, the Company has not finalized its assessment of the In-Process Research and Development (IPR&D) assets acquired as part of the Transactions. Further, the assessment of certain contingencies including loss contracts and environmental liabilities, pension and postretirement benefit obligations and taxes remain open for completion of the related analysis. Additionally, the Company is finalizing the projected combined future tax rate to be applied to the valuation of assets, which could impact the valuation of goodwill and intangible assets. The Company will finalize its accounting for the N&B Merger, including the allocation of goodwill to reporting units, within one year of the Closing Date.

The following table summarizes the preliminary estimated fair values of the assets acquired and liabilities assumed:

(DOLLARS IN MILLIONS)	As Reported in the First Quarter of 2021	Measurement Period Adjustments[1]	As Reported in the Second Quarter of 2021
Cash and cash equivalents	$ 207	$ (14)	$ 193
Receivables	962	(8)	954
Inventory	1,615	(15)	1,600
Prepaid expenses and other current assets	342	—	342
Property, plant and equipment	3,242	1	3,243
Deferred income taxes	75	2	77
Intangible assets	9,176	(5)	9,171
Other assets	702	—	702
Accounts payable and accrued liabilities	(1,028)	16	(1,012)
Accrued payroll and employee benefits	(163)	—	(163)
Deferred tax liabilities	(2,369)	(1)	(2,370)
Long-term debt	(7,636)	—	(7,636)
Other long-term liabilities	(907)	(2)	(909)
Total identifiable net assets assumed	4,218	(26)	4,192
Non-controlling interest	(26)	—	(26)
Goodwill	11,762	26	11,788
Preliminary purchase price	$ 15,954	$ —	$ 15,954

(1) The preliminary fair value purchase price allocation of the assets and liabilities acquired in the N&B Merger as reported in the first quarter of 2021 were updated during the three months ended June 30, 2021, primarily due to refining fair value measurements of intangible assets, property, plant and equipment, and inventory, as well as refining carrying amounts of certain assets and liabilities due to obtaining new facts and circumstances about acquired assets and liabilities that existed at the acquisition date. The cumulative impact of the adjustments during the three months ended June 30, 2021 resulted in a $26 million increase to goodwill.

Acquired inventory is comprised of finished goods, work in process and raw materials. The preliminary fair value of finished goods was calculated as the estimated selling price, adjusted for costs of the selling effort and a reasonable profit allowance relating to the selling effort. The preliminary fair value of work in process inventory was primarily calculated as the estimated selling price, adjusted for estimated costs to complete the manufacturing, estimated costs of the selling effort, as well as a reasonable profit margin on the remaining manufacturing and selling effort. The preliminary fair value of raw materials and supplies was determined based on replacement cost which approximates historical carrying value. The preliminary fair value step-up is amortized to “Cost of goods sold” in the Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) as the inventory is sold, which is expected to be a period of approximately four months from the Closing Date.

The preliminary fair value of property, plant and equipment was primarily calculated using the cost approach, which determines the replacement costs for the assets and adjusts it for their age and condition. The fair value of the land assets was determined via the sales comparison approach.

The long-term debt assumed is comprised of a Term Loan Facility and Notes. The fair value of the Notes was determined on the basis of unadjusted quoted prices on an over-the-counter market. The fair value of the long-term debt assumed as part of the Term Loan Facility is based on the total indebtedness at the time of closing the Merger.

The Company has recognized $11.788 billion of goodwill to date in connection with the N&B Merger, which is in part attributable to expected synergies generated by the integration of N&B including cross-selling benefits as well as cost synergies, substantially all of which is not deductible for income tax purposes. Any further changes in the estimated fair values of the assets acquired and liabilities assumed in the Merger may change the amount of the purchase consideration allocated to goodwill. Goodwill of $2.393 billion, $7.694 billion and $1.701 billion is allocated to the Nourish, Health & Biosciences and Pharma Solutions segments, respectively. The allocation of goodwill to segments was based on a preliminary analysis and is subject to change during the measurement period as the Company continues to finalize the valuations of assets acquired and liabilities assumed.

The estimated preliminary fair value and useful lives of the identifiable intangible assets are as follows:

(DOLLARS IN MILLIONS)	Estimated Amounts	Estimated Useful Lives
Finite lived intangible assets		
Trade names	$ 281	4 to 22 years
Customer relationships	6,785	13 to 25 years
Technological know-how	2,105	5 to 14 years
Total	$ 9,171	

The fair value of intangible assets is generally determined using an income method, which is based on forecasts of the expected future cash flows attributable to the respective assets. Significant estimates and assumptions inherent in the valuations reflect a consideration of other market participants, and include the amount and timing of future cash flows (including expected growth rates and profitability), royalty rates used in the relief from royalty method, customer attrition rates, product obsolescence factors, a brand’s relative market position and the discount rate applied to the cash flows. Unanticipated market or macroeconomic events and circumstances may occur, which could affect the accuracy or validity of the estimates and assumptions. Determining the useful life of an intangible asset also requires significant judgment. Trade names, customer relationships and technological know-hows are expected to have finite lives. The costs of finite-lived intangible assets are amortized through expense over their estimated lives.

Lease liabilities, included in “Other current liabilities” and “Operating lease liabilities” in the Consolidated Balance Sheets, at the Closing Date, are remeasured at the present value of the future minimum lease payments over the remaining lease term and the incremental borrowing rate of the Company as if the acquired leases were new leases as of the Closing Date. Right-of-use assets included in "Operating lease right-of-use assets" and “Other assets” in the Consolidated Balance Sheets as of the Closing Date, are equal to the amount of the lease liability at the Closing Date. As of June 30, 2021, the Company has not finalized its assessment of any off-market terms of the leases. The remaining lease term is based on the remaining term at the Closing Date plus any renewal or extension options that the Company is reasonably certain will be exercised.

The deferred income tax assets and liabilities include the expected future federal, state and foreign tax consequences associated with temporary differences between the preliminary fair values of the assets acquired and liabilities assumed and the respective tax bases. Tax rates utilized in calculating deferred income taxes generally represent the enacted statutory tax rates at the effective date of the Merger in the jurisdictions in which legal title of the underlying asset or liability resides. See Note 9 for additional information related to income taxes.

Pro Forma Financial Information

The following unaudited pro forma financial information presents the combined results of operations of IFF and N&B as if the Merger had been completed as of the prior fiscal year, or January 1, 2020. The unaudited pro forma financial information is presented for informational purposes and is not indicative of the results of operations that would have been achieved if the Merger and related borrowings had taken place on January 1, 2020, nor are they indicative of future results. The unaudited pro forma financial information for the six months ended June 30, 2021 includes IFF results, including the post-Merger results of N&B, since February 1, 2021, and pre-Merger results of N&B for the period January 1, 2021 through January 31, 2021.

The unaudited pro forma results for the six months ended June 30, 2021 and 2020 were as follows:

	Six Months Ended June 30,	
(DOLLARS IN MILLIONS)	2021	2020
Unaudited pro forma net sales	$ 6,061	$ 5,636
Unaudited pro forma net income (loss) attributable to the Company	406	(91)

The unaudited pro forma results for all periods include adjustments made to account for certain costs and transactions that would have been incurred had the Merger been completed as of January 1, 2020, including amortization charges for acquired intangibles assets, adjustments for transaction costs, adjustments for depreciation expense for property, plant and equipment, inventory step-up and adjustments to interest expense. These adjustments are net of any applicable tax impact and were included to arrive at the pro forma results above.

For the three months ended June 30, 2021, the Company incurred transaction-related costs of approximately $2 million. This amount primarily consists of professional services fees, legal fees and others. For the six months ended June 30, 2021, the Company incurred transaction-related costs of approximately $91 million. This amount primarily consists of the following: approximately $79 million of M&A advisory fees and $12 million of professional services fees, legal fees and others.

NOTE 4. RESTRUCTURING AND OTHER CHARGES

Restructuring and other charges primarily consist of separation costs for employees including severance, outplacement and other employee benefit costs ("Severance"), charges related to the write-down of fixed assets of plants to be closed ("Fixed asset write-down") and all other related restructuring ("Other") costs. All restructuring and other charges are separately stated on the Consolidated Statements of Income (Loss) and Comprehensive Income (Loss).

Frutarom Integration Initiative

In connection with the acquisition of Frutarom, the Company has been executing an integration plan that, among other initiatives, seeks to optimize its manufacturing network (the "Frutarom Integration Initiative"). As part of the Frutarom Integration Initiative, the Company now expects to close approximately 30 manufacturing sites with most of the closures targeted to occur by the end of 2022. Between 2019 and 2020, the Company completed the closure of 21 sites. During the six months ended June 30, 2021, the Company completed the closure of one site. Since the inception of the initiative through June 30, 2021, the Company has closed 22 sites and expensed total costs of approximately $29 million. Total costs for the program are expected to be approximately $60 million including cash and non-cash items through 2022.

2019 Severance Program

During the year ended December 31, 2019, the Company incurred severance charges related to approximately 190 headcount reductions, excluding those previously mentioned under the Frutarom Integration Initiative. The headcount reductions primarily related to the Scent business unit with additional amounts related to headcount reductions in all business units associated with the establishment of a new shared service center in Europe. Since the inception of the program, the Company has expensed approximately $21 million to date. As of June 30, 2021, the program is largely completed.

N&B Merger Restructuring Liability

For the six months ended June 30, 2021, the Company incurred approximately $25 million of charges related to severance for approximately 200 headcount reductions that will occur in 2021.

Changes in Restructuring Liabilities

Changes in restructuring liabilities by program during the six months ended June 30, 2021 were as follows:

(DOLLARS IN MILLIONS)	Balance at December 31, 2020	Additional Charges (Reversals), Net	Cash Payments	Impact of N&B Merger[2]	Balance at June 30, 2021
Frutarom Integration Initiative					
Severance	$ 3	$ 2	$ (2)	$ —	$ 3
Other[1]	3	—	—	—	3
2019 Severance Plan					
Severance	6	—	—	—	6
Other Restructuring Charges					
Severance	2	—	(1)	—	1
Other[3]	—	1	—	—	1
N&B Merger Restructuring Liability					
Severance	—	25	(1)	4	28
Total restructuring	$ 14	$ 28	$ (4)	$ 4	$ 42

(1) Other includes supplier contract termination costs, consulting and advisory fees.
(2) Restructuring liabilities related to severance assumed as a result of the Merger with N&B.
(3) Includes charges related to legal settlement costs.

Charges by Segment

The following table summarizes the total amount of costs incurred in connection with these restructuring programs by segment:

(DOLLARS IN MILLIONS)	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Nourish	$ 17	$ 2	$ 20	$ 7
Health & Biosciences	4	—	4	—
Scent	2	—	3	—
Pharma Solutions	1	—	1	—
Total Restructuring and other charges	$ 24	$ 2	$ 28	$ 7

NOTE 5. GOODWILL AND OTHER INTANGIBLE ASSETS, NET

Goodwill

In the first quarter of 2021, in connection to the Merger, the Company reorganized its reporting structure. In connection with this reorganization, goodwill was reassigned among reporting units using a relative fair value approach based on the fair value of the elements transferred and the fair value of the elements remaining within the original reporting units. The Company tested goodwill for impairment on a pre-reorganization basis and determined there was no impairment for the affected reporting units. In connection with the reorganization, $985 million of goodwill previously included in the Taste segment, now the Nourish segment, was moved to the Scent and Health & Biosciences segments amounting to $257 million and $728 million, respectively.

Movements in goodwill attributable to each reportable segment for the six months ended June 30, 2021 were as follows:

(DOLLARS IN MILLIONS)	Nourish	Health & Biosciences	Scent	Pharma Solutions	Total
Balance at December 31, 2020	$ 4,859	$ —	$ 734	$ —	$ 5,593
Acquisitions(1)	2,393	7,694	—	1,701	11,788
Transferred to assets held for sale	(27)	—	—	—	(27)
Foreign exchange	(32)	(53)	(8)	(11)	(104)
Reallocation	(985)	728	257	—	—
Balance at June 30, 2021	$ 6,208	$ 8,369	$ 983	$ 1,690	$ 17,250

(1) Acquisitions relate to the Merger with N&B. The amount of goodwill, and allocation of goodwill among reporting units, from the Merger with the N&B Business is preliminary and may materially change in future periods as a result of purchase accounting being finalized. See Note 3 for additional information.

Other Intangible Assets

Other intangible assets, net consisted of the following amounts:

(DOLLARS IN MILLIONS)	June 30, 2021	December 31, 2020
Asset Type		
Customer relationships	$ 9,421	$ 2,728
Trade names & patents	446	187
Technological know-how	2,574	479
Other	30	38
Total carrying value	12,471	3,432
Accumulated Amortization		
Customer relationships	(660)	(470)
Trade names & patents	(84)	(38)
Technological know-how	(251)	(168)
Other	(28)	(29)
Total accumulated amortization	(1,023)	(705)
Other intangible assets, net	$ 11,448	$ 2,727

Amortization

Amortization expense was $200 million and $49 million for the three months ended June 30, 2021 and 2020, respectively, and $352 million and $97 million for the six months ended June 30, 2021 and 2020, respectively.

Amortization expense for the next five years is expected to be as follows:

(DOLLARS IN MILLIONS)	2021	2022	2023	2024	2025
Estimated future intangible amortization expense	$ 391	$ 779	$ 779	$ 779	$ 777

NOTE 6. OTHER ASSETS AND LIABILITIES, CURRENT AND NONCURRENT

Other current assets consisted of the following amounts:

(DOLLARS IN MILLIONS)	June 30, 2021	December 31, 2020
Value-added tax receivable	$ 182	$ 93
Income tax receivable	70	100
Prepaid expenses	298	100
Assets held for sale[(1)]	124	—
Other	158	49
Total	$ 832	$ 342

(1) Includes assets held for sale related to the Company's fruit preparation business.

Other assets consisted of the following amounts:

(DOLLARS IN MILLIONS)	June 30, 2021	December 31, 2020
Finance lease right-of-use assets	$ 21	$ 8
Deferred income taxes	113	197
Overfunded pension plans	106	101
Cash surrender value of life insurance contracts	51	49
Other[(1)]	227	63
Total	$ 518	$ 418

(1) Includes restricted cash, land usage rights in China and long term deposits.

Other current liabilities consisted of the following amounts:

(DOLLARS IN MILLIONS)	June 30, 2021	December 31, 2020
Rebates and incentives payable	$ 92	$ 64
Value-added tax payable	64	20
Interest payable	55	29
Current pension and other postretirement benefit obligation	12	13
Accrued insurance (including workers' compensation)	9	11
Earn outs payable	2	14
Restructuring and other charges	42	14
Short term operating lease obligation	112	41
Short term financing lease obligation	4	3
Accrued income taxes	41	42
Liabilities held for sale[(1)]	11	—
Other	346	248
Total	$ 790	$ 499

(1) Includes liabilities held for sale related to the Company's fruit preparation business.

