

IFF

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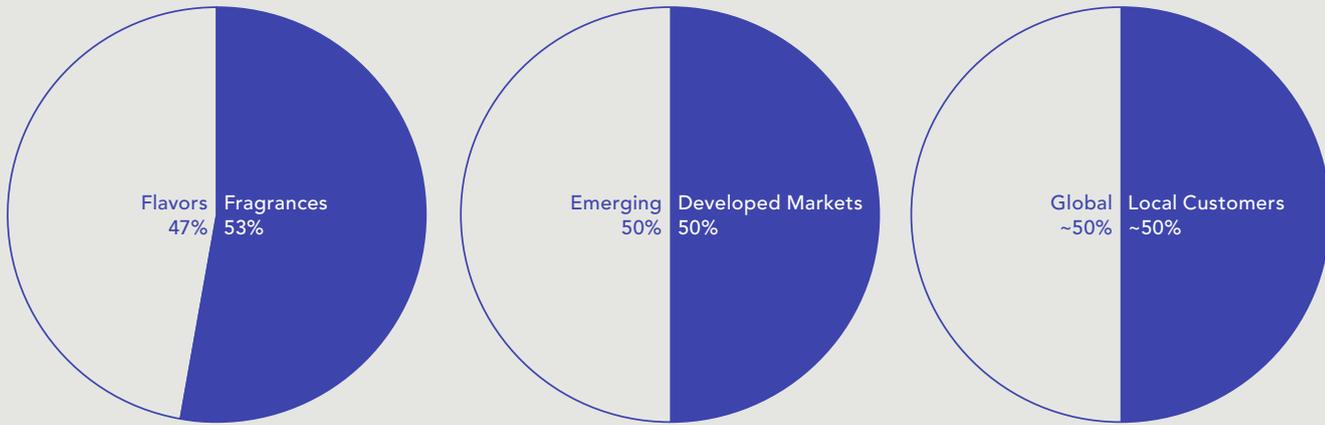
IFF reimagines

the future.

2014 Annual Report

INTERNATIONAL FLAVORS & FRAGRANCES INC. >>

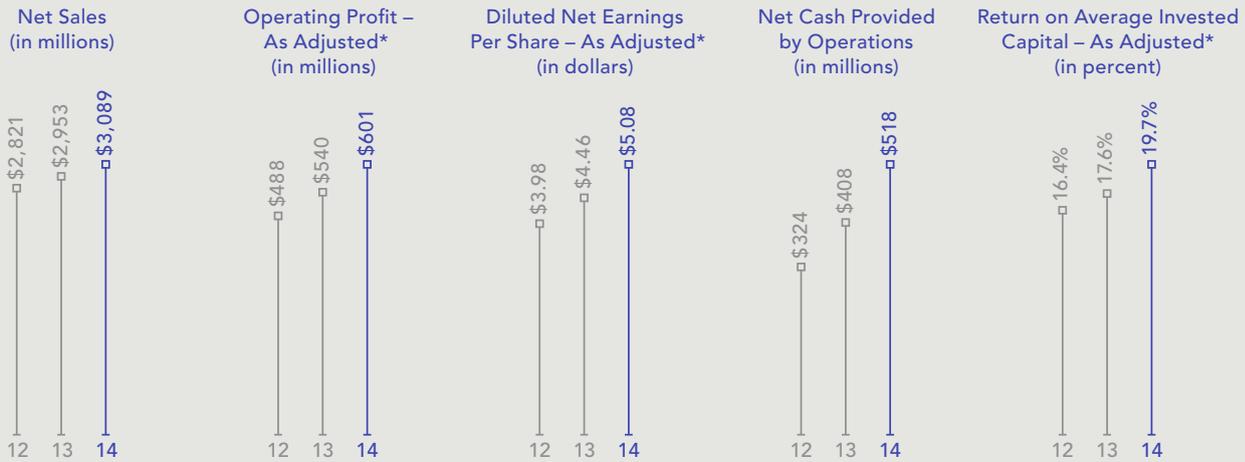
DIVERSIFICATION



LOCATIONS



FINANCIALS



*See reconciliation of GAAP to Non-GAAP financial measures at end of this report

2014 MARKED IFF'S 125TH YEAR of delivering consumer-preferred flavors and fragrances. This is a testament to our sustainability, continuity and stability as a global organization.

