

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 June 30, 1998

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  No

Number of shares outstanding as of August 10, 1998: 107,199,495

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

INTERNATIONAL FLAVORS & FRAGRANCES INC.

CONSOLIDATED BALANCE SHEET  
(Dollars in thousands)

6/30/98 12/31/97

ASSETS

Current Assets:

Cash & Cash Equivalents .....	\$ 150,055	\$ 216,994
Short-term Investments .....	11,908	43,452
Trade Receivables .....	296,161	242,791
Allowance For Doubtful Accounts .....	(8,279)	(8,101)
Inventories: Raw Materials .....	211,032	193,136
Work in Process .....	6,908	13,593
Finished Goods .....	157,804	153,345
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Total Inventories .....	375,744	360,074
Other Current Assets .....	68,968	80,249
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Total Current Assets .....	894,557	935,459
	-----	-----
Property, Plant & Equipment, At Cost .....	825,491	810,901
Accumulated Depreciation .....	(377,197)	(364,392)
	-----	-----
	448,294	446,509
Other Assets .....	41,798	40,293
	-----	-----
Total Assets .....	\$1,384,649	\$1,422,261
	=====	=====

#### LIABILITIES AND SHAREHOLDERS' EQUITY

##### Current Liabilities:

Bank Loans .....	\$ 16,280	\$ 10,490
Accounts Payable-Trade .....	62,095	57,832
Dividends Payable .....	39,856	40,407
Income Taxes .....	64,591	56,070
Other Current Liabilities .....	98,245	100,062
	-----	-----
Total Current Liabilities .....	281,067	264,861
	-----	-----

##### Other Liabilities:

Deferred Income Taxes .....	20,664	23,139
Long-term Debt .....	3,900	5,114
Retirement and Other Liabilities .....	131,253	128,659
	-----	-----
Total Other Liabilities .....	155,817	156,912
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##### Shareholders' Equity:

Common Stock (115,761,840 shares issued in '98 and in '97) .....	14,470	14,470
Capital in Excess of Par Value .....	136,495	137,418
Restricted Stock .....	(7,874)	(9,000)
Retained Earnings .....	1,205,117	1,166,348
Accumulated Other Comprehensive Income:		
Cumulative Translation Adjustment .....	(52,129)	(36,851)
	-----	-----
	1,296,079	1,272,385
Treasury Stock, at cost -- 8,324,845 shares in '98 and 6,630,911 in '97 .....	(348,314)	(271,897)
	-----	-----
Total Shareholders' Equity .....	947,765	1,000,488
	-----	-----

Total Liabilities and Shareholders' Equity .....	\$1,384,649	\$1,422,261
	=====	=====

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 6/30	
	1998	1997
	-----	-----
Net Sales .....	\$365,253	\$381,470
Cost of Goods Sold .....	195,270	204,055
Research and Development Expenses .....	24,445	23,496
Selling and Administrative Expenses .....	60,520	57,001
Interest Expense .....	459	618
Other (Income) Expense, Net .....	(1,584)	(2,497)
	-----	-----
	279,110	282,673
Income Before Taxes on Income .....	86,143	98,797
Taxes on Income .....	30,236	35,488
	-----	-----
Net Income .....	55,907	63,309
Other Comprehensive Income:		
Foreign Currency Translation Adjustments .....	(4,331)	(13,145)
Comprehensive Income .....	\$ 51,576	\$ 50,164
	=====	=====
Earnings Per Share -- Basic .....	\$0.52	\$0.58
Earnings Per Share -- Diluted .....	\$0.52	\$0.57
Dividends Paid Per Share .....	\$0.37	\$0.36

	6 Months Ended 6/30	
	1998	1997
	-----	-----
Net Sales .....	\$738,664	\$764,283
Cost of Goods Sold .....	393,477	411,348
Research and Development Expenses .....	48,295	47,069
Selling and Administrative Expenses .....	117,893	113,331
Interest Expense .....	918	1,177
Other (Income) Expense, Net .....	(4,856)	(6,568)
	-----	-----
	555,727	566,357
Income Before Taxes on Income .....	182,937	197,926
Taxes on Income .....	64,404	71,373
	-----	-----
Net Income .....	118,533	126,553
Other Comprehensive Income:		
Foreign Currency Translation Adjustments .....	(15,278)	(43,272)
Comprehensive Income .....	\$103,255	\$ 83,281
	=====	=====
Earnings Per Share -- Basic .....	\$1.10	\$1.16
Earnings Per Share -- Diluted .....	\$1.10	\$1.15
Average Number of Shares Outstanding -- Basic .....	107,825	109,170
Average Number of Shares Outstanding -- Diluted ....	108,241	109,599
Dividends Paid Per Share .....	\$0.74	\$0.72