NOTE 7. DEBT

Debt consisted of the following:

(DOLLARS IN MILLIONS)	Effective Interest Rate	June 30, 2021	December 31, 2020
2021 Euro Notes[1]	0.82 %	$ 358	$ 368
2022 Notes[3]	0.69 %	300	—
2023 Notes[1]	3.30 %	299	299
2024 Euro Notes[1]	1.88 %	595	614
2025 Notes[3]	1.22 %	1,001	—
2026 Euro Notes[1]	1.93 %	949	978
2027 Notes[3]	1.56 %	1,220	—
2028 Notes[1]	4.57 %	397	397
2030 Notes[3]	2.21 %	1,511	—
2040 Notes[3]	3.04 %	775	—
2047 Notes[1]	4.44 %	494	494
2048 Notes[1]	5.12 %	786	786
2050 Notes[3]	3.21 %	1,574	—
2018 Term Loan Facility[1]	3.65 %	240	240
2022 Term Loan Facility [1]	1.73 %	200	199
2024 Term Loan Facility[3]	1.45 %	625	—
2026 Term Loan Facility[3]	1.84 %	625	—
Amortizing Notes[1]	6.09 %	12	36
Bank overdrafts and other		9	2
Total debt		11,970	4,413
Less: Short-term borrowings[2]		(616)	(634)
Total Long-term debt		$ 11,354	$ 3,779

(1) Amount is net of unamortized discount and debt issuance costs.
(2) Includes bank borrowings, overdrafts and current portion of long-term debt.
(3) Assumed by the Company as part of the N&B Merger.

Term Loan Facility and Senior Notes assumed as part of the N&B Merger

Following the Merger, the Company assumed the indebtedness incurred by N&B in the debt financings completed prior to the Distribution. This indebtedness includes (i) a Term Loan Facility of $1.250 billion pursuant to the term loan credit agreement (the "N&B Term Loan Facility") and (ii) a series of Senior Notes in the aggregate amount of $6.250 billion with maturities ranging from 2 – 30 years as further described below. N&B's indebtedness raised prior to the Merger was used to finance the Special Cash Payment to DuPont, which has been paid, and for the satisfaction of the related transaction fees and expenses. See Note 3 for additional information.

N&B Term Loan Facility

The N&B Term Loan Facility was funded on February 1, 2021, and provides for a senior unsecured term loan credit facility in an aggregate principal amount of $1.250 billion, comprised of a $625 million three-year tranche ("2024 Term Loan Facility") and a $625 million five-year tranche ("2026 Term Loan Facility"). Interest for each tranche equals, at the Company's option, a per annum rate equal to either (x) an adjusted LIBOR rate plus an applicable margin varying from 0.750% to 2.000% for the three-year tranche and from 1.125% to 2.375% for the five-year tranche or (y) a base rate plus an applicable margin varying from 0.000% to 1.000% for the three-year tranche and from 0.125% to 1.375% for the five-year tranche, in each case depending on the class of IFF's non-credit-enhanced, senior unsecured long-term debt credit rating.

The 2024 Term Loan Facility and 2026 Term Loan Facility are subject to customary affirmative and negative covenants and events of default after the Closing Date of the Merger. The 2024 Term Loan Facility and 2026 Term Loan Facility are also subject to a financial covenant requiring maintenance of a maximum consolidated leverage ratio of 4.75x until and including the end of the third full fiscal quarter after the Closing Date of the Merger, stepping down to 4.50x until and including the end of the sixth full fiscal quarter after the Closing Date of the Merger, stepping down further to 3.75x until and including the end of the ninth full fiscal quarter after the Closing Date of the Merger and stepping down further to 3.50x thereafter, with a step-up in connection with certain qualifying acquisitions. The Company was in compliance with all covenants as of June 30, 2021.

N&B Senior Notes

On September 16, 2020, N&B issued $6.250 billion in aggregate principal amount of senior unsecured notes consisting of: (i) $300 million senior unsecured notes maturing on September 15, 2022 (the “2022 Notes”), bearing interest at a rate of 0.697% per year, payable semi-annually on March 15 and September 15 of each year, beginning March 15, 2021; (ii) $1.000 billion senior unsecured notes maturing on October 1, 2025 (the “2025 Notes”), bearing interest at a rate of 1.230% per year, payable semi-annually on April 1 and October 1 of each year, beginning April 1, 2021; (iii) $1.200 billion senior unsecured notes maturing on October 15, 2027 (the “2027 Notes”), bearing interest at a rate of 1.832% per year, payable semi-annually on April 15 and October 15 of each year, beginning April 15, 2021; (iv) $1.500 billion senior unsecured notes maturing on November 1, 2030 (the “2030 Notes”), bearing interest at a rate of 2.300% per year, payable semi-annually on May 1 and November 1 of each year, beginning May 1, 2021; (v) $750 million senior unsecured notes maturing on November 15, 2040 (the “2040 Notes”), bearing interest at a rate of 3.268% per year, payable semi-annually on May 15 and November 15 of each year, beginning May 15, 2021, and; (vi) $1.500 billion senior unsecured notes maturing on December 1, 2050 (the “2050 Notes”), bearing interest at a rate of 3.468% per year, payable semi-annually on June 1 and December 1 of each year, beginning June 1, 2021.

Interest on each series of notes began accruing from September 16, 2020 payable semi-annually in arrears as described above. Interest is computed on the basis of a 360-day year comprised of twelve 30-day months.

Redemption Provisions

The N&B Senior Notes assumed as a result of the Merger may be redeemed by the issuer at any time at the greater of 100% or the discounted present value of the remaining scheduled payments of principal and interest from the redemption date to the maturity date at Treasury Rate (as defined in the applicable indenture) plus (i) 10 basis points in the case of the 2022 Notes, (ii) 15 basis points in the case of the 2025 Notes, (iii) 25 basis points in the case of the 2027 Notes, (iv) 25 basis points in the case of the 2030 Notes, (v) 30 basis points in the case of the 2040 Notes and (vi) 30 basis points in the case of the 2050 Notes. The redemption dates of each of the N&B Senior Notes are provided in the table below:

Notes	Redemption Date
2022 Notes	September 15, 2022
2025 Notes	September 1, 2025
2027 Notes	August 15, 2027
2030 Notes	August 1, 2030
2040 Notes	May 15, 2040
2050 Notes	June 1, 2050

On or after the applicable redemption dates, each series of the N&B Senior Notes may be redeemed by the issuer at a redemption price equal to 100% of the principal amount of the N&B Senior Notes to be redeemed, plus accrued and unpaid interest on the notes to be redeemed to, but excluding, the redemption date.

2022 Term Loan Facility

On May 15, 2020, the Company entered into a Term Loan Agreement (as amended on August 25, 2020, the "2022 Term Loan Agreement") with China Construction Bank Corporation, New York Branch, as administrative agent, and the lenders party thereto for a senior unsecured two year term loan facility in an aggregate principal amount of up to $200 million (the "2022 Term Loan Facility").

The loans under the 2022 Term Loan Agreement bear interest, at the Company's option, at a per annum rate equal to either (x) an adjusted LIBOR rate plus an applicable margin varying from 1.225% to 2.475% or (y) a base rate plus an applicable margin varying from 0.225% to 1.475%, in each case depending on the public debt ratings for non-credit enhanced long-term senior unsecured debt issued by the Company. The Company may voluntarily prepay the term loans without premium or penalty, with the balance payable on the second anniversary of the funding date. There is no required amortization under the 2022 Term Loan Agreement.

As of June 30, 2021, the Company had $200 million outstanding in borrowings under the 2022 Term Loan Agreement. The 2022 Term Loan Agreement contains various covenants, limitations and events of default customary for similar facilities for similarly rated borrowers, including a maximum ratio of net debt to EBITDA of 4.75x, with step-downs over time, following the close of the N&B Merger.

NOTE 8. LEASES

The Company has leases for corporate offices, manufacturing facilities, research and development facilities, and certain transportation and office equipment. The Company's leases have remaining lease terms of up to 40 years, some of which include options to extend the leases for up to 5 years.

The components of lease expense were as follows:

(DOLLARS IN MILLIONS)	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Operating lease cost	$ 46	$ 12	$ 78	$ [illegible]
Finance lease cost	1	1	2	

Supplemental cash flow information related to leases was as follows:

(DOLLARS IN MILLIONS)	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows for operating leases	$ 60	$ 24
Financing cash flows for finance leases	2	1
Right-of-use assets obtained in exchange for lease obligations		
Operating leases	31	22
Finance leases	15	2

Operating lease right-of-use assets are presented in "Operating lease right-of-use assets" and financing lease right-of-use assets are presented in "Other Assets" in the Consolidated Balance Sheets. Operating lease liabilities are presented in "Operating lease liabilities" and financing lease liabilities are presented in "Other Liabilities" in the Consolidated Balance Sheets. Any other current liabilities related to operating and financing lease liabilities are presented in "Other Current Liabilities" in the Consolidated Balance Sheets.

Right-of-use assets and lease liabilities acquired from N&B were remeasured at the present value of the future minimum lease payments over the remaining lease term utilizing an updated incremental borrowing rate of the Company as if the acquired leases were new leases as of the Closing Date. Right-of-use assets were further adjusted for any off-market terms of the lease. The remaining lease term is based on the remaining term at the Closing Date plus any renewal or extension options that the Company is reasonably certain will be exercised. Additionally, the Company has elected short-term lease treatment for those acquired lease contracts which, at the Closing Date, have a remaining lease term of 12 months or less. For the leases acquired through the Transactions, the Company will retain the previous lease classification. This resulted in an increase in both right-of-use assets and operating lease liabilities of approximately $530 million as of the Closing Date.

NOTE 9. INCOME TAXES

Uncertain Tax Positions

As of June 30, 2021, the Company had $133 million of unrecognized tax benefits recorded in Other liabilities and an amount less than $1 million recorded to Other current liabilities. The balance includes $38 million associated with N&B uncertain tax positions recorded in the purchase accounting measurement period. If these unrecognized tax benefits were recognized, the effective tax rate would be affected.

As of June 30, 2021, the Company had accrued interest and penalties of $35 million classified in Other liabilities and an amount less than $1 million classified in Other current liabilities. The balance includes $19 million associated with N&B uncertain tax positions recorded in the purchase accounting measurement period.

As of June 30, 2021, the Company’s aggregate provisions for uncertain tax positions, including interest and penalties, was $169 million associated with tax positions asserted in various jurisdictions. The balance includes $57 million associated with N&B uncertain tax positions recorded in the purchase accounting measurement period.

The Company regularly repatriates earnings from non-U.S. subsidiaries. As the Company repatriates these funds to the U.S., they will be required to pay income taxes in certain U.S. states and applicable foreign withholding taxes during the period when such repatriation occurs. Accordingly, as of June 30, 2021, the Company had a deferred tax liability of $65 million for the effect of repatriating the funds to the U.S., attributable to various non-U.S. subsidiaries. There is no deferred tax liability associated with non-U.S. subsidiaries where we intend to indefinitely reinvest the earnings to fund local operations and/or capital projects.

The Company has ongoing income tax audits and legal proceedings which are at various stages of administrative or judicial review. In addition, the Company has open tax years with various taxing jurisdictions that range primarily from 2011 to 2020. Based on currently available information, the Company does not believe the outcome of any of these tax audits and other tax positions related to open tax years, when finalized, will have a material impact on its results of operations.

The Company also has other ongoing tax audits and legal proceedings that relate to indirect taxes, such as value-added taxes, sales and use taxes and property taxes, which are discussed in Note 15.

Effective Tax Rate

The effective tax rate for the three months ended June 30, 2021 was 31.8% compared to 15.4% for the three months ended June 30, 2020. The quarter-over-quarter increase was primarily due to an unfavorable mix of earnings, higher repatriation costs and a one-time non-cash impact due to the UK rate change enacted during the second quarter of 2021.

The effective tax rate for the six months ended June 30, 2021 was 0% compared to 16.3% for the six months ended June 30, 2020. The quarter-over-quarter decrease was primarily due to a favorable mix of earnings, partially offset by higher repatriation costs and a one-time non-cash impact due to the UK rate change enacted during the second quarter of 2021.

NOTE 10. STOCK COMPENSATION PLANS

The Company has various plans under which its officers, senior management, other key employees and directors may be granted equity-based awards. Equity awards outstanding under the plans include PRSUs, RSUs, SSARs and Long-Term Incentive Plan awards. Liability-based awards outstanding under the plans are cash-settled RSUs.

Stock-based compensation expense and related tax benefits were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(DOLLARS IN MILLIONS)	2021	2020	2021	2020
Equity-based awards	$ 16	$ 10	$ 27	$ 19
Liability-based awards	3	3	6	2
Total stock-based compensation expense	19	13	33	21
Less: Tax benefit	(4)	(2)	(7)	(3)
Total stock-based compensation expense, after tax	$ 15	$ 11	$ 26	$ 18

Transaction with Nutrition and Biosciences, Inc.

In connection with the Merger, N&B employees' outstanding (unvested and/or vested and unexercised) equity awards were converted into equity awards denominated in shares of the Company's common stock based on a defined exchange ratio. N&B employees' equity awards were converted into 335,347 IFF stock options, 258,572 IFF RSU awards and 5,816 IFF SAR awards.

For converted RSU awards, the fair value of the equity award is based on the Closing Date market price of IFF stock. For converted stock options and SAR awards, the exercise price per share of the converted award is equal to the exercise price per share of the N&B award immediately prior to the Merger divided by the exchange ratio. The fair value of the IFF stock options and SAR awards that the Company issued in connection with the Merger was estimated using the Black Scholes model.

The awards were generally issued with the same terms and conditions as were applicable prior to the Transaction. At the Closing Date, approximately $25 million of the fair value of the replacement awards granted to N&B employees was attributable to pre-combination service and was included in the purchase price. As of June 30, 2021, post-combination expense of approximately $6 million is expected to be recognized related to the replacement awards over the remaining post-combination service period, approximately up to three years.

NOTE 11. SEGMENT INFORMATION

During the first quarter of 2021, the Company completed its Merger with N&B. Following the Merger, the Company reorganized its reportable segments and is now organized into four reportable operating segments: Nourish, Health & Biosciences (“H&B”), Scent and Pharma Solutions. These segments align with the internal structure to manage these businesses. The Company’s Chief Operating Decision Maker regularly reviews financial information to allocate resources and assess performance utilizing these reorganized segments. Therefore, beginning in the first quarter of 2021, the Company reported its financial performance based on its new segments. The Company recast certain prior period amounts to conform to the way the Company is internally managed and how the Company monitors segment performance during the current fiscal year. Prior to the realignment, the Company operated and managed its business as two operating and reportable segments: Taste and Scent.

Nourish combines the majority of IFF’s Taste segment and N&B’s Food & Beverage segment. It is comprised of three platforms, Ingredients, Flavors and Food Designs, with a diversified portfolio across natural and plant-based specialty food ingredients, flavor compounds, and savory solutions and inclusions, respectively. Ingredients provide texturizing solutions to the food industry, food protection solutions used in food and beverage products, specialty soy and pea protein with value-added formulations, emulsifiers and sweeteners. Flavors provide a range of flavor compounds and natural taste solutions that are ultimately used by IFF's customers in savory products, beverages, sweets, and dairy products. Flavors also provide value-added spices and seasoning ingredients for meat, food service, convenience, alternative protein and culinary products. Food Designs provide savory solution products such as spices, sauces, marinades and mixtures. Additionally, Food Designs provide inclusion products that help with taste and texture by, among other things, combining flavorings with fruit, vegetables, and other natural ingredients for a wide range of food products, such as health snacks, baked goods, cereals, pastries, ice cream and other dairy products.