We are proud of our rich heritage

and what we have accomplished as a partner

to our customers, employees and shareholders.

Now is the time to **ReIMAGINE** as we

ReFLECT on our accomplishments,

ReFRESH our corporate strategy, and

ReDEFINE IFF's role as a leader in the flavors and fragrances industry.

IT STARTS HERE >>

ReFLECT

As the new Chairman & Chief Executive Officer, I am honored to address you during this inspiring and celebratory time in IFF's history. We've come a long way from our origins—starting with the opening of Polak & Schwarz (P&S) in 1889 in the Netherlands, expanding to the U.S. in 1917 under the leadership of Arnold Louis van Ameringen, and to the eventual opening of van Ameringen & Co. With P&S focused more on flavors and van Ameringen & Co. on fragrances, the two merged in 1958 to form IFF. And thanks to the achievements of the men and women who came before me,

IFF is in robust standing.

2014 Financials

This year, we hit our long-term financial targets, meeting or exceeding our local currency sales, operating profit and EPS goals.

Local currency sales grew 5%, with broad-based growth in both the emerging and developed markets. Adjusted operating profit increased 11%, led by a 60 basis point improvement in gross margin and lower research, selling, and administrative cost. The net impact was positive as adjusted operating margin expanded 120 basis points to 19.5%.

From an EPS perspective, we benefited from a lower tax rate and gained incremental leverage through our share repurchase program. As a result, adjusted diluted EPS improved 14% to \$5.08 per share,

a company record.

Fragrances

We achieved local currency sales growth of 7%, led by double-digit growth in Greater Asia and high-single digit growth in EAME. Each region and category in our fragrance compounds business reported growth. Local currency sales increased 2% in Fine Fragrances, on top of 8% sales growth reported in fiscal 2013, and Consumer Fragrance increased 5% against an 8% comparison, supported by advancements in our market-leading encapsulation technology. Fragrance ingredients, which benefited from the acquisition of Aromor, increased 18% on a local currency basis, reflecting strong growth of specialty ingredients as well as naturals. We increased segment profitability by 18% and our segment profit margin expanded 210 basis points.

Flavors

Local currency sales grew 4% as our innovation platform for healthier products drove growth in Beverage, Dairy, and Savory. On a regional basis, Latin America performed best, growing local currency sales double-digits every quarter in 2014 to finish the year with 16% growth. EAME and Greater Asia both delivered solid local currency growth, and North America sales were soft, but improved in the second half of the year. Segment profit totaled \$331 million, up from \$324 million in 2013, and the segment profit margin remained constant at 22.7%.

Emerging Markets

Emerging markets grew three times faster than developed markets on a local currency basis. In 2014, approximately 50% of our total sales were in emerging markets—up from 45% five years ago—with new facilities and expanded capacities in these key markets. Over the past 12 months,

IFF continued to invest in all four regions to expand our presence.

Our new Flavors creative facility opened in Jakarta, Indonesia, and we established a sales office and applications lab in Santiago, Chile.

In EAME, we invested in a new regional dairy center in Hilversum, the Netherlands.

Most recently, we opened a facility in Chicago with a culinary center and an applications and flavorist lab, and more than doubled our creative capabilities in South Africa to support the Company's expanded customer base in the rapidly growing Sub-Saharan Africa region.

