

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OF  
THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended March 31, 1996 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)

-----  
(IRS Employer  
identification No.)

521 West 57th Street, New York, N.Y.

10019-2960

-----  
(Address of principal executive offices)

-----  
(Zip Code)

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

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Sections 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding twelve months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes    X                    No  
    ---                    ---

Number of shares outstanding as of May 6, 1996: 111,022,501

1

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

INTERNATIONAL FLAVORS & FRAGRANCES INC.

CONSOLIDATED BALANCE SHEET  
(Dollars in thousands)

	3/31/96	12/31/95
	-----	-----
Assets		
Current Assets:		
Cash & Cash Equivalents .....	\$ 230,246	\$ 251,430
Short-term Investments .....	54,882	45,503
Trade Receivables .....	294,164	253,913
Allowance For Doubtful Accounts .....	(8,027)	(8,602)
Inventories: Raw Materials .....	228,101	233,759
Work in Process .....	25,059	27,739
Finished Goods .....	146,509	153,049
Total Inventories .....	399,669	414,547
Other Current Assets .....	72,022	79,186
Total Current Assets .....	1,042,956	1,035,977
Property, Plant & Equipment, At Cost .....	847,469	839,206
Accumulated Depreciation .....	(375,751)	(370,621)
Other Assets .....	471,718	468,585
.....	30,325	29,707
Total Assets .....	\$1,544,999	\$1,534,269
	=====	=====

Liabilities and Shareholders' Equity

Current Liabilities:		
Bank Loans .....	\$ 15,055	\$ 12,185
Accounts Payable-Trade .....	63,215	63,282
Dividends Payable .....	37,754	37,749
Income Taxes .....	76,717	70,471
Other Current Liabilities .....	79,870	92,714
	-----	-----
Total Current Liabilities .....	272,611	276,401
	-----	-----
Other Liabilities:		
Deferred Income Taxes .....	13,596	13,420
Long-term Debt .....	10,283	11,616
Other .....	117,252	116,272
	-----	-----
Total Other Liabilities .....	141,131	141,308
	-----	-----
Shareholders' Equity:		
Common Stock (115,761,840 shares issued in '96 and in '95) .....	14,470	14,470
Capital in Excess of Par Value .....	141,447	142,476
Retained Earnings .....	1,097,831	1,069,421
Cumulative Translation Adjustment .....	58,330	75,049
	-----	-----
	1,312,078	1,301,416
Treasury Stock, at cost--4,702,539 shares in '96 and 4,808,005 in '95 .....	(180,821)	(184,856)
	-----	-----
Total Shareholders' Equity .....	1,131,257	1,116,560
	-----	-----
Total Liabilities and Shareholders' Equity .....	\$1,544,999	\$1,534,269
	=====	=====

See Notes to Consolidated Financial Statements

## INTERNATIONAL FLAVORS &amp; FRAGRANCES INC.

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

	3 Months Ended 3/31	
	1996	1995
Net Sales .....	\$382,767	\$373,594
Cost of Goods Sold .....	204,071	190,784
Research and Development Expenses .....	22,949	22,141
Selling and Administrative Expenses .....	55,321	53,562
Interest Expense .....	546	565
Other (Income) Expense, Net .....	(4,414)	(4,500)
	278,473	262,552
Income Before Taxes on Income .....	104,294	111,042
Taxes on Income .....	38,130	41,086
Net Income .....	\$ 66,164	\$ 69,956
	=====	=====
Earnings Per Share .....	\$0.60	\$0.63
Average Number of Shares Outstanding (000) .....	111,000	111,531
Dividends Paid Per Share .....	\$0.34	\$0.31

See Notes to Consolidated Financial Statements

## INTERNATIONAL FLAVORS &amp; FRAGRANCES INC.

CONSOLIDATED STATEMENT OF CASH FLOWS  
(Dollars in thousands)

	3 Months Ended 3/31	
	1996	1995
Cash Flows From Operating Activities:		
Net Income .....	\$ 66,164	\$ 69,956
Adjustments to Reconcile to Net Cash Provided by Operations:		
Depreciation .....	11,660	9,724
Deferred Income Taxes .....	7,301	1,350
Changes in Assets and Liabilities:		
Current Receivables .....	(42,780)	(53,797)
Inventories .....	10,179	(21,384)
Current Payables .....	(5,168)	27,168
Other, Net .....	(341)	(6,436)
Net Cash Provided by Operations .....	47,015	26,581
Cash Flows From Investing Activities:		
Proceeds From Sales/Maturities of Short-term Investments .....	2,033	19,473
Purchases of Short-term Investments .....	(12,336)	(25,051)
Additions to Property, Plant & Equipment, Net of Minor Disposals .....	(20,915)	(18,059)
Net Cash Used in Investing Activities .....	(31,218)	(23,637)
Cash Flows From Financing Activities:		
Cash Dividends Paid to Shareholders .....	(37,749)	(34,554)
Increase in Bank Loans .....	2,986	820
Decrease in Long-term Debt .....	(998)	(1,054)
Proceeds From Issuance of Stock Under Stock Option Plans .....	2,987	3,852
Purchase of Treasury Stock .....	(96)	0
Net Cash Used In Financing Activities .....	(32,870)	(30,936)
Effect of Exchange Rate Changes on Cash and Cash Equivalents .....	(4,111)	17,063
Net Change in Cash and Cash Equivalents .....	(21,184)	(10,929)
Cash and Cash Equivalents at Beginning of Year .....	251,430	230,581
Cash and Cash Equivalents at End of Period .....	\$230,246	\$219,652
Interest Paid .....	\$ 572	\$ 717
Income Taxes Paid .....	\$ 23,279	\$ 27,121