Health & Biosciences is comprised of six platforms, Health, Cultures & Food Enzymes, Home & Personal Care, Animal Nutrition, Grain Processing and Microbial Control, with a biotechnology-driven portfolio of products that serve the health and wellness, food, consumer and industrial markets. Products within this portfolio range from enzymes, food cultures, probiotics and specialty ingredients for non-food applications. Health provides ingredients for dietary supplements, food and beverage, specialized nutrition and pharma. Cultures & Food Enzymes provide products that aim to serve the global demand for healthy, natural, clean label and fermented food for fresh dairy, cheese, bakery and brewing products. This is accomplished by providing IFF's customers with products that allow for extended shelf life and stability, which help to improve customers' products and performance. The platform's enzyme solution also allows IFF's customers to provide low sugar, high fiber and lactose-free dairy products. Home & Personal Care produces enzymes for detergents, cleaning and textile processing products in the laundry, dishwashing, textiles and industrials and personal care markets that help to enhance product and process performances. Animal Nutrition produces enzymes that help to improve the product and process performance of animal feed products, which aim to lessen environmental impact by reducing farm waste. Grain Processing produces enzymes for biofuel production and carbohydrate processing. Microbial Control produces biocides for controlling microbial populations for oil and gas production, home and personal care and industrial preservation markets.

Scent is comprised of (1) Fragrance Compounds, which are ultimately used by our customers in two broad categories: Fine Fragrances, including perfumes and colognes, and Consumer Fragrances, including fragrance compounds for personal care (e.g., soaps), household products (e.g., detergents and cleaning agents) and beauty care, including toiletries; (2) Fragrance Ingredients, consisting of synthetic and natural ingredients that can be combined with other materials to create unique fine fragrance and consumer compounds; and (3) Cosmetic Active Ingredients, consisting of active and functional ingredients, botanicals and delivery systems to support our customers’ cosmetic and personal care product lines. Major fragrance customers include the cosmetics industry, including perfume and toiletries manufacturers, and the household products industry, including manufacturers of soaps, detergents, fabric care, household cleaners and air fresheners.

Pharma Solutions is comprised of N&B’s historical Pharma Solutions business. Pharma Solutions is a producer of cellulosics and alginates-based pharma excipients, used to improve the functionality and delivery of active pharmaceutical ingredients, including controlled or modified drug release formulations, and enabling the development of more effective pharma solutions. The primary market for Pharma Solutions is the oral dosage pharmaceuticals excipients market.

Effective in the first quarter of 2021, management elected to change the profit or loss measure of the Company’s reportable segments from Segment Operating Profit to Segment Adjusted Operating EBITDA for internal reporting and performance measurement purposes. This change was made to enhance the transparency and visibility of the underlying operating performance of each segment. The Company's Chief Operating Decision Maker evaluates the performance of these reportable operating segments based on Segment Adjusted Operating EBITDA, which is defined as Income (Loss) Before Taxes before depreciation and amortization expense, interest expense, restructuring and other charges and certain non-recurring items. Prior period amounts have been recast to reflect these changes in segment profitability measures.

Reportable segment information was as follows:

(DOLLARS IN MILLIONS)	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Net sales:				
Nourish	$ 1,668	$ 690	$ 2,976	$ 1,462
Health & Biosciences	639	34	1,065	68
Scent	550	475	1,119	1,016
Pharma Solutions	232	—	394	—
Consolidated	$ 3,089	$ 1,199	$ 5,554	$ 2,546
Segment Adjusted Operating EBITDA				
Nourish	$ 324	$ 142	$ 594	$ 318
Health & Biosciences	190	10	318	19
Scent	117	87	245	205
Pharma Solutions	48	—	91	—
Total	679	239	1,248	542
Depreciation & Amortization	(322)	(80)	(564)	(161)
Interest Expense	(77)	(32)	(142)	(64)
Other income, net	11	16	18	5
Frutarom Integration Related Costs (a)	(1)	(3)	(2)	(7)
Restructuring and Other Charges	(24)	(2)	(28)	(7)
Losses on sale of assets	—	—	—	(1)
Shareholder Activism Related Costs (b)	—	—	(7)	—
Business Divestiture Costs (c)	(5)	—	(5)	—
Employee Separation Costs (d)	(3)	—	(6)	—
Compliance Review & Legal Defense Costs (e)	—	—	—	(1)
N&B Inventory Step-Up Costs	(195)	—	(377)	—
N&B Transaction Related Costs (f)	(2)	(11)	(91)	(16)
N&B Integration Related Costs (g)	(17)	(23)	(54)	(33)
Income (Loss) Before Taxes	$ 44	$ 104	$ (10)	$ 257

(a) Represents costs related to the integration of the Frutarom acquisition. For 2021, costs primarily related to performance stock awards. For 2020, costs primarily related to advisory services, retention bonuses and performance stock awards.

(b) Represents shareholder activist related costs, primarily professional fees.

(c) Represents costs related to the Company's planned sales of businesses, primarily includes legal and professional fees.

(d) Represents costs related to severance liabilities, including accelerated stock compensation expense, for employees who have been separated from the Company.

(e) Costs related to reviewing the nature of inappropriate payments and review of compliance in certain other countries. In addition, includes legal costs for related shareholder lawsuits.

(f) Represents transaction costs and expenses related to the transaction with N&B, primarily includes legal and professional fees.

(g) Represents costs primarily related to advisory services for the integration of the transaction with N&B, primarily consulting fees.

Net sales, which are attributed to individual regions based upon the destination of product delivery, were as follows:

(DOLLARS IN MILLIONS)	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Europe, Africa and Middle East	$ 1,084	$ 463	$ 1,957	$ 1,006
Greater Asia	707	275	1,294	585
North America	961	301	1,683	604
Latin America	337	160	620	351
Consolidated	$ 3,089	$ 1,199	$ 5,554	$ 2,546

(DOLLARS IN MILLIONS)	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Net sales related to the U.S.	$ 876	$ 268	$ 1,530	$ 53
Net sales attributed to all foreign countries	2,213	931	4,024	2,00

No non-U.S. country had net sales greater than 7% and 6% of total consolidated net sales for the three months ended June 30, 2021 and six months ended June 30, 2021, respectively.

NOTE 12. EMPLOYEE BENEFITS

Pension and other defined contribution retirement plan expenses included the following components:

U.S. Plans				
(DOLLARS IN MILLIONS)	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Service cost for benefits earned[1]	$ 1	$ 1	$ 1	$ 1
Interest cost on projected benefit obligation[2]	3	4	6	8
Expected return on plan assets[2]	(5)	(7)	(10)	(14)
Net amortization and deferrals[2]	2	2	4	4
Net periodic benefit (income) cost	$ 1	$ —	$ 1	$ (1)

Non-U.S. Plans				
(DOLLARS IN MILLIONS)	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Service cost for benefits earned[1]	$ 12	$ 6	$ 22	$ 12
Interest cost on projected benefit obligation[2]	3	3	5	6
Expected return on plan assets[2]	(13)	(11)	(25)	(23)
Net amortization and deferrals[2]	5	4	10	8
Net periodic benefit (income) cost	$ 7	$ 2	$ 12	$ 3

(1) Included as a component of Operating profit.
(2) Included as a component of Other income, net.

The Company expects to contribute a total of $4 million to its U.S. pension plans and a total of $25 million to its Non-U.S. Plans during 2021. During the six months ended June 30, 2021, no contributions were made to the qualified U.S. pension plans, $10 million of contributions were made to the non-U.S. pension plans, and $2 million of benefit payments were made with respect to the Company's non-qualified U.S. pension plan.

Income (expense) recognized for postretirement benefits other than pensions included the following components:

	Three Months Ended June 30,		Six Months Ended June 30,	
(DOLLARS IN MILLIONS)	2021	2020	2021	2020
Interest cost on projected benefit obligation	$ 1	$ 1	$ 1	$ 1
Net amortization and deferrals	(1)	(1)	(2)	(2)
Total postretirement benefit income	$ —	$ —	$ (1)	$ (1)

The Company expects to contribute $4 million to its postretirement benefits other than pension plans during 2021. In the six months ended June 30, 2021, $2 million of contributions were made.

NOTE 13. FINANCIAL INSTRUMENTS

Fair Value

Accounting guidance on fair value measurements specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions. These two types of inputs create the following fair value hierarchy:

- Level 1 — Quoted prices for *identical* instruments in active markets.
- Level 2 — Quoted prices for *similar* instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
- Level 3 — Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

This hierarchy requires the Company to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value. The Company determines the fair value of structured liabilities (where performance is linked to structured interest rates, inflation or currency risks) using the London Interbank Offer Rate ("LIBOR") swap curve and forward interest and exchange rates at period end. Such instruments are classified as Level 2 based on the observability of significant inputs to the model. The Company does not have any instruments classified as Level 3, other than those included in pension asset trusts as discussed in Note 16 of the Company's 2020 Form 10-K.

These valuations take into consideration the Company's credit risk and its counterparties' credit risk. The estimated change in the fair value of these instruments due to such changes in its own credit risk (or instrument-specific credit risk) was not material as of June 30, 2021.

The carrying values and the estimated fair values of financial instruments at June 30, 2021 and December 31, 2020 consisted of the following:

	June 30, 2021		December 31, 2020	
(DOLLARS IN MILLIONS)	**Carrying Value**	**Fair Value**	**Carrying Value**	**Fair Value**
LEVEL 1				
Cash and cash equivalents[1]	$ 935	$ 935	$ 650	$ 650
2025 Notes[6]	1,001	995	—	—
2027 Notes[6]	1,220	1,200	—	—
2030 Notes[6]	1,511	1,490	—	—
2040 Notes[6]	775	767	—	—
2050 Notes[6]	1,574	1,560	—	—
LEVEL 2				
Credit facilities and bank overdrafts[2]	9	9	2	2
Derivatives				
Derivative assets[3]	2	2	1	1
Derivative liabilities[3]	18	18	29	29
Long-term debt:[4]				
2021 Euro Notes	358	358	368	370
2022 Notes	300	300	—	—
2023 Notes	299	312	299	316
2024 Euro Notes	595	622	614	648
2026 Euro Notes	949	1,025	978	1,061
2028 Notes	397	463	397	472
2047 Notes	494	585	494	608
2048 Notes	786	1,032	786	1,059
2018 Term Loan Facility[2]	240	240	240	240
2022 Term Loan Facility[2]	200	200	199	200
2024 Term Loan Facility[7]	625	625	—	—
2026 Term Loan Facility[7]	625	625	—	—
Amortizing Notes[5]	12	12	36	37

(1) The carrying amount of cash and cash equivalents approximates fair value due to the short maturity of those instruments.
(2) The carrying amount approximates fair value as the interest rate is reset frequently based on current market rates as well as the short maturity of those instruments.
(3) The carrying amount approximates fair value as the instruments are marked-to-market and held at fair value on the Consolidated Balance Sheets.
(4) The fair value of the Company's long-term debt was calculated using discounted cash flows applying current interest rates and current credit spreads based on its own credit risk.
(5) The fair value of the Amortizing Notes of the TEUs is based on the most recently quoted price for the outstanding securities, adjusted for any known significant deviation in value. The estimated fair value of these long-term obligations is not necessarily indicative of the amount that would be realized in a current market exchange.
(6) The fair value of the Notes is based on market quoted price as there is an active market for the Notes and observable market data and inputs.
(7) The carrying amount approximates fair value as the Term Loans were assumed at fair value and the interest rate is reset frequently based on current market rates.

Derivatives

Foreign Currency Forward Contracts

The Company periodically enters into foreign currency forward contracts with the objective of reducing exposure to cash flow volatility associated with its intercompany loans, foreign currency receivables and payables and anticipated purchases of certain raw materials used in operations. These contracts generally involve the exchange of one currency for a second currency at a future date, have maturities not exceeding twelve months and are with counterparties which are major international financial institutions.

Commodity Contracts

The Company utilizes options, futures and swaps that are not designated as hedging instruments to reduce exposure to commodity price fluctuations on purchases of inventory such as soybeans, soybean oil and soybean meal.

Cash Flow Hedges

The Company maintains several forward currency contracts which qualified as cash flow hedges. The objective of these hedges is to protect against the currency risk associated with forecasted U.S. dollar ("USD") denominated raw material purchases made by Euro ("EUR") functional currency entities which result from changes in the EUR/USD exchange rate. The effective portions of cash flow hedges are recorded in OCI as a component of Gains (losses) on derivatives qualifying as hedges in the accompanying Consolidated Statements of Income (Loss) and Comprehensive Income (Loss). Realized gains/(losses) in AOCI related to cash flow hedges of raw material purchases are recognized as a component of Cost of goods sold in the accompanying Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) in the same period as the related costs are recognized.

Hedges Related to Issuances of Debt

Subsequent to the issuance of the 2021 Euro Notes and 2026 Euro Notes during the third quarter of 2018, the Company designated the debt as a hedge of a portion of its net European investments. Accordingly, the change in the value of the debt that is attributable to foreign exchange movements is recorded in OCI as a component of foreign currency translation adjustments in the accompanying Consolidated Statements of Income (Loss) and Comprehensive Income (Loss).

Subsequent to the issuance of the 2024 Euro Notes during the first quarter of 2016, the Company designated the debt as a hedge of a portion of its net European investments. Accordingly, the change in the value of the debt that is attributable to foreign exchange movements is recorded in OCI as a component of foreign currency translation adjustments in the accompanying Consolidated Statements of Income (Loss) and Comprehensive Income (Loss).

Cross Currency Swaps

During the third quarter of 2019, the Company entered into four EUR/USD cross currency swaps that mature through May 2023. The swaps all qualified as net investment hedges in order to mitigate a portion of the Company's net European investments from foreign currency risk. During the third quarter of 2020, the Company entered into a transaction to unwind two of the swaps issued in the third quarter of 2019 and paid proceeds of $15 million, net of accrued interest receivable of $2 million. The loss arising from the termination of the swaps has been included as a component of accumulated other comprehensive loss. As of June 30, 2021, the two remaining swaps were in a net liability position with an aggregate fair value of $15 million which was classified as other current liabilities. Changes in fair value related to cross currency swaps are recorded in OCI.

The following table shows the notional amount of the Company’s derivative instruments outstanding as of June 30, 2021 and December 31, 2020:

(DOLLARS IN MILLIONS)	June 30, 2021	December 31, 2020
Foreign currency contracts	$ 133	$ 221
Commodity contracts	7	—
Cross currency swaps	300	300

The following tables show the Company's derivative instruments measured at fair value (Level 2 of the fair value hierarchy), as reflected in the Consolidated Balance Sheets as of June 30, 2021 and December 31, 2020:

	June 30, 2021		
(DOLLARS IN MILLIONS)	**Fair Value of Derivatives Designated as Hedging Instruments**	**Fair Value of Derivatives Not Designated as Hedging Instruments**	**Total Fair Value**
Derivative assets[1]			
Foreign currency contracts	$ 1	$ 1	$ 2
Derivative liabilities[2]			
Foreign currency contract	$ —	$ 3	$ 3
Cross currency swaps	15	—	15
Total derivative liabilities	$ 15	$ 3	$ 18

	December 31, 2020		
(DOLLARS IN MILLIONS)	**Fair Value of Derivatives Designated as Hedging Instruments**	**Fair Value of Derivatives Not Designated as Hedging Instruments**	**Total Fair Value**
Derivative assets[1]			
Foreign currency contracts	$ —	$ 1	$ 1
Derivative liabilities[2]			
Foreign currency contracts	$ 6	$ —	$ 6
Cross currency swaps	23	—	23
Total derivative liabilities	$ 29	$ —	$ 29

(1) Derivative assets are recorded to Prepaid expenses and other current assets in the Consolidated Balance Sheets.
(2) Derivative liabilities are recorded as Other current liabilities in the Consolidated Balance Sheets.