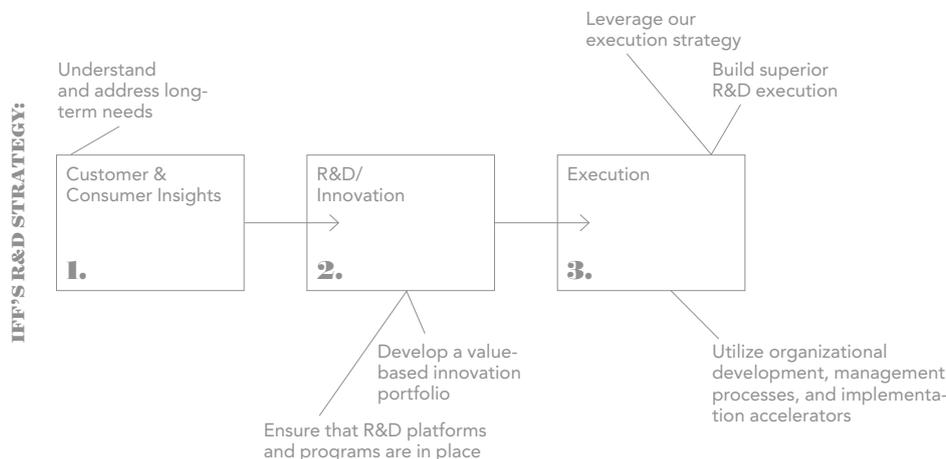
These new facilities enhance collaboration and allow IFF to partner more closely with our customers to build differentiating taste and flavor solutions.

Acquisitions and Partnerships

Acquisitions and partnerships contribute to IFF's pipeline for growth and innovation. In 2014, we acquired Aromor Flavors and Fragrances Ltd., a privately held manufacturer and marketer of complex specialty ingredients used in fragrances. The successful integration provided an additional point of sales growth in 2014, and established a knowledge base that can be leveraged through our entire organization. We also made strong progress with our external partners to advance collaboration to develop key ingredients for the market.

Research and Development

We continue to invest heavily in R&D and in 2014 we invested 8.2% of our revenue across a variety of platforms to provide innovative products for our customers and to accelerate IFF's long-term growth. As a technology-driven business, IFF identifies new and emerging platforms, including delivery systems via encapsulation in fragrances, and taste-based technologies like modulation of sugar, salt and fat in flavors. In 2014, we launched four new flavor modulators, ranging from sweetness to cooling, and added a whole-wheat bitter masker to help our customers deliver great-tasting, healthier products. We also began manufacturing our bio-vanillin, a more cost-effective and sustainable offering of a critical ingredient in the flavors industry. We greatly accelerated our pace of innovation as we introduced two new fragrance ingredient molecules and extended our market-leading encapsulation position with a breakthrough capsule.



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We are here to lead where we compete. Our strong financial foundation, expansion in key markets and

**investment in
innovation
will redefine
winning and lead
to sustainable,
profitable growth
at IFF.**

”

Sustainability

Sustainability is embedded into IFF’s long-term business strategy. We assess financial, environmental, and social measures and evaluate our sustainability practices according to four strategic pillars:



2014 was a year of significant sustainability achievements, including:

- We opened the largest solar panel field in the industry at our Hazlet, New Jersey, site.
- We were identified as a leader by CDP in Climate Change Reporting and have been included in the Climate Disclosure Leadership Index (CDLI).
- The Institute for Marketecology awarded a For Life Social Responsibility certificate to our in-house naturals facility, LMR, and its partner in Turkey.

ReFRESH

2014 was a year of progress for IFF. We delivered solid topline growth, expanded our business, and increased profitability and shareholder returns. Simultaneously, we embarked on a strategic refresh where we are pressure-testing our current strategy to maximize our performance. Leverage our geographic reach, strengthen our innovation platform, and maximize our portfolio.

Insight from customers, employees, and investors, as well as guidance from an external consulting firm, is incorporated into this process to include a broad range of perspectives.

To balance IFF’s long-term growth strategy, we will focus on:

- *leading* where we compete,
- *accelerating* differentiation through innovation,
- *transcending* the industry as our customers’ partner of choice, and
- *exploring* possibilities through collaborations, partnerships and acquisitions.

ReDEFINE

IFF stands on solid, proven ground as we move into the future. In 2015, we will unveil a refreshed strategy, an enhanced corporate vision, and a new corporate brand. In addition, we will make strategic choices to differentiate ourselves from the competition and to provide our customers with

bigger and

bolder innovation.