See Notes to Consolidated Financial Statements

Note to Consolidated Financial Statements

These interim statements and management's related discussion and analysis should be read in conjunction with the consolidated financial statements and their related notes, and management's discussion and analysis of results of operations and financial condition included in the Company's 1995 Annual Report to Shareholders.

In the opinion of the Company's management, all normal recurring adjustments necessary for a fair statement of the results for the interim periods have been made.

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

Operations

Worldwide net sales for the first quarter of 1996 increased 2% over the prior year to \$382,767,000. The Company's first quarter sales reached a new high against a record performance in the first quarter of 1995. The sales increase in the first quarter of 1996 was not significantly affected by translation. Net income for the first quarter of 1996 totaled \$66,164,000 compared to \$69,956,000 in the prior year first quarter. Earnings per share for the quarter were \$.60, as compared to \$.63 in the prior year quarter.

Sales and earnings were affected by slow reordering patterns for fragrances, resulting from sluggish retail sales during the 1995 holiday season, both in Europe and the United States. The resumption of normal fragrance reordering patterns, as well as the introduction of several new fragrance products, will result in stronger sales and earnings during the second half of the year.

The percentage relationship of cost of goods sold and other operating expenses to sales for the first quarter 1996 and 1995 are as detailed below.

	First Quarter	
	1996	1995
Cost of Goods Sold	53.3%	51.1%
Research and Development Expense	6.0%	5.9%
Selling and Administrative Expense	14.5%	14.3%

The effective tax rate for the first quarter 1996 was 36.6% as compared to 37.0% for the same period in 1995. The lower effective tax rate reflects the effects of lower tax rates in various tax jurisdictions in which the Company operates.

Financial Condition

The financial condition of the Company continued to be strong during the first quarter. Cash, cash equivalents and short-term investments totaled \$285,128,000 at March 31, 1996. At March 31, 1996, working capital was \$770,345,000 compared to \$759,576,000 at December 31, 1995. Gross additions to property, plant and equipment during the first quarter of 1996 were \$21,239,000.

In January 1996, the Company's cash dividend was increased 9.7% to an annual rate of \$1.36 per share, and \$.34 per share was paid to shareholders in the first quarter of 1996. The Company anticipates that its growth, capital expenditure programs and share repurchase program will be funded from internal sources.

The cumulative translation adjustment component of Shareholders' Equity at March 31, 1996 was \$58,330,000 compared to \$75,049,000 at December 31, 1995. Changes in the component result from translating the net assets of the majority of the Company's foreign subsidiaries into U.S. dollars at current exchange rates as required by the Statement of Financial Accounting Standards No. 52 on accounting for foreign currency translation.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit 27 - Financial Data Schedule

(b) Reports on Form 8-K

Registrant filed no report on Form 8-K during the quarter for which this report on Form 10-Q is filed.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

INTERNATIONAL FLAVORS & FRAGRANCES INC.

Dated: May 14, 1996

By: \_\_\_\_\_  
Thomas H. Hoppel, Vice-President and Chief  
Financial Officer

Dated: May 14, 1996

By: \_\_\_\_\_  
Stephen A. Block, Vice-President Law and Secretary

The schedule contains summary financial information extracted from the Consolidated Balance Sheet & Consolidated Statement of Income and is qualified in its entirety by reference to such financial statements. Amounts in thousands of dollars, except per share amounts.

1000

3-MOS

	DEC-31-1996	
	MAR-31-1996	
		230,246
		54,882
		294,164
		(8,027)
		399,669
	1,042,956	
		847,469
		(375,751)
		1,544,999
	272,611	
		10,283
		14,470
	0	
		0
		1,116,787
1,544,999		
		382,767
	382,767	
		204,071
		282,341
		(4,414)
		0
		546
		104,294
		38,130
	66,164	
		0
		0
		0
		66,164
		\$0.60
		\$0.60