The following table shows the effect of the Company's derivative instruments which were not designated as hedging instruments in the Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) for the three and six months ended June 30, 2021 and 2020 (in millions):

	Amount of Gain (Loss) Three Months Ended June 30,		
(DOLLARS IN MILLIONS)	**2021**	**2020**	**Location of Gain (Loss) Recognized in Income on Derivative**
Foreign currency contracts[1]	$ 8	$ 4	Other income, net

	Amount of Gain (Loss) Six Months Ended June 30,		
(DOLLARS IN MILLIONS)	**2021**	**2020**	**Location of Gain (Loss) Recognized in Income on Derivative**
Foreign currency contracts[1]	$ 5	$ (4)	Other income, net

(1) The foreign currency contract net gains (losses) offset any recognized gains (losses) arising from the revaluation of the related intercompany loans during the same respective periods.

The following table shows the effect of the Company's derivative and non-derivative instruments designated as cash flow and net investment hedging instruments, net of tax, in the Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) for the three and six months ended June 30, 2021 and 2020 (in millions):

(DOLLARS IN MILLIONS)	Amount of Gain (Loss) Recognized in OCI on Derivative — Three Months Ended June 30, 2021	Amount of Gain (Loss) Recognized in OCI on Derivative — Three Months Ended June 30, 2020	Location of Gain (Loss) Reclassified from AOCI into Income	Amount of Gain (Loss) Reclassified from Accumulated OCI into Income — Three Months Ended June 30, 2021	Amount of Gain (Loss) Reclassified from Accumulated OCI into Income — Three Months Ended June 30, 2020
Derivatives in Cash Flow Hedging Relationships:					
Foreign currency contracts	$ 2	$ (3)	Cost of goods sold	$ (2)	$ 1
Derivatives in Net Investment Hedging Relationships:					
Cross currency swaps	(3)	(20)	N/A	—	—
Non-Derivatives in Net Investment Hedging Relationships:					
2024 Euro Notes	(6)	(11)	N/A	—	—
2021 Euro Notes & 2026 Euro Notes	(13)	(24)	N/A	—	—
Total	$ (20)	$ (58)		$ (2)	$ 1

	Amount of Gain (Loss) Recognized in OCI on Derivative (Effective Portion) — Six Months Ended June 30, 2021	Amount of Gain (Loss) Recognized in OCI on Derivative (Effective Portion) — Six Months Ended June 30, 2020	Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Amount of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion) — Six Months Ended June 30, 2021	Amount of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion) — Six Months Ended June 30, 2020
Derivatives in Cash Flow Hedging Relationships:					
Foreign currency contracts	$ 6	$ (2)	Cost of goods sold	$ (4)	$ 3
Derivatives in Net Investment Hedging Relationships:					
Cross currency swaps	6	6	N/A	—	—
Non-Derivatives in Net Investment Hedging Relationships:					
2024 Euro Notes	14	(1)	N/A	—	—
2021 Euro Notes & 2026 Euro Notes	32	(3)	N/A	—	—
Total	$ 58	$ —		$ (4)	$ 3

The ineffective portion of the above noted cash flow hedges were not material during the three and six months ended June 30, 2021 and 2020.

The Company expects that $2 million (net of tax) of derivative loss included in AOCI at June 30, 2021, based on current market rates, will be reclassified into earnings within the next 12 months. The majority of this amount will vary due to fluctuations in foreign currency exchange rates.

NOTE 14. ACCUMULATED OTHER COMPREHENSIVE LOSS

The following tables present changes in the accumulated balances for each component of other comprehensive (loss) income, including current period other comprehensive (loss) income and reclassifications out of accumulated other comprehensive loss:

(DOLLARS IN MILLIONS)	**Foreign Currency Translation Adjustments**	**Gains (Losses) on Derivatives Qualifying as Hedges**	**Pension and Postretirement Liability Adjustment**	**Total**
Accumulated other comprehensive (loss) income, net of tax, as of December 31, 2020	$ (285)	$ (7)	$ (406)	$ (698)
OCI before reclassifications	(154)	2	1	(151)
Amounts reclassified from AOCI	—	4	11	15
Net current period other comprehensive income (loss)	(154)	6	12	(136)
Accumulated other comprehensive (loss) income, net of tax, as of June 30, 2021	$ (439)	$ (1)	$ (394)	$ (834)

(DOLLARS IN MILLIONS)	**Foreign Currency Translation Adjustments**	**Gains (Losses) on Derivatives Qualifying as Hedges**	**Pension and Postretirement Liability Adjustment**	**Total**
Accumulated other comprehensive (loss) income, net of tax, as of December 31, 2019	$ (373)	$ 2	$ (346)	$ (717)
OCI before reclassifications	(305)	1	—	(304)
Amounts reclassified from AOCI	—	(3)	7	4
Net current period other comprehensive income (loss)	(305)	(2)	7	(300)
Accumulated other comprehensive (loss) income, net of tax, as of June 30, 2020	$ (678)	$ —	$ (339)	$ (1,017)

The following table provides details about reclassifications out of Accumulated other comprehensive loss to the Consolidated Statements of Income (Loss) and Comprehensive Income (Loss):

(DOLLARS IN MILLIONS)	**Six Months Ended June 30, 2021**	**Six Months Ended June 30, 2020**	**Affected Line Item in the Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)**
Gains (losses) on derivatives qualifying as hedges			
Foreign currency contracts	$ (5)	$ 4	Cost of goods sold
Tax	1	(1)	Provision for income taxes
Total	$ (4)	$ 3	Total, net of income taxes
Losses on pension and postretirement liability adjustments			
Prior service cost	$ 3	$ (9)	(1)
Actuarial losses	(15)	—	(1)
Tax	1	2	Provision for income taxes
Total	$ (11)	$ (7)	Total, net of income taxes

(1) The amortization of prior service cost and actuarial loss is included in the computation of net periodic benefit cost. Refer to Note 16 of the Company's 2020 Form 10-K for additional information regarding net periodic benefit cost.

NOTE 15. COMMITMENTS AND CONTINGENCIES

Guarantees and Letters of Credit

The Company has various bank guarantees, letters of credit and surety bonds which are used to support its ongoing business operations, satisfy governmental requirements associated with pending litigation in various jurisdictions and the payment of customs duties.

At June 30, 2021, the Company had total bank guarantees, commercial guarantees, standby letters of credit and surety bonds of $382 million with various financial institutions. Included in the above aggregate amount was a total of $15 million for other assessments in Brazil for various income tax and indirect tax disputes related to fiscal years 1998-2011. There was a total of $29 million outstanding under the bank guarantees and standby letters of credit and $95 million outstanding under the commercial guarantees as of June 30, 2021.

In order to challenge the assessments in these cases in Brazil, the Company has been required to, and has separately pledged assets, principally property, plant and equipment, to cover assessments in the amount of $8 million as of June 30, 2021.

Lines of Credit

The Company has various lines of credit which are available to support its ongoing business operations. As of June 30, 2021, the Company had available lines of credit of $1.530 billion with various financial institutions, in addition to the $1.345 billion of capacity under the Credit Facility. There were total draw downs of $33 million pursuant to these lines of credit as of June 30, 2021.

Litigation

The Company assesses contingencies related to litigation and/or other matters to determine the degree of probability and range of possible loss. A loss contingency is accrued in the Company’s Consolidated Financial Statements if it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Because litigation is inherently unpredictable and unfavorable resolutions could occur, assessing contingencies is highly sensitive and requires judgments about future events. On at least a quarterly basis, the Company reviews contingencies related to litigation to determine the adequacy of accruals. The amount of ultimate loss may differ from these estimates and further events may require the Company to increase or decrease the amounts it has accrued on any matter.

Periodically, the Company assesses its insurance coverage for all known claims, where applicable, taking into account aggregate coverage by occurrence, limits of coverage, self-insured retentions and deductibles, historical claims experience and claims experience with its insurance carriers. The liabilities are recorded at management’s best estimate of the probable outcome of the lawsuits and claims, taking into consideration the facts and circumstances of the individual matters as well as past experience on similar matters. At each balance sheet date, the key issues that management assesses are whether it is probable that a loss as to asserted or unasserted claims has been incurred and if so, whether the amount of loss can be reasonably estimated. The Company records the expected liability with respect to claims in Other liabilities and expected recoveries from its insurance carriers in Other assets. The Company recognizes a receivable when it believes that realization of the insurance receivable is probable under the terms of the insurance policies and its payment experience to date.

Litigation Matters

On August 12, 2019, Marc Jansen filed a putative securities class action against IFF, its Chairman and CEO, and its then-CFO, in the United States District Court for the Southern District of New York. The lawsuit was filed after IFF disclosed that preliminary results of investigations indicated that Frutarom businesses operating principally in Russia and Ukraine had made improper payments to representatives of customers. On March 16, 2020, an amended complaint was filed, which added Frutarom and certain former officers of Frutarom as defendants. The amended complaint alleges, among other things, that defendants made materially false and misleading statements or omissions concerning IFF’s acquisition of Frutarom, the integration of the two companies, and the companies’ financial reporting and results. The amended complaint asserts claims under Section 10(b) of the Securities Exchange Act of 1934 and SEC Rule 10b-5, and under the Israeli Securities Act-1968, against all defendants, and under Section 20(a) of the Securities Exchange Act of 1934 against the individual defendants, on behalf of a putative class of persons and entities who purchased or otherwise acquired IFF securities on the New York Stock Exchange between May 7, 2018 and August 12, 2019 and persons and entities who purchased or otherwise acquired IFF securities on the Tel Aviv Stock Exchange between October 9, 2018 and August 12, 2019. The amended complaint seeks an award of unspecified compensatory damages, costs, and expenses. IFF, its officers, and Frutarom filed a motion to dismiss the case on June 26, 2020, which was granted on March 30, 2021. On April 28, 2021, lead plaintiffs filed a notice of appeal to the United States Court of Appeals for the Second Circuit. Lead plaintiffs are pursuing the appeal only against Frutarom and certain former officers of Frutarom.

Two motions to approve securities class actions were filed in the Tel Aviv District Court, Israel, in August 2019, similarly alleging, among other things, false and misleading statements largely in connection with IFF’s acquisition of Frutarom and the above-mentioned improper payments. One motion ("Borg") asserts claims under the U.S. federal securities laws against IFF, its Chairman and CEO, and its former CFO. On November 8, 2020, IFF and its officers filed their response to the Borg motion. On April 20, 2021, Mr. Borg filed a motion to stay the proceeding pending an appellate decision in the U.S. proceeding. The other motion ("Oman") (following an initial amendment) asserted claims under the Israeli Securities Act-1968 against IFF, its Chairman and CEO, and its former CFO, and against Frutarom and certain former Frutarom officers and directors, as well as claims under the Israeli Companies Act-1999 against certain former Frutarom officers and directors. On February 17, 2021, the court granted a motion by the Oman plaintiff to remove IFF and its officers from the motion and to add factual allegations from the US amended complaint. The amended Oman motion was filed on July 4, 2021.

On October 29, 2019, IFF and Frutarom filed a claim in the Tel Aviv District Court, Israel, against Ori Yehudai, the former President and CEO of Frutarom, and against certain former directors of Frutarom, challenging the bonus of US $20 million granted to Yehudai in 2018. IFF and Frutarom allege, among other things, that Yehudai was not entitled to receive the bonus because he breached his fiduciary duty by, among other things, knowing of the above-mentioned improper payments and failing to prevent them from being made. The parties agreed, pursuant to the court’s recommendation, to attempt to resolve the dispute through mediation, which is still ongoing, during which the proceedings relating to this claim are stayed.

On March 11, 2020, an IFF shareholder filed a motion to approve a class action in Israel against, among others, Frutarom, Yehudai, and Frutarom’s former board of directors, alleging that former minority shareholders of Frutarom were harmed as a result of the US $20 million bonus paid to Yehudai. The parties to this motion agreed to attempt to resolve the dispute through mediation to take place regarding the aforesaid claim against Yehudai. On July 27, 2021, counsel to the movant in the class action filed a notice with the court that the mediation process ended without an agreement.

Investigation

On June 3, 2020, the Israel Police’s National Fraud Investigation Unit and the Israeli Securities Authority commenced an investigation into Frutarom and certain of its former executives, based on suspected bribery of foreign officials, money laundering, and violations of the Israeli Securities Act-1968. As part of the investigation, the National Fraud Investigation Unit and the Israeli Securities Authority have provided IFF and Frutarom with various orders, mainly requesting that IFF and Frutarom provide certain documents and materials. In addition, a seizure of assets was imposed on Frutarom and certain of its affiliates. The seizure of assets orders were subsequently extended and are currently valid until September 2, 2021. IFF has been working to ensure compliance with such orders, all in accordance with, and subject to, Israeli law.

China Facilities

Guangzhou Taste plant

During the fourth quarter of 2016, the Company was notified that certain governmental authorities have begun to evaluate a change in the zoning of the Guangzhou Taste plant. The zoning, if changed, would prevent the Company from continuing to manufacture product at the existing plant. The ultimate outcome of any change that the governmental authorities may propose, the timing of such a change, and the nature of any compensation arrangements that might be provided to the Company are uncertain. To address the governmental authorities' requirements, the Company has begun to transfer certain production capabilities from the Guangzhou Taste plant to a newly built facility in Zhangjiagang.

The net book value of the plant in Guangzhou was approximately $61 million as of June 30, 2021.

Guangzhou Scent plant

During the second quarter of 2019, the Company was notified that certain governmental authorities had changed the zoning where the Guangzhou Scent plant is located. The zoning change did not affect the current operations but prevents expansions or other increases in the operating capacity of the plant. The Company believes that it is possible that the zoning may be enforced in the future such that it would not be able to continue manufacturing at the existing site. The ultimate outcome of any change that the governmental authorities may propose, the timing of such a change, and the nature of any compensation arrangements that might be provided to the Company are uncertain.

The net book value of the existing plant was approximately $9 million as of June 30, 2021.

Zhejiang Ingredients plant

In the fourth quarter of 2017, the Company concluded discussions with the government regarding the relocation of its Fragrance Ingredients plant in Zhejiang and, based on the agreements reached, expects to receive total compensation payments up to approximately $50 million. The relocation compensation will be paid to the Company over the period of the relocation which is expected to be through the end of 2022. The Company received payments totaling $30 million through the end of 2019. In the third quarter of 2020, the Company received a payment of approximately $13 million. A final payment is expected to be received upon completion of the final environmental inspection.

Production at the facility ceased during 2019. In the second quarter of 2020, the Company transferred ownership of the site to the government. The land remediation activities are in progress and are expected to be completed in the second half of 2022. During the second quarter of 2020, the remaining net book value of the plant was written off.

Total China Operations

The total net book value of all ten plants in China was approximately $288 million as of June 30, 2021.

If the Company is required to close a plant, or operate one at significantly reduced production levels on a permanent basis, the Company may be required to record charges that could have a material impact on its consolidated financial results of operations, financial position and cash flows in future periods.

Other Contingencies

The Company has contingencies involving third parties (such as labor, contract, technology or product-related claims or litigation) as well as government-related items in various jurisdictions in which it operates pertaining to such items as value-added taxes, other indirect taxes, customs and duties and sales and use taxes. It is possible that cash flows or results of operations, in any period, could be materially affected by the unfavorable resolution of one or more of these contingencies.