To do this, we identified long-term customer and consumer needs that cut across both Flavors and Fragrances, from Preferred Sensory Experience to Health and Wellbeing. Our focus on key innovation platforms addresses these needs. Modulation, Delivery Systems, Naturals, New Molecules, Process Research & Green Chemistry, and Biotechnology.

IFF is financially and strategically more capable than ever to achieve our business objectives.

Here's how:

Define our business landscape

We not only serve our customers' needs, but identify opportunities to expand and develop their products and be more competitive and successful in their industries.

Innovate every day

Innovation does not begin and end in the laboratory. It needs to be a part of every person's job.

Experimentation.

Discovery.

Learning.

We are open to the infinite possibilities that lay before us.

Execute consistently

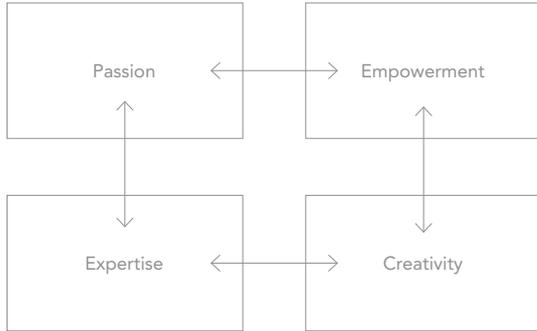
A good idea needs a good plan. We execute consistently from conception, through launch,

and onto completion.

LETTER TO SHAREHOLDERS

Core Values

Our four core values create the cornerstone of our employee value proposition:



With committed attention on

people,

products,

and customers,

our goal is to accelerate sustainable profitable growth.

We will continue to fortify our leadership role in the industry.

This is how we will compete

and this is how we will win.

I am excited about IFF's future.

ANDREAS FIBIG

Chairman & Chief Executive Officer
International Flavors & Fragrances Inc.
March 18, 2015

**NON-GAAP
RECONCILIATIONS**

NON-GAAP RECONCILIATIONS (Amounts in thousands except per share amounts)

OPERATING PROFIT	2012	2013	2014
As Reported Operating Profit	486,618	516,339	592,321
Restructuring and Other Charges	1,668	7,401	6,398
Operational Improvement Initiative Costs	–	3,672	2,541
Spanish Tax Charges	–	13,011	–
Adjusted Operating Profit	488,286	540,423	601,260
Sales	2,821,446	2,952,896	3,088,533
Adjusted Operating Profit Margin	17.3%	18.3%	19.5%

EARNINGS PER SHARE (EPS) (PER SHARE DATA)	2012	2013	2014
As Reported EPS	3.09	4.29	5.06
Restructuring and Other Charges, After Tax	0.01	0.06	0.05
Operational Improvement Initiative Costs	–	0.03	0.02
Spanish Tax Charges	–	0.19	(0.05)
Gain on Asset Sale	–	(0.10)	–
Spanish Tax Settlement	0.88	–	–
Adjusted Diluted EPS	3.98	4.46¹	5.08

RETURN ON AVERAGE INVESTED CAPITAL	2011	2012	2013	2014
Adjusted Net Income	306,156	327,543	367,952	416,311
Debt	894,936	1,031,175	932,814	942,322
Deferred gain on interest rate swaps	(10,965)	(9,028)	(7,094)	(5,205)
Cash and cash equivalents	(88,279)	(324,422)	(405,505)	(478,573)
Net Debt	795,692	697,725	520,215	458,544
Equity	1,107,407	1,252,555	1,467,051	1,522,689
Total Invested Capital	1,903,099	1,950,280	1,987,266	1,981,233
Restructuring and Other Charges, After Tax	9,444	1,047	4,811	4,158
Operational Improvement Initiative Costs	–	–	2,781	1,905
Spanish Tax Charges	–	–	15,338	(3,825)
Gain on Asset Sale	–	–	(8,522)	(470)
Spanish Tax Settlement	–	72,362	–	–
Patent Litigation Settlement, After Tax	29,846	–	–	–
	39,290	73,409	14,408	1,768
Cumulative items impacting comparability	39,290	112,699	127,107	128,875
Adjusted Total Invested Capital	1,942,389	2,062,979	2,114,373	2,110,108
Adjusted Return on Average Invested Capital*		16.4%	17.6%	19.7%

¹The sum of Reported Diluted EPS plus the per share effects of items added back to reconcile to Adjusted Diluted EPS may not equal the total Adjusted Diluted EPS due to rounding differences.