The most significant government-related contingencies exist in Brazil. With regard to the Brazilian matters, the Company believes it has valid defenses for the underlying positions under dispute; however, in order to pursue these defenses, the Company is required to, and has provided, bank guarantees and pledged assets in the aggregate amount of $23 million. The Brazilian matters take an extended period of time to proceed through the judicial process and there are a limited number of rulings to date.

Brazil Tax Credits

In January 2020, the Company was informed of a favorable ruling from the Brazilian tax authorities confirming that the Company was entitled to recover the overpayments of certain indirect taxes (known as PIS/COFINS) for the period from November 2011 to December 2018, plus interest on the amount of the overpayments. The overpayments arose from the inclusion of a value added tax known as ICMS in the calculation of the PIS/COFINS tax. The ruling did not, however, settle the question of whether the Company is eligible to recover overpayments based on the gross or the net amount of ICMS amounts paid on PIS/COFINS. The Company calculated the amount of overpayments using the gross method which yields a higher amount than the application of the net method. A final ruling on the gross versus net amount issue was made by the Brazilian Supreme Court who affirmed the use of the gross calculation with respect to claims submitted prior to March 2017. Although the Company had not submitted a claim until after March 2017, the Company believes that the Supreme Court, whilst confirming the use of the gross method of calculation, does not override the January 2020 ruling by the Brazilian tax authorities with respect to the timeframe for the calculation.

In addition to the $8 million recognized in the fourth quarter of 2019, during the first quarter of 2020 the Company recognized $4 million as an additional recovery on the existing claim. During 2020, the Company also recognized $3 million related to a claim from another of its subsidiaries in Brazil. The income was recognized as a reduction in Selling and Administrative expenses.

Avicel® PH NF (Pharma Solutions)

IFF has determined that certain grades of microcrystalline cellulose (Avicel® PH NF 101, 102, and 200) produced between April and November 2020 had elevated conductivity levels and thus were out-of-specification (collectively, “OOS Avicel® PH NF”). IFF does not expect this issue to affect the functionality of Avicel® PH NF or to pose a human health hazard. Corrective actions have been implemented to improve operational and laboratory conditions. On August 5, 2021, IFF issued a voluntary recall in the U.S. for the unused OOS Avicel® PH NF. This issue is not expected to have a material effect on our results of operation or financial condition.

Other

The Company determines estimates of reasonably possible losses or ranges of reasonably possible losses in excess of related accrued liabilities, if any, when it has determined that either a loss is reasonably possible or a loss in excess of accrued amounts is reasonably possible and the amount of losses or range of losses is determinable. For all third party contingencies (including labor, contract, technology, tax, product-related claims and business litigation), the Company currently estimates that the aggregate range of reasonably possible losses in excess of any accrued liabilities is $0 to approximately $23 million. The estimates included in this amount are based on the Company’s analysis of currently available information and, as new information is obtained, these estimates may change. Due to the inherent subjectivity of the assessments and the unpredictability of outcomes of legal proceedings, any amounts accrued or included in this aggregate amount may not represent the ultimate loss to the Company from the matters in question. Thus, the Company’s exposure and ultimate losses may be higher or lower, and possibly significantly so, than the amounts accrued or the range disclosed above.

NOTE 16. REDEEMABLE NONCONTROLLING INTERESTS

Through certain subsidiaries of our Frutarom acquisition, there are certain noncontrolling interests that carry redemption features. The noncontrolling interest holders have the right, over a stipulated period of time, to sell their respective interests to Frutarom, and Frutarom has the option to purchase these interests (subject to the same timing). These options carry identical price and conditions of exercise, and will be settled based on the multiple of the average EBITDA of consecutive quarters to be achieved during the period ending prior to the exercise date.

The following table sets forth the details of the Company's redeemable noncontrolling interests:

(DOLLARS IN MILLIONS)		**Redeemable Noncontrolling Interests**
Balance at December 31, 2019	$	9
Impact of foreign exchange translation		1
Share of profit or loss attributable to redeemable noncontrolling interests		
Redemption value adjustment for the current period		(4
Measurement period adjustments		(
Exercises of redeemable noncontrolling interests		(11
Balance at June 30, 2020	$	9
Balance at December 31, 2020	$	9
Impact of foreign exchange translation		(
Share of profit or loss attributable to redeemable noncontrolling interests		
Balance at June 30, 2021	$	10

For 2020, the increase in redeemable noncontrolling interests was primarily due to the impact of foreign exchange translation offset by the exercise of options.

During 2020, the Company paid approximately $14 million related to the purchase of certain noncontrolling interests where the option related to the purchase had been exercised in the fourth quarter of 2019.

For 2021, the increase in redeemable noncontrolling interests was primarily due to profits attributable to redeemable noncontrolling interests.

NOTE 17. SUBSEQUENT EVENT

Revolving Credit Facility

On July 28, 2021, the Company and certain of its subsidiaries entered into the Third Amended and Restated Credit Agreement which amended and restated the Company’s Revolving Credit Facility (previously and more recently amended and restated as of August 25, 2020) among the Company, certain of its subsidiaries, the banks, financial institutions and other institutional lenders party thereto, and Citibank, N.A. as administrative agent.

The amended and restated Revolving Credit Facility provides for, among other things, a $2.000 billion senior unsecured revolving loan credit facility maturing July 28, 2026. At the option of the Company, the facility may be increased to $2.500 billion subject to certain conditions. The Company’s maximum permitted ratio of Net Debt to Consolidated EBITDA under the Amended and Restated Revolving Credit Agreement will be 4.75 to 1.0, stepping down to 3.50 to 1.0 over time (with a step-up if the Company consummates certain qualifying acquisitions).

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

(UNLESS INDICATED OTHERWISE, DOLLARS IN MILLIONS EXCEPT PER SHARE AMOUNTS)

OVERVIEW

Company Background

On February 1, 2021, the Company completed its Merger with Nutrition & Biosciences, Inc. ("N&B"), a subsidiary of DuPont formed to hold the Nutrition and Biosciences business (the "N&B Business", and such transaction, the "N&B Transaction") pursuant to an Agreement and Plan of Merger (the "Merger Agreement") with DuPont de Nemours, Inc. ("DuPont"). The shares issued in the Merger represented approximately 55.4% of the common stock of IFF on a fully diluted basis, after giving effect to the Merger, as of February 1, 2021.

As a result of the N&B Transaction, and following our 2018 acquisition of Frutarom Industries Ltd., we have expanded our global leadership positions, which now include high-value ingredients and solutions in the Food & Beverage, Home & Personal Care and Health & Wellness markets, and across key Taste, Texture, Scent, Nutrition, Enzymes, Cultures, Soy Proteins, Pharmaceutical Excipients, Biocides and Probiotics categories.

We are now organized in four segments: Nourish, Health & Biosciences, Scent, and Pharma Solutions. The Company's consolidated financial information for the three and six months ended June 30, 2021 reflects the results of N&B effective February 1, 2021, whereas the Company's consolidated financial information for the three and six months ended June 30, 2020 do not include amounts related to N&B.

Nourish segment consists of most of our legacy Taste segment, N&B's Food & Beverage division and the food protection business of N&B's Health & Biosciences division. This segment comprises an innovative and broad portfolio of natural-based ingredients to enhance nutritional value, texture and functionality in a wide range of beverage, dairy, bakery, confectionery and culinary applications.

Health & Biosciences segment consists of N&B's Health & Biosciences division, with the exception of food protection, which is part of our Nourish segment, as well as parts of our Nutrition and Specialty Ingredients offerings. This segment is the biotechnology-driven portfolio of the N&B Business, where enzymes, food cultures, probiotics and specialty ingredients for food and non-food applications are developed and produced. The Health & Biosciences business includes a biotechnology-driven probiotics portfolio, that produces cultures for use in fermented foods such as yogurt, cheese and fermented beverages. It also uses industrial fermentation to produce enzymes and microorganisms that provide product and process performance benefits to household detergents, animal feed, ethanol production and brewing.

Scent segment consists of our legacy Scent segment as well as, effective January 2, 2021, our Flavor Ingredients business.

Pharma Solutions segment consists of N&B's Pharma Solutions division, one of the world's largest producers of cellulosics and alginates-based pharma excipients, used to improve the functionality and delivery of active pharmaceutical ingredients, including controlled or modified drug release formulations, and enable the development of more effective pharma solutions.

Financial Measures — Currency Neutral

Changes in our financial results include the impact of changes in foreign currency exchange rates. We provide currency neutral calculations in this report to remove the impact of these items. Beginning in the first quarter 2021, we elected to change the method in which we calculate currency neutral numbers to now be calculated by translating current year invoiced sale amounts at the exchange rates used for the corresponding prior year period. Previously we calculated currency neutral numbers by comparing current year results to the prior year results restated at exchange rates in effect for the current year based on the currency of the underlying transaction. We use currency neutral results in our analysis of subsidiary or segment performance. We also use currency neutral numbers when analyzing our performance against our competitors and believe the change in method better allows us to do so.

Due to the Merger with N&B, for the fiscal year 2021 we will not be presenting currency neutral impacts for the Nourish, Health & Biosciences and Pharma Solution operating segments as the performance in these operating segments includes effects of N&B in 2021, while the 2020 period does not and thus the periods are not comparable. We present the currency neutral impacts for the Scent operating segment as this operating segment does not have any effects of N&B.

Impact of COVID-19 Pandemic

On March 11, 2020, the World Health Organization designated COVID-19 as a global pandemic. Various policies and initiatives have been implemented around the world to reduce the global transmission of COVID-19. Although there continue to be minor disruptions, all of IFF’s manufacturing facilities remain open and continue to manufacture products.

The COVID-19 pandemic remains a serious threat to the health of the world's population and certain countries and regions continue to suffer from outbreaks or have seen a recurrence of infections, especially with the emergence of new variants of the virus. Accordingly, the Company continues to take the threat from COVID-19 seriously even as the adverse financial impact of COVID-19 on the Company has lessened. The impact that COVID-19 will have on our consolidated results of operations for the remainder of 2021 remains uncertain. Due to the length and severity of COVID-19, there is continued volatility as a result of retail and travel, consumer shopping and consumption behavior. We will continue to evaluate the nature and extent of these potential impacts to our business, consolidated results of operations, segment results, liquidity and capital resources.

Although IFF does not currently anticipate any impairment charges related to COVID-19, the continuing effects of a prolonged pandemic could result in increased risk of asset write-downs and impairments, including, but not limited to, equity investments, goodwill and intangibles. Any of these events could potentially result in a material adverse impact on IFF’s business and results of operations.

Financial Performance Overview

For a reconciliation between reported and adjusted figures, please refer to the "Non-GAAP Financial Measures" section.

Sales

Sales in the second quarter of 2021 increased $1.890 billion, or 158% on a reported basis, to $3.089 billion compared to $1.199 billion in the 2020 period. Performance was primarily driven by $1.693 billion of incremental sales that were attributable to the inclusion of N&B, which was merged and consolidated into our results of operations effective February 1, 2021. In addition, sales performance was driven by volume increases across the Nourish, Health & Biosciences and Scent operating segments.

Gross Profit

Gross profit in the second quarter of 2021 increased $428 million, or 89% on a reported basis, to $910 million (30% of sales) compared to $482 million (40% of sales) in the 2020 period. The increase in gross profit was primarily driven by the inclusion of N&B, along with sales volume increases in the business. The decrease in gross profit margin, as a percentage of sales, was due to the N&B inventory step-up costs, higher raw material costs and difference in product portfolio mix of the new N&B Business compared to the historical IFF product portfolio mix.

Adjusted Operating EBITDA

Adjusted operating EBITDA in the second quarter of 2021 increased $440 million, or 184% on a reported basis, to $679 million (22% of sales) compared to $239 million (20% of sales) in the comparable 2020 period. The increase in adjusted operating EBITDA was primarily driven by the inclusion of N&B, along with sales volume increases in the business.

RESULTS OF OPERATIONS

(DOLLARS IN MILLIONS EXCEPT PER SHARE AMOUNTS)	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Change	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020	Change
Net sales	$ 3,089	$ 1,199	158 %	$ 5,554	$ 2,546	118 %
Cost of goods sold	2,179	717	204 %	3,890	1,498	160 %
Gross profit	910	482		1,664	1,048	
Research and development (R&D) expenses	164	81	102 %	307	167	84 %
Selling and administrative (S&A) expenses	412	230	79 %	863	460	88 %
Amortization of acquisition-related intangibles	200	49	NMF	352	97	263 %
Restructuring and other charges	24	2	NMF	28	7	300 %
Losses on sales of fixed assets	—	—	— %	—	1	(100) %
Operating profit	110	120		114	316	
Interest expense	77	32	141 %	142	64	122 %
Other income, net	(11)	(16)	(31) %	(18)	(5)	260 %
Income (loss) before taxes	44	104		(10)	257	
Provision for income taxes	14	16	(13) %	—	42	(100) %
Net income (loss)	$ 30	$ 88	(66) %	$ (10)	$ 215	(105) %
Net income attributable to noncontrolling interests	2	1	100 %	4	4	— %
Net income (loss) attributable to IFF stockholders	$ 28	$ 87	(68) %	$ (14)	$ 211	(107) %
Diluted EPS	$ 0.11	$ 0.74	(85) %	$ (0.06)	$ 1.89	(103) %
Gross margin	29.5 %	40.2 %	NMF	30.0 %	41.2 %	NMF
R&D as a percentage of sales	5.3 %	6.8 %	(150)bps	5.5 %	6.6 %	(110)bps
S&A as a percentage of sales	13.3 %	19.2 %	(590)bps	15.5 %	18.1 %	(260)bps
Operating margin	3.6 %	10.0 %	(640)bps	2.1 %	12.4 %	NMF
Effective tax rate	31.8 %	15.4 %	NMF	— %	16.3 %	NMF
Segment net sales						
Nourish	$ 1,668	$ 690	142 %	$ 2,976	$ 1,462	104 %
Health & Biosciences	639	34	NMF	1,065	68	NMF
Scent	550	475	16 %	1,119	1,016	10 %
Pharma Solutions	232	—	NMF	394	—	NMF
Consolidated	$ 3,089	$ 1,199		$ 5,554	$ 2,546	

NMF: Not meaningful

Cost of goods sold includes the cost of materials and manufacturing expenses. R&D includes expenses related to the development of new and improved products and technical product support. S&A expenses include expenses necessary to support our commercial activities and administrative expenses supporting our overall operating activities including compliance with governmental regulations.

SECOND QUARTER 2021 IN COMPARISON TO SECOND QUARTER 2020

Sales

Sales for the second quarter of 2021 increased $1.890 billion, or 158% on a reported basis, to $3.089 billion, compared to $1.199 billion in the prior year quarter. Performance was primarily driven by $1.693 billion of incremental sales that was attributable to the inclusion of N&B, which was merged and consolidated into our results of operations effective February 1, 2021. In addition, sales performance reflected volume increases for the Nourish, Health & Biosciences and Scent segments.

Sales Performance by Segment

	% Change in Sales - Second Quarter 2021 vs. Second Quarter 2020	
	Reported	Currency Neutral[1]
Nourish	**142 %**	**NMF**
Health & Biosciences	**NMF**	**NMF**
Scent	**16 %**	**12 %**
Pharma Solutions	**NMF**	**NMF**
Total	***158 %***	***NMF***

(1) Currency neutral sales growth is calculated by translating current year invoiced sale amounts at the exchange rates for the corresponding prior year period.

NMF: Not meaningful

Nourish

Nourish sales in 2021 increased $978 million, or 142% on a reported basis, to $1.668 billion, compared to $690 million in the prior year period. Performance in the Nourish operating segment was primarily driven by $857 million of incremental sales that was attributable to the inclusion of N&B, along with volume increases, particularly in Flavors.

Health & Biosciences

Health & Biosciences sales in 2021 was $639 million compared to $34 million in the prior year period. Performance in the Health & Biosciences operating segment was primarily driven by $604 million of incremental sales that was attributable to the inclusion of N&B, as the majority of this operating segment consists of the new N&B Business. In addition, sales performance reflected volume increases in the operating segment.

Scent

Scent sales in 2021 increased $75 million, or 16% on a reported basis, to $550 million, compared to $475 million in the prior year period. Scent sales in 2021 also increased 12% on a currency neutral basis. Sales growth in the Scent operating segment was primarily driven by volume increases in both Fragrance Compounds and Fragrance Ingredients.

Pharma Solutions

Pharma Solutions sales in 2021 was $232 million. This was a new operating segment of the Company as a result of the Merger with N&B and did not exist in the comparable 2020 period.

Cost of Goods Sold

Cost of goods sold, as a percentage of sales, increased 10.7% in the second quarter of 2021 to 70.5% compared to 59.8% in the second quarter of 2020, primarily driven by N&B inventory step-up costs, volume increases in the business, higher raw material costs and impact of the difference in product portfolio mix of the new N&B Business compared to the historical IFF product portfolio mix.

Research and Development (R&D) Expenses

Overall R&D expenses, as a percentage of sales, decreased to 5.3% in the second quarter of 2021 versus 6.8% in the second quarter of 2020. The decrease, as a percentage of sales, in 2021 was primarily due to the impact of the Merger with N&B that led to an increase in R&D expenses, offset by a larger increase in sales.

Selling and Administrative (S&A) Expenses

S&A expenses increased $182 million to $412 million (13.3% of sales) in the second quarter of 2021 compared to $230 million (19.2% of sales) in the second quarter of 2020. Adjusted S&A expense increased by $190 million to $384 million (12.4% of sales) in 2021 compared to $194 million (16.2% of sales) in 2020. The increase in S&A expenses was primarily due to the impact of the Merger with N&B and the related integration costs, consisting mainly of consulting fees.

Restructuring and Other Charges

Restructuring and other charges increased to $24 million in the second quarter of 2021 compared to $2 million in the second quarter of 2020. The increase was primarily driven by severance costs incurred in the second quarter of 2021 (see Note 4 for additional information).

Amortization of Acquisition-Related Intangibles

Amortization expenses increased to $200 million in the second quarter of 2021 compared to $49 million in the second quarter of 2020 primarily due to the Merger with N&B (see Notes 3 and 5 for additional information).

Interest Expense

Interest expense increased to $77 million in the second quarter of 2021 compared to $32 million in the 2020 period. The increase was primarily driven by the debt assumed in the Merger with N&B (see Note 7 for additional information). Average cost of debt was 2.9% for the 2021 period compared to 3.0% for the 2020 period.

Other Income, Net

In the second quarter of 2021, we recognized other income, net, of $11 million compared to $16 million in the 2020 period. The change of $5 million was primarily driven by lower income associated with pension plans and lower foreign exchange gains.

Income Taxes

The effective tax rate for the three months ended June 30, 2021 was 31.8% compared to 15.4% for the three months ended June 30, 2020. The adjusted effective tax rate for the three months ended June 30, 2021 was 24.4%. compared to 16.8% for the second quarter of 2020. The increase in effective tax rate and adjusted effective tax rate was primarily due to an unfavorable mix of earnings, higher repatriation costs and a one-time non-cash impact due to the UK rate change enacted during the second quarter of 2021.

Segment Adjusted Operating EBITDA Results by Business Unit

Effective in the first quarter of 2021, management elected to change the profit or loss measure of the Company's reportable segments from Segment Operating Profit to Segment Adjusted Operating EBITDA for internal reporting and performance measurement purposes. Segment Adjusted Operating EBITDA is defined as (Loss) Income Before Taxes before depreciation and amortization expense, interest expense, restructuring and other charges and certain non-recurring items. Prior period amounts have been recast to reflect these changes in segment profitability measures. Our determination of reportable segments was made on the basis of our strategic priorities within each segment and corresponds to the manner in which our Chief Operating Decision Maker reviews and evaluates operating performance to make decisions about resources to be allocated to the segment. In addition to our strategic priorities, segment reporting is also based on differences in the products and services we provide. As a result, we added two new reportable segments - Health & Biosciences and Pharma Solutions. Nourish is composed of most of IFF's legacy Taste division and N&B's Food & Beverage division. The Scent and Health & Biosciences segments include a component of the legacy Taste segment.

(DOLLARS IN MILLIONS)	Three Months Ended June 30, 2021	2020
Segment Adjusted Operating EBITDA		
Nourish	$ 324	$ 142
Health & Biosciences	190	10
Scent	117	87
Pharma Solutions	48	—
Total	679	239
Depreciation & Amortization	(322)	(80)
Interest Expense	(77)	(32)
Other income, net	11	16
Frutarom Integration Related Costs	(1)	(3)
Restructuring and Other Charges	(24)	(2)
Business Divestiture Costs	(5)	—
Employee Separation Costs	(3)	—
N&B Inventory Step-Up Costs	(195)	—
N&B Transaction Related Costs	(2)	(11)
N&B Integration Related Costs	(17)	(23)
Income Before Taxes	$ 44	$ 104
Segment Adjusted Operating EBITDA margin:		
Nourish	19.4 %	20.6 %
Health & Biosciences	29.7 %	29.4 %
Scent	21.3 %	18.3 %
Pharma Solutions	20.7 %	— %
Consolidated	22.0 %	19.9 %

Nourish Segment Adjusted Operating EBITDA

Nourish Segment Adjusted Operating EBITDA increased $182 million to $324 million in the second quarter of 2021 (19.4% of segment sales) from $142 million (20.6% of segment sales) in the comparable 2020 period. The increase primarily reflected the inclusion of N&B, along with volume increases in the operating segment. The decrease in segment adjusted operating EBITDA margin, as a percentage of sales, was due to the difference in product portfolio mix of the new Nourish operating segment, as a result of the Merger with N&B, compared to the historical Taste operating segment, and higher raw material costs.

Health & Biosciences Segment Adjusted Operating EBITDA

Health & Biosciences Segment Adjusted Operating EBITDA increased $180 million to $190 million in the second quarter of 2021 (29.7% of segment sales) from $10 million (29.4% of segment sales) in the comparable 2020 period. The increase primarily reflected the inclusion of N&B, as the majority of this operating segment consists of the new N&B Business.

Scent Segment Adjusted Operating EBITDA

Scent Segment Adjusted Operating EBITDA increased $30 million to $117 million in the second quarter of 2021 (21.3% of segment sales) from $87 million (18.3% of segment sales) in the comparable 2020 period. The increase primarily reflected volume increases in the operating segment.

Pharma Solutions Segment Adjusted Operating EBITDA

Pharma Solutions Segment Adjusted Operating EBITDA was $48 million in the second quarter of 2021 (20.7% of segment sales). This was a new operating segment of the Company as a result of the Merger with N&B and did not exist in the comparable 2020 period.

<u>**FIRST SIX MONTHS 2021 IN COMPARISON TO FIRST SIX MONTHS 2020**</u>

Sales

Sales for the first six months of 2021 increased $3.008 billion, or 118% on a reported basis, to $5.554 billion, compared to $2.546 billion in the comparable 2020 period. Performance was primarily driven by $2.769 billion of incremental sales that was attributable to the inclusion of N&B, which was merged and consolidated into our results of operations effective February 1, 2021. In addition, sales performance reflected volume increases for the Nourish, Health & Biosciences and Scent segments.

Sales Performance by Segment

	% Change in Sales - First Six Months 2021 vs. First Six Months 2020	
	Reported	**Currency Neutral**
Nourish	**104 %**	**NMF**
Health & Biosciences	**NMF**	**NMF**
Scent	**10 %**	**8 %**
Pharma Solutions	**NMF**	**NMF**
Total	***118 %***	***NMF***

Nourish

Nourish sales in 2021 increased $1.514 billion, or 104% on a reported basis, to $2.976 billion, compared to $1.462 billion in the prior year period. Performance in the Nourish operating segment was primarily driven by $1.382 billion of incremental sales that was attributable to the inclusion of N&B, along with volume increases, particularly in Flavors.

Health & Biosciences

Health & Biosciences sales in 2021 was $1.065 billion compared to $68 million in the prior year period. Performance in the Health & Biosciences operating segment was primarily driven by $993 million of incremental sales that was attributable to the inclusion of N&B, as the majority of this operating segment consists of the new N&B Business. In addition, sales performance reflected volume increases in the operating segment.

Scent

Scent sales in 2021 increased $103 million, or 10% on a reported basis, to $1.119 billion, compared to $1.016 billion in the prior year period. Scent sales in 2021 also increased 8% on a currency neutral basis. Sales growth in the Scent operating segment was primarily driven by volume increases in both Fragrance Compounds and Fragrance Ingredients.

Pharma Solutions

Pharma Solutions sales in 2021 was $394 million. This was a new operating segment of the Company as a result of the Merger with N&B and did not exist in the comparable 2020 period.

Cost of Goods Sold

Cost of goods sold, as a percentage of sales, increased 11.2% in the first six months of 2021 to 70.0% compared to 58.8% in the 2020 period, primarily driven by N&B inventory step-up costs, volume increases in the business, higher raw material costs and impact of the difference in product portfolio mix of the new N&B Business compared to the historical IFF product portfolio mix.

Research and Development (R&D) Expenses

Overall R&D expenses, as a percentage of sales, decreased to 5.5% in the first six months of 2021 versus 6.6% in the 2020 period. The decrease, as a percentage of sales, in 2021 was primarily due to the impact of the Merger with N&B that led to an increase in R&D expenses, offset by a larger increase in sales.

Selling and Administrative (S&A) Expenses

In the first six months of 2021, S&A expenses increased $403 million to $863 million (15.5% of sales) compared to $460 million (18.1% of sales) in the 2020 period. Adjusted S&A expenses increased by $294 million to $698 million (12.6% of sales) in the 2021 period compared to $404 million (15.9% of sales) in 2020. The increase in S&A expenses was primarily due to the impact of the Merger with N&B and the related transaction and integration costs consisting of legal and professional fees and consulting fees, respectively.

During the first quarter of 2020, we recognized approximately $6 million in income related to the expected recoveries of previously paid indirect taxes in Brazil. The income was recorded as a reduction in S&A expenses during the first six months of 2020.

Restructuring and Other Charges

Restructuring and other charges increased to $28 million in the first six months of 2021 compared to $7 million in the first six months of 2020. The increase was primarily driven by severance costs incurred in the first six months of 2021 (see Note 4 for additional information).

Amortization of Acquisition-Related Intangibles

Amortization expenses increased to $352 million in the first six months of 2021 compared to $97 million in the 2020 period primarily due to the Merger with N&B (see Notes 3 and 5 for additional information).

Interest Expense

Interest expense increased to $142 million in the first six months of 2021 compared to $64 million in the 2020 period. The increase was primarily driven by the debt assumed in the Merger with N&B (see Note 7 for additional information). Average cost of debt was 3.3% for the 2021 period compared to 2.9% for the 2020 period.

Other Income, Net

In the first six months of 2021, we recognized other income, net, of $18 million compared to $5 million in the comparable 2020 period. The change of $13 million was primarily driven by foreign exchange gains and higher interest income.

Income Taxes

The effective tax rate for the six months ended June 30, 2021 was 0% compared to 16.3% for the six months ended June 30, 2020. The year-over-year decrease was primarily due to a favorable mix of earnings, partially offset by higher repatriation costs and a one-time non-cash impact due to the UK rate change enacted during the second quarter of 2021.

Excluding the $124 million tax benefit associated with the pre-tax Frutarom integration related costs, restructuring and other charges, shareholder activism related costs, business divestiture costs, employee separation costs, N&B inventory step-up costs, N&B transaction related costs and N&B integration related costs, the adjusted effective tax rate for the six months ended June 30, 2021 was 22.1%.

For the six months ended June 30, 2020, the adjusted effective tax rate was 16.5% excluding the $11 million tax benefit associated with the pre-tax Frutarom integration related costs, restructuring and other charges, losses on sale of assets, Frutarom acquisition related costs, N&B transaction related costs and N&B integration related costs.

Segment Adjusted Operating EBITDA Results by Business Unit

Effective in the first quarter of 2021, management elected to change the profit or loss measure of the Company's reportable segments from Segment Operating Profit to Segment Adjusted Operating EBITDA for internal reporting and performance measurement purposes. Segment Adjusted Operating EBITDA is defined as (Loss) Income Before Taxes before depreciation and amortization expense, interest expense, restructuring and other charges and certain non-recurring items. Prior period amounts have been recast to reflect these changes in segment profitability measures. Our determination of reportable segments was made on the basis of our strategic priorities within each segment and corresponds to the manner in which our Chief Operating Decision Maker reviews and evaluates operating performance to make decisions about resources to be allocated to the segment. In addition to our strategic priorities, segment reporting is also based on differences in the products and services we provide. As a result, we added two new reportable segments - Health & Biosciences and Pharma Solutions. Nourish is composed of most of IFF’s legacy Taste division and N&B’s Food & Beverage division. The Scent and Health & Biosciences segments include a component of the legacy Taste segment.

(DOLLARS IN MILLIONS)	Six Months Ended June 30, 2021	2020
Segment Adjusted Operating EBITDA		
Nourish	$ 594	$ 318
Health & Biosciences	318	19
Scent	245	205
Pharma Solutions	91	—
Total	1,248	542
Depreciation & Amortization	(564)	(161)
Interest Expense	(142)	(64)
Other income, net	18	5
Frutarom Integration Related Costs	(2)	(7)
Restructuring and Other Charges	(28)	(7)
Losses on sale of assets	—	(1)
Shareholder Activism Related Costs	(7)	—
Business Divestiture Costs	(5)	—
Employee Separation Costs	(6)	—
Compliance Review & Legal Defense Costs	—	(1)
N&B Inventory Step-Up Costs	(377)	—
N&B Transaction Related Costs	(91)	(16)
N&B Integration Related Costs	(54)	(33)
(Loss) Income Before Taxes	$ (10)	$ 257
Segment Adjusted Operating EBITDA margin:		
Nourish	20.0 %	21.8 %
Health & Biosciences	29.9 %	27.9 %
Scent	21.9 %	20.2 %
Pharma Solutions	23.1 %	— %
Consolidated	22.5 %	21.3 %

Nourish Segment Adjusted Operating EBITDA

Nourish Segment Adjusted Operating EBITDA increased $276 million to $594 million in the first six months of 2021 (20.0% of segment sales) from $318 million (21.8% of segment sales) in the comparable 2020 period. The increase primarily reflected the inclusion of N&B, along with volume increases in the operating segment. The decrease in segment adjusted operating EBITDA margin, as a percentage of sales, was due to the difference in product portfolio mix of the new Nourish operating segment, as a result of the Merger with N&B, compared to the historical Taste operating segment, and higher raw material costs.

Health & Biosciences Segment Adjusted Operating EBITDA

Health & Biosciences Segment Adjusted Operating EBITDA increased $299 million to $318 million in the first six months of 2021 (29.9% of segment sales) from $19 million (27.9% of segment sales) in the comparable 2020 period. The increase primarily reflected the inclusion of N&B, as the majority of this operating segment consists of the new N&B Business.