* Return on Average Invested Capital - As Adjusted, is defined as Adjusted Net Income divided by the two-year average of Adjusted Invested Capital. Adjusted Invested Capital is defined as net debt plus total stockholders' equity excluding the impact of Restructuring and Other Charges, Operational Improvement Initiative Costs, Spanish Tax Charges, Gain on Asset Sale, the Spanish Tax Settlement, and the Patent Litigation Settlement.

The Company uses non-GAAP financial operating measures to provide investors with an overall perspective of the period-to-period performance of our business. In addition, management internally reviews each of these non-GAAP measures to evaluate performance on a comparative period-to-period basis in terms of absolute performance, trends and expected future performance with respect to our business. These non-GAAP metrics exclude restructuring charges (including costs associated with the Company's Fragrance Ingredients Rationalization in 2013 and costs associated with the 2011 Strategic Initiative), operational improvement initiative costs, Spanish tax charges and gain on the sale of non-operating assets in 2013 and 2014, the Spanish tax settlement in 2012, and the patent litigation settlement in 2011.

The Company also measures sales performance on a non-GAAP basis which eliminates the effects that result from translating its international sales in U.S. dollars ("local currency") and eliminates the effect of local currency. Such information is supplemental to information presented in accordance with GAAP and is not intended to represent a presentation in accordance with GAAP. These non-GAAP measures may not be comparable to similarly titled measures used by other companies.

BOARD OF DIRECTORS >>

NAME	TITLE
MARCELLO V. BOTTOLI ²	Operating Partner <i>Advent International</i>
DR. LINDA B. BUCK, PH.D. ³	Nobel Prize-winning University of Washington Affiliate Professor, and Howard Hughes Medical Institute Investigator
J. MICHAEL COOK ^{2*}	Former Chairman and Chief Executive Officer, <i>Deloitte & Touche, LLP</i>
MICHAEL L. DUCKER	President and Chief Executive Officer, <i>FedEx Freight</i>
ROGER W. FERGUSON, JR. ²	President and Chief Executive Officer, <i>TIAA-CREF</i>
ANDREAS FIBIG	Chairman of the Board and Chief Executive Officer, <i>International Flavors & Fragrances Inc.</i>
CHRISTINA GOLD ²	Former Chief Executive Officer and President, <i>The Western Union Company</i>
ALEXANDRA A. HERZAN ²	President and Treasurer, <i>Lily Auchincloss Foundation, Inc.</i>
HENRY W. HOWELL, JR. ^{1, 3*}	Former Managing Director <i>J.P. Morgan & Co., Inc.</i>
KATHERINE M. HUDSON [†]	Former Chairperson, President and Chief Executive Officer, <i>Brady Corporation</i>
ARTHUR C. MARTINEZ ^{1, 3†}	Former Chairman and Chief Executive Officer, <i>Sears, Roebuck and Company</i>
DALE F. MORRISON ^{1, 3}	Founding Partner, <i>TriPointe Capital Partners</i>

1 Audit Committee
 2 Compensation Committee
 3 Nominating and Governance Committee
 * Indicates Chairperson
 † Lead Director

LEADERSHIP TEAM >>

NAME	TITLE
ANDREAS FIBIG	Chairman of the Board and Chief Executive Officer
RICHARD O'LEARY	Interim Chief Financial Officer
NICOLAS MIRZAYANTZ	Group President, Fragrances
MATTHIAS HAENI	Group President, Flavors
ANNE CHWAT	Senior Vice President, General Counsel and Corporate Secretary
ANGELICA T. CANTLON	Senior Vice President and Chief Human Resources Officer
FRANCISCO FORTANET	Senior Vice President, Operations
AHMET BAYDAR	Senior Vice President, Research and Development

IFF International Flavors & Fragrances Inc.

IFF GLOBAL HEADQUARTERS

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