Scent Segment Adjusted Operating EBITDA

Scent Segment Adjusted Operating EBITDA increased $40 million to $245 million in the first six months of 2021 (21.9% of segment sales) from $205 million (20.2% of segment sales) in the comparable 2020 period. The increase primarily reflected volume increases in the operating segment.

Pharma Solutions Segment Adjusted Operating EBITDA

Pharma Solutions Segment Adjusted Operating EBITDA was $91 million in the first six months of 2021 (23.1% of segment sales). This was a new operating segment of the Company as a result of the Merger with N&B and did not exist in the comparable 2020 period.

Liquidity

Cash and Cash Equivalents

We had cash and cash equivalents of $935 million at June 30, 2021 compared to $650 million at December 31, 2020 and of this balance, a portion was held outside the United States. Cash balances held in foreign jurisdictions are, in most circumstances, available to be repatriated to the United States.

In connection with the Merger with N&B, the Company's cash balance increased by approximately $193 million.

Effective utilization of the cash generated by our international operations is a critical component of our strategy. We regularly repatriate cash from our non-U.S. subsidiaries to fund financial obligations in the U.S. As we repatriate these funds to the U.S. we will be required to pay income taxes in certain U.S. states and applicable foreign withholding taxes during the period when such repatriation occurs. Accordingly, as of June 30, 2021, we had a deferred tax liability of $65 million for the effect of repatriating the funds to the U.S., attributable to various non-U.S. subsidiaries. There is no deferred tax liability associated with non-U.S. subsidiaries where we intend to indefinitely reinvest the earnings to fund local operations and/or capital projects.

Restricted Cash

Restricted cash of $8 million relates, principally, to amounts escrowed related to certain payments to be made to former Frutarom option holders in future periods. As of June 30, 2021, a portion of this balance, $1 million, is classified as a noncurrent asset.

Cash Flows Provided By Operating Activities

Cash flows provided by operations for the six months ended June 30, 2021 was $698 million, or 12.6% of sales, compared to cash provided by operations of $208 million, or 8.2% of sales, for the six months ended June 30, 2020. The increase in cash provided by operating activities during 2021 was primarily driven by higher cash earnings, excluding the impact of depreciation and amortization and amortization of N&B inventory step-up costs, and changes related to accounts payable, accounts receivable, and inventories.

Working capital (current assets less current liabilities) totaled $3.070 billion and $1.156 billion at June 30, 2021 and December 31, 2020, respectively.

We have various factoring agreements in the U.S. and The Netherlands under which we can factor up to approximately $100 million in receivables. In addition, we have factoring agreements sponsored by certain customers. Under all of the arrangements, we sell the receivables on a non-recourse basis to unrelated financial institutions and account for the transactions as a sale of receivables. The applicable receivables are removed from our Consolidated Balance Sheets when the cash proceeds are received.

As of June 30, 2021, the Company had removed approximately $384 million of receivables from its Consolidated Balance Sheets through factoring agreements. The impact on cash provided by operations from participating in these programs increased approximately $72 million and increased approximately $8 million for the six months ended June 30, 2021 and 2020, respectively. The cost of participating in these programs was approximately $2 million and $1 million for the three months ended June 30, 2021 and 2020, and $3 million and $2 million for the six months ended June 30, 2021 and 2020, respectively.

Cash Flows Provided By (Used In) Investing Activities

Net investing activities during the first six months of 2021 provided $30 million compared to $77 million utilized in the prior year period. The increase in cash provided by investing activities, compared to cash utilized in investing activities in the prior year period, was primarily driven by the increase in cash provided by the Merger with N&B and higher proceeds from the disposal of assets, offset by higher spending on property, plant and equipment in the current year.

We have evaluated and re-prioritized our capital projects and expect that capital spending in 2021 will be about 4.5% of sales (net of potential grants and other reimbursements from government authorities), up slightly from 4% in 2020.

Cash Flows Used In Financing Activities

Cash used in financing activities in the first six months of 2021 was $427 million compared to $215 million in the prior year period. The increase in cash used in financing activities was primarily driven by higher cash dividend payments, higher repayments of debt, higher contingent considerations paid and higher employee taxes paid.

We paid dividends totaling $274 million in the 2021 period. We declared a cash dividend per share of $0.77 in the second quarter of 2021 that was paid on July 6, 2021 to all shareholders of record as of June 25, 2021. On August 5, 2021, the Board of Directors authorized a 3%, or $0.02 increase, in the quarterly dividend to $0.79 per share of the Company’s common stock. The quarterly dividend is payable on October 5, 2021 to shareholders of record as of September 24, 2021.

Our capital allocation strategy seeks to maintain our investment grade rating while investing in the business and continuing to pay dividends and repaying debt. We make capital investments in our businesses to support our operational needs and strategic long term plans. We are committed to maintaining our history of paying a dividend to investors which is determined by our Board of Directors at its discretion based on various factors.

We currently have a board approved stock repurchase program with a total remaining value of $280 million. As of May 7, 2018, we have suspended our share repurchases.

Capital Resources

Operating cash flow provides the primary source of funds for capital investment needs, dividends paid to shareholders and debt service repayments. We anticipate that cash flows from operations and availability under our existing credit facilities will be sufficient to meet our investing and financing needs. We regularly assess our capital structure, including both current and long-term debt instruments, as compared to our cash generation and investment needs in order to provide ample flexibility and to optimize our leverage ratios. We believe our existing cash balances are sufficient to meet our debt service requirements.

Transaction with Nutrition & Biosciences, Inc.

On February 1, 2021, N&B funded the N&B Term Loan Facility, which provided for a senior unsecured term loan credit facility in an aggregate principal amount of $1.250 billion, comprised of a $625 million three-year tranche (“2024 Term Loan Facility”) and a $625 million five-year tranche (“2026 Term Loan Facility”). Following the Merger, we assumed the indebtedness incurred by N&B in the debt financings, which included (i) the 2024 Term Loan Facility and 2026 Term Loan Facility and (ii) a series of Senior Notes in the aggregate amount of $6.250 billion with maturities ranging from 2 – 30 years. N&B’s indebtedness raised prior to the Merger was used to finance the Special Cash Payment to DuPont, which has been paid, and for the satisfaction of the related transaction fees and expenses.

Upon completion of our combination with N&B, pursuant to the Merger Agreement, DuPont shareholders own approximately 55.4% of the shares of IFF, and existing IFF shareholders own approximately 44.6% of the shares of IFF.

Refer to Note 3 and Note 7 for additional information.

Revolving Credit Facility and Term Loans

As of June 30, 2021, we had no outstanding borrowings under our $2.000 billion Revolving Credit Facility, $240 million outstanding under the Frutarom Term Loan Agreement and $200 million outstanding in borrowings under the 2022 Term Loan Agreement. The amount that we are able to draw down under the Revolving Credit Facility is limited by financial covenants as described in more detail below. As of June 30, 2021, our draw down capacity was $1.345 billion under the Revolving Credit Facility.

Refer to Note 7 of this Form 10-Q and Part IV, Item 15, "Exhibits and Financial Statement Schedules," Note 9 of our 2020 Form 10-K, filed on February 22, 2021, for additional information.

Debt Covenants

At June 30, 2021, we were in compliance with all financial and other covenants, including the Net Debt to Credit Adjusted EBITDA ratio. At June 30, 2021 our Net Debt/Credit Adjusted EBITDA[1] ratio was 4.23 to 1.0 as defined by the credit facility agreements, which is below the financial covenants of existing outstanding debt.

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(1) Credit Adjusted EBITDA and Net Debt, which are non-GAAP measures used for these covenants, are calculated in accordance with the definition in the debt agreements. In this context, these measures are used solely to provide information on the extent to which we are in compliance with debt covenants and may not be comparable to Credit Adjusted EBITDA and Net Debt used by other companies. Reconciliations of Credit Adjusted EBITDA to net loss and net debt to total debt are as follows:

(DOLLARS IN MILLIONS)	Twelve Months Ended June 30, 2021	
Net loss	$	(220)
Interest expense		294
Income taxes		(69)
Depreciation and amortization		1,655
Specified items [(1)(3)]		904
Non-cash items [(2)(3)]		46
Credit Adjusted EBITDA	$	2,610

(1) Specified items for the 12 months ended June 30, 2021 of $904 million, consisted of Frutarom integration related costs, restructuring and other charges, shareholder activism related costs, business divestiture costs, employee separation costs, pension settlement, Frutarom acquisition related costs, compliance review & legal defense costs, N&B inventory step-up costs, N&B transaction related costs, N&B integration related costs and other N&B specified items.

(2) Non-cash items represent all other adjustments to reconcile net loss to net cash provided by operations as presented on the Statement of Cash Flows, including losses on disposal of assets and stock-based compensation.

(3) Specified and non-cash items may not include all eligible add-back items from the Merger with N&B, for the purposes of the Credit Adjusted EBITDA calculation, due to availability of the information.

(DOLLARS IN MILLIONS)	June 30, 2021	
Total debt [(1)]	$	11,988
Adjustments:		
Cash and cash equivalents		935
Net debt	$	11,053

(1) Total debt used for the calculation of Net debt consists of short-term debt, long-term debt, short-term finance lease obligations and long-term finance lease obligations.

Senior Notes

As of June 30, 2021, we had $10.158 billion aggregate principal amount outstanding in senior unsecured notes, with $1.908 billion principal amount denominated in EUR and $8.250 billion principal amount denominated in USD, which includes the N&B Senior Notes assumed as a result of the Merger. The notes bear interest ranging from 0.69% per year to 5.12% per year, with maturities from September 2021 to December 1, 2050. See Note 7 for additional information.

Contractual Obligations

We expect to contribute a total of $4 million to our U.S. pension plans and a total of $25 million to our Non-U.S. plans during 2021. During the six months ended June 30, 2021, there were no contributions made to the qualified U.S. pension plans, $10 million of contributions were made to the non-U.S. pension plans, and $2 million of benefit payments were made with respect to our non-qualified U.S. pension plan. We also expect to contribute $4 million to our postretirement benefits other than pension plans during 2021. During the six months ended June 30, 2021, $2 million of contributions were made to postretirement benefits other than pension plans.

As discussed in Note 15 to the Consolidated Financial Statements, at June 30, 2021, we had entered into various guarantees and had undrawn outstanding letters of credit from financial institutions. These arrangements reflect ongoing business operations, including commercial commitments, and governmental requirements associated with audits or litigation that are in process with various jurisdictions. Based on the current facts and circumstances, these arrangements are not reasonably likely to have a material impact on our consolidated financial condition, results of operations, or cash flows.

New Accounting Standards

Refer to Note 1 to the Consolidated Financial Statements for a discussion of recent accounting pronouncements.

Non-GAAP Financial Measures

We use non-GAAP financial measures in this Form 10-Q, including: (i) currency neutral metrics, (ii) adjusted gross margin, (iii) adjusted selling and administrative expenses (adjusted S&A), (iv) adjusted operating EBITDA and adjusted operating EBITDA margin and (v) adjusted effective tax rate. We also provide the non-GAAP measure net debt solely for the purpose of providing information on the extent to which the Company is in compliance with debt covenants contained in its debt agreements. Our non-GAAP financial measures are defined below.

These non-GAAP financial measures are intended to provide additional information regarding our underlying operating results and comparable year-over-year performance. Such information is supplemental to information presented in accordance with GAAP and is not intended to represent a presentation in accordance with GAAP. In discussing our historical and expected future results and financial condition, we believe it is meaningful for investors to be made aware of and to be assisted in a better understanding of, on a period-to-period comparable basis, financial amounts both including and excluding these identified items, as well as the impact of exchange rate fluctuations. These non-GAAP measures should not be considered in isolation or as substitutes for analysis of the Company's results under GAAP and may not be comparable to other companies' calculation of such metrics.

Adjusted gross profit excludes Frutarom acquisition related costs and N&B inventory step-up costs.

Adjusted selling and administrative expenses exclude Frutarom integration related costs, restructuring and other charges, shareholder activism related costs, business divestiture costs, employee separation costs, compliance review & legal defense costs, N&B transaction related costs and N&B integration related costs.

Adjusted operating EBITDA and adjusted operating EBITDA margin exclude depreciation and amortization expense, interest expense, other income (expense), net, restructuring and other charges and certain non-recurring items such as Frutarom integration related costs, losses on sale of assets, shareholder activism related costs, business divestiture costs, employee separation costs, compliance review & legal defense costs, N&B inventory step-up costs, N&B transaction related costs and N&B integration related costs.

Adjusted effective tax rate excludes Frutarom integration related costs, restructuring and other charges, losses on sale of assets, shareholder activism related costs, business divestiture costs, employee separation costs, Frutarom acquisition related costs, compliance review & legal defense costs, N&B inventory step-up costs, N&B transaction related costs and N&B integration related costs.

Net Debt to Credit Adjusted EBITDA is the leverage ratio used in our credit agreement and defined as Net Debt divided by Credit Adjusted EBITDA. However, as Credit Adjusted EBITDA for these purposes was calculated in accordance with the provisions of the credit agreement, it may differ from the calculation used for adjusted operating EBITDA.

A. Reconciliation of Non-GAAP Metrics

Reconciliation of Gross Profit

	Three Months Ended June 30,	
(DOLLARS IN MILLIONS)	**2021**	**2020**
Reported (GAAP)	$ 910	$ 482
N&B Inventory Step-Up Costs	195	—
Adjusted (Non-GAAP)	$ 1,105	$ 482

Reconciliation of Selling and Administrative Expenses

	Three Months Ended June 30,	
(DOLLARS IN MILLIONS)	**2021**	**2020**
Reported (GAAP)	$ 412	$ 230
Frutarom Integration Related Costs (a)	—	(2)
Restructuring and Other Charges	(1)	—
Business Divestiture Costs (b)	(5)	—
Employee Separation Costs (c)	(3)	—
N&B Transaction Related Costs (d)	(2)	(11)
N&B Integration Related Costs (e)	(17)	(23)
Adjusted (Non-GAAP)	$ 384	$ 194

Reconciliation of Net Income

(DOLLARS IN MILLIONS EXCEPT PER SHARE AMOUNTS)	Three Months Ended June 30, 2021 Income before taxes	Provision for income taxes (g)	Net Income Attributable to IFF (h)	Diluted EPS (i)	2020 Income before taxes	Provision for income taxes (g)	Net Income Attributable to IFF (h)	Diluted EPS (i)
Reported (GAAP)	$ 44	$ 14	$ 28	$ 0.11	$ 104	$ 16	$ 87	$ 0.74
Frutarom Integration Related Costs (a)	1	—	1	—	3	1	2	0.02
Restructuring and Other Charges	24	5	19	0.07	2	1	1	0.01
Business Divestiture Costs (b)	5	1	4	0.01	—	—	—	—
Employee Separation Costs (c)	3	1	2	0.02	—	—	—	—
N&B Inventory Step-Up Costs	195	45	150	0.59	—	—	—	—
N&B Transaction Related Costs (d)	2	1	1	—	11	1	10	0.09
N&B Integration Related Costs (e)	17	4	13	0.05	23	5	18	0.15
Redemption value adjustment to EPS (f)	—	—	—	—	—	—	—	0.01
Adjusted (Non-GAAP)	$ 291	$ 71	$ 218	$ 0.86	$ 143	$ 24	$ 118	$ 1.03

(a) Represents costs related to the integration of the Frutarom acquisition. For 2021, costs primarily related to performance stock awards. For 2020, costs primarily related to advisory services, retention bonuses and performance stock awards.

(b) Represents costs related to the Company's planned sales of businesses, primarily includes legal and professional fees.

(c) Represents costs related to severance liabilities, including accelerated stock compensation expense, for employees who have been separated from the Company.

(d) Represents transaction costs and expenses related to the transaction with N&B, primarily includes legal and professional fees.

(e) Represents costs primarily related to advisory services for the integration of the transaction with N&B, primarily consulting fees.

(f) Represents the adjustment to EPS related to the excess of the redemption value of certain redeemable noncontrolling interests over their existing carrying value.

(g) The income tax effects of non-GAAP adjustments are calculated based on the applicable statutory tax rate for the relevant jurisdiction, except for those items which are non-taxable or subject to valuation allowances for which the tax expense (benefit) was calculated at 0%. The tax benefit for amortization is calculated in a similar manner as the tax effects of the non-GAAP adjustments.

(h) For 2021 and 2020, net income is reduced by income attributable to noncontrolling interest of $2 million and $1 million, respectively.

(i) The sum of these items does not foot due to rounding.

Reconciliation of Gross Profit

(DOLLARS IN MILLIONS)	Six Months Ended June 30, 2021	2020
Reported (GAAP)	$ 1,664	$ 1,048
Frutarom Acquisition Related Costs (e)	—	1
N&B Inventory Step-Up Costs	377	—
Adjusted (Non-GAAP)	$ 2,041	$ 1,049

Reconciliation of Selling and Administrative Expenses

(DOLLARS IN MILLIONS)	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Reported (GAAP)	$ 863	$ 460
Frutarom Integration Related Costs (a)	(1)	(6)
Restructuring and Other Charges	(1)	—
Shareholder Activism Related Costs (b)	(7)	—
Business Divestiture Costs (c)	(5)	—
Employee Separation Costs (d)	(6)	—
Compliance Review & Legal Defense Costs (f)	—	(1)
N&B Transaction Related Costs (g)	(91)	(16)
N&B Integration Related Costs (h)	(54)	(33)
Adjusted (Non-GAAP)	$ 698	$ 404

Reconciliation of Net (Loss) Income

	Six Months Ended June 30,							
	2021				2020			
(DOLLARS IN MILLIONS EXCEPT PER SHARE AMOUNTS)	(Loss) Income before taxes	Provision for income taxes (j)	Net (Loss) Income Attributable to IFF (k)	Diluted EPS	Income before taxes	(Benefit from) Provision for income taxes (j)	Net Income Attributable to IFF (k)	Diluted EPS
Reported (GAAP)	$ (10)	$ —	$ (14)	$ (0.06)	$ 257	$ 42	$ 211	$ 1.89
Frutarom Integration Related Costs (a)	2	—	2	0.01	7	2	5	0.05
Restructuring and Other Charges	28	6	22	0.10	7	2	5	0.05
Losses on Sale of Assets	—	—	—	—	1	1	—	0.01
Shareholder Activism Related Costs (b)	7	2	5	0.02	—	—	—	—
Business Divestiture Costs (c)	5	1	4	0.02	—	—	—	—
Employee Separation Costs (d)	6	1	5	0.02	—	—	—	—
Frutarom Acquisition Related Costs (e)	—	—	—	—	—	(2)	2	0.02
Compliance Review & Legal Defense Costs (f)	—	—	—	—	1	—	1	—
N&B Inventory Step-Up Costs	377	82	295	1.28	—	—	—	—
N&B Transaction Related Costs (g)	91	19	72	0.30	16	1	15	0.13
N&B Integration Related Costs (h)	54	13	41	0.18	33	7	26	0.22
Redemption value adjustment to EPS (i)	—	—	—	—	—	—	—	(0.04)
Adjusted (Non-GAAP)	$ 560	$ 124	$ 432	$ 1.87	$ 322	$ 53	$ 265	$ 2.33

(a) Represents costs related to the integration of the Frutarom acquisition. For 2021, costs primarily related to performance stock awards. For 2020, costs primarily related to advisory services, retention bonuses and performance stock awards.

(b) Represents shareholder activist related costs, primarily professional fees.

(c) Represents costs related to the Company's planned sales of businesses, primarily includes legal and professional fees.

(d) Represents costs related to severance liabilities, including accelerated stock compensation expense, for employees who have been separated from the Company.

(e) Represents transaction-related costs and expenses related to the acquisition of Frutarom. For 2020, amount primarily includes earn-out payments, net of adjustments, amortization for inventory "step-up" costs and transaction costs principally related to the 2019 Acquisition Activity.

(f) Costs related to reviewing the nature of inappropriate payments and review of compliance in certain other countries. In addition, includes legal costs for related shareholder lawsuits.

(g) Represents transaction costs and expenses related to the transaction with N&B, primarily includes legal and professional fees.

(h) Represents costs primarily related to advisory services for the integration of the transaction with N&B, primarily consulting fees.

(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) The income tax effects of non-GAAP adjustments are calculated based on the applicable statutory tax rate for the relevant jurisdiction, except for those items which are non-taxable or subject to valuation allowances for which the tax expense (benefit) was calculated at 0%. The tax benefit for amortization is calculated in a similar manner as the tax effects of the non-GAAP adjustments.

(k) For 2021, net loss is increased by income attributable to noncontrolling interest of $4 million. For 2020, net income is reduced by income attributable to noncontrolling interest of $4 million.

Cautionary Statement Under the Private Securities Litigation Reform Act of 1995

Statements in this Form 10-Q, which are not historical facts or information, are “forward-looking statements” within the meaning of The Private Securities Litigation Reform Act of 1995. Such forward-looking statements are based on management’s current assumptions, estimates and expectations and include statements concerning (i) the impacts of COVID-19 and our plans to respond to its implications; (ii) expectations regarding sales and profit for the fiscal year 2021, including the impact of foreign exchange, pricing actions, raw materials, and logistic and manufacturing costs; (iii) the closing of our divestiture of the fruit preparation business and the progress of our portfolio optimization strategy, through non-core business divestitures; (iv) our combination with N&B, including the expected cost benefits and synergies of the N&B Transaction, the success of our integration efforts and future opportunities for the combined company; (v) our ability to achieve the anticipated benefits of the Frutarom acquisition, including $145 million of expected synergies; (vi) our ability to achieve our Vision 2021 strategy of accelerated revenue and profitability growth, (vii) the growth potential of the markets in which we operate, including the emerging markets, (viii) expected capital expenditures in 2021, (ix) expectations regarding the Frutarom Integration Initiative, (x) the expected costs and benefits of our ongoing optimization of our manufacturing operations, including the expected number of closings; (xi) expected cash flow and availability of capital resources to fund our operations and meet our debt service requirements; (xii) our ability to drive reductions in expenses; (xiii) our strategic investments in capacity and increasing inventory to drive improved profitability; (xiv) our strategic investments in capacity and increasing inventory to drive improved profitability; (xv) the impact of inflation and other macroeconomic factors; (xvi) our ability to innovate and execute on specific consumer trends and demands; and (xvii) our ability to continue to generate value for, and return cash to, our shareholders. These forward-looking statements should be evaluated with consideration given to the many risks and uncertainties inherent in our business that could cause actual results and events to differ materially from those in the forward-looking statements. Certain of such forward-looking information may be identified by such terms as “expect”, “anticipate”, “believe”, “intend”, “outlook”, “may”, “estimate”, “should”, “predict” and similar terms or variations thereof. Such forward-looking statements are based on a series of expectations, assumptions, estimates and projections about the Company, are not guarantees of future results or performance, and involve significant risks, uncertainties and other factors, including assumptions and projections, for all forward periods. Our actual results may differ materially from any future results expressed or implied by such forward-looking statements. Such risks, uncertainties and other factors include, among others, the following:

- disruption in the development, manufacture, distribution or sale of our products from COVID-19 and other public health crises;
- risks related to the integration of N&B and the Frutarom business, including whether we will realize the benefits anticipated from the acquisitions in the expected time frame;
- unanticipated costs, liabilities, charges or expenses resulting from the Frutarom acquisition and the N&B Transaction;
- risks related to the restrictions that we are required to abide by in connection with the N&B Transaction;
- our ability to provide the same types and level of services to the N&B Business that historically have been provided by DuPont, and our ability to maintain relationships with third parties and pre-existing customers of N&B.
- our ability to realize expected cost savings and increased efficiencies of the Frutarom integration and our ongoing optimization of our manufacturing facilities;
- our ability to successfully establish and manage acquisitions, collaborations, joint ventures or partnership;
- the increase in our leverage resulting from the additional debt incurred to pay a portion of the consideration for Frutarom and its impact on our liquidity and ability to return capital to its shareholders;
- our ability to successfully market to our expanded and diverse Nourish customer base;
- our ability to effectively compete in our market and develop and introduce new products that meet customers’ needs;
- our ability to retain key employees;
- changes in demand from large multi-national customers due to increased competition and our ability to maintain “core list” status with customers;
- our ability to successfully develop innovative and cost-effective products that allow customers to achieve their own profitability expectations;

- disruption in the development, manufacture, distribution or sale of our products from natural disasters, public health crises, international conflicts, terrorist acts, labor strikes, political crisis, accidents and similar events;
- the impact of a disruption in our supply chain, including the inability to obtain ingredients and raw materials from third parties;
- volatility and increases in the price of raw materials, energy and transportation;
- the impact of a significant data breach or other disruption in our information technology systems, and our ability to comply with data protection laws in the U.S. and abroad;
- our ability to comply with, and the costs associated with compliance with, regulatory requirements and industry standards, including regarding product safety, quality, efficacy and environmental impact;
- our ability to react in a timely and cost-effective manner to changes in consumer preferences and demands, including increased awareness of health and wellness;
- our ability to meet consumer, customer and regulatory sustainability standards;
- our ability to benefit from our investments and expansion in emerging markets;
- the impact of currency fluctuations or devaluations in the principal foreign markets in which we operate;
- economic, regulatory and political risks associated with our international operations;
- the impact of global economic uncertainty on demand for consumer products;
- our ability to comply with, and the costs associated with compliance with, U.S. and foreign environmental protection laws;
- our ability to successfully manage our working capital and inventory balances;
- the impact of the failure to comply with U.S. or foreign anti-corruption and anti-bribery laws and regulations, including the U.S. Foreign Corrupt Practices Act;
- any impairment on our tangible or intangible long-lived assets, including goodwill associated with the acquisition of Frutarom and Merger with N&B;
- our ability to protect our intellectual property rights;
- the impact of the outcome of legal claims, regulatory investigations and litigation, including current and future developments involving tax matters in Brazil;
- changes in market conditions or governmental regulations relating to our pension and postretirement obligations;
- the impact of changes in federal, state, local and international tax legislation or policies, including the Tax Cuts and Jobs Act, with respect to transfer pricing and state aid, and adverse results of tax audits, assessments, or disputes;
- the impact of the United Kingdom’s departure from the European Union; and
- the impact of the phase out of the London Interbank Offered Rate (LIBOR) on interest expense.

The foregoing list of important factors does not include all such factors, nor necessarily present them in order of importance. In addition, you should consult other disclosures made by the Company (such as in our other filings with the SEC or in company press releases) for other factors that may cause actual results to differ materially from those projected by the Company. Please refer to Part I. Item 1A., Risk Factors of the 2020 Form 10-K for additional information regarding factors that could affect our results of operations, financial condition and cash flow.

We intend our forward-looking statements to speak only as of the time of such statements and do not undertake or plan to update or revise them as more information becomes available or to reflect changes in expectations, assumptions or results. We can give no assurance that such expectations or forward-looking statements will prove to be correct. An occurrence of, or any material adverse change in, one or more of the risk factors or risks and uncertainties referred to in this report or included in our other periodic reports filed with the SEC could materially and adversely impact our operations and our future financial results.

Any public statements or disclosures made by us following this report that modify or impact any of the forward-looking statements contained in or accompanying this report will be deemed to modify or supersede such outlook or other forward-looking statements in or accompanying this report.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

There are no material changes in market risk from the information provided in our 2020 Form 10-K, except for the USD fixed rate debt.

At June 30, 2021, the fair value of our USD fixed rate debt was $8.703 billion. Based on a hypothetical decrease or increase of 10% in interest rates, the estimated fair value of our USD fixed rate debt would decrease or increase, accordingly, by approximately $870 million.

ITEM 4. CONTROLS AND PROCEDURES.

(a) Disclosure Controls and Procedures

The Chief Executive Officer and Chief Financial Officer, with the assistance of other members of our management, have evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on such evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective as of the end of the period covered by this Quarterly Report on Form 10-Q.

We have established controls and procedures designed to ensure that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms and is accumulated and communicated to management, including the principal executive officer and the principal financial officer, to allow timely decisions regarding required disclosure.

(b) Changes in Internal Control over Financial Reporting

The Chief Executive Officer and Chief Financial Officer have also concluded that there have not been any changes in our internal control over financial reporting during the quarter ended June 30, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

For information that updates the disclosures set forth under Part I, Item 3. "Legal Proceedings" in our 2020 Annual Report on Form 10-K (the "2020 Form 10-K"), refer to Note 15 to the "Consolidated Financial Statements" in this Form 10-Q.

ITEM 1a. RISK FACTORS.

Refer to Part I, Item 1A, “Risk Factors,” of our 2020 Form 10-K and the information contained in this Quarterly Report on Form 10-Q and our other reports and registration statements filed with the SEC. There have been no material changes with respect to the risk factors disclosed in our 2020 Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

None.

ITEM 6. EXHIBITS.

31.1	Certification of Andreas Fibig pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Rustom Jilla pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification of Andreas Fibig and Rustom Jilla pursuant to 18 U.S.C. Section 1350 as adopted pursuant to the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extensions Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase
104	Cover Page Interactive File (formatted as Inline XBRL and contained in Exhibit 101)

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.

Dated:	August 5, 2021	By:	/s/ Andreas Fibig
			Andreas Fibig Chairman of the Board and Chief Executive Officer
Dated:	August 5, 2021	By:	/s/ Rustom Jilla
			Rustom Jilla Executive Vice President and Chief Financial Officer
Dated:	August 5, 2021	By:	/s/ Robert Anderson
			Robert Anderson Senior Vice President, Corporate Controller and Chief Accounting Officer (Principal Accounting Officer)

Exhibit 31.1

CERTIFICATION

I, Andreas Fibig, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of International Flavors & Fragrances Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 5, 2021

By:	/s/ Andreas Fibig
Name:	Andreas Fibig
Title:	Chairman of the Board and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Rustom Jilla, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of International Flavors & Fragrances Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 5, 2021

By:	/s/ Rustom Jilla
Name:	Rustom Jilla
Title:	Executive Vice President and Chief Financial Officer

Exhibit 32

**CERTIFICATION OF CEO AND CFO PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of International Flavors & Fragrances Inc. (the "Company") for the quarterly period ended June 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Andreas Fibig, as Chief Executive Officer, and Rustom Jilla, as Chief Financial Officer, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934;

and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By:	/s/ Andreas Fibig
Name:	Andreas Fibig
Title:	Chairman of the Board and Chief Executive Officer
Dated:	August 5, 2021

By:	/s/ Rustom Jilla
Name:	Rustom Jilla
Title:	Executive Vice President and Chief Financial Officer
Dated:	August 5, 2021