## INTERNATIONAL FLAVORS &amp; FRAGRANCES INC.

CONSOLIDATED STATEMENT OF CASH FLOWS  
(Dollars in thousands)

	6 Months Ended 6/30	
	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income .....	\$ 118,533	\$ 126,553
Adjustments to Reconcile to Net Cash Provided by Operations:		
Depreciation .....	23,960	24,765
Deferred Income Taxes .....	2,216	(2,071)
Changes in Assets and Liabilities:		
Current Receivables .....	(55,415)	(80,435)
Inventories .....	(19,453)	5,522
Current Payables .....	15,377	26,421
Other, Net .....	3,591	360
Net Cash Provided by Operations .....	88,809	101,115
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds From Sales/Maturities of		
Short-term Investments .....	30,898	14,573
Purchases of Short-term Investments .....	0	(4,900)
Additions to Property, Plant & Equipment, Net of Minor Disposals .....	(30,961)	(24,131)
Net Cash Used in Investing Activities .....	(63)	(14,458)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash Dividends Paid to Shareholders .....	(80,315)	(79,021)
Increase in Bank Loans .....	6,136	3,979
Decrease in Long-term Debt .....	(1,082)	(1,008)
Proceeds From Issuance of Stock Under Stock Option Plans .....	3,503	7,389
Purchase of Treasury Stock .....	(80,843)	(59,752)
Net Cash Used in Financing Activities .....	(152,601)	(128,413)
Effect of Exchange Rate Changes on Cash and Cash Equivalents .....	(3,084)	(11,085)
Net Change in Cash and Cash Equivalents .....	(66,939)	(52,841)
Cash and Cash Equivalents at Beginning of Year .....	216,994	261,370
Cash and Cash Equivalents at End of Period .....	\$ 150,055	\$ 208,529
Interest Paid .....	\$ 850	\$ 1,090
Income Taxes Paid .....	\$ 48,455	\$ 46,816

See Notes to Consolidated Financial Statements

## NOTES 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 1997 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.

Effective January 1, 1998, the Company adopted Statement of Financial Accounting Standards No. 130 (FAS 130), Reporting Comprehensive Income, which is effective for both interim and annual periods ending after December 15, 1997. FAS 130 establishes standards for the reporting and display of comprehensive income and its components, and requires that an enterprise classify items of other comprehensive income by their nature in a financial statement, and display the accumulated balance of other comprehensive income separately in the statement of financial position. Taxes which would result from dividend distributions by subsidiary companies are provided to the extent such dividends are anticipated; no provision is made for additional taxes on undistributed earnings of subsidiary companies which are intended to be permanently invested. As a result, no income tax effect is attributable to the currency translation component of Comprehensive Income. Prior year amounts have been reclassified for comparability purposes.

Effective January 1, 1998, the Company adopted Statement of Financial Accounting Standards No. 131 (FAS 131), Disclosures about Segments of an Enterprise and Related Information, which is effective for periods ending after December 15, 1997. This statement need not be applied to interim financial statements in the initial year of application. FAS 131 establishes standards for the way public business enterprises report information about operating segments in reports to shareholders. The Company's 1998 Annual Report to Shareholders will reflect the adoption of this standard.

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133 (FAS 133), Accounting for Derivative Instruments and Hedging Activities, which is effective for fiscal years beginning after June 15, 1999. FAS 133 establishes accounting and reporting standards for derivative instruments, and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. The Company is currently studying the implications of FAS 133.

As described in Note 2 of the Notes to the Consolidated Financial Statements included in the Company's 1997 Annual Report to Shareholders, the Company undertook a program to expand and streamline its aroma chemical production facilities during 1996. The aroma chemical streamlining resulted in a nonrecurring pretax charge to second quarter 1996 earnings of \$49,707,000 (\$31,315,000 after tax or \$.29 per share). Utilization of the reserve in 1998 and the remaining reserve balance at June 30, 1998 were as follows:

	Balance at 12/31/97	Utilized in 1998	Balance at 6/30/98
Employee related .....	\$ 2,024,000	\$ 966,000	\$ 1,058,000
Closing manufacturing plants .....	15,978,000	6,933,000	9,045,000
Total .....	<u>\$18,002,000</u>	<u>\$7,899,000</u>	<u>\$10,103,000</u>

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

OPERATIONS

Worldwide net sales for the second quarter of 1998 were \$365,253,000, compared to \$381,470,000 in the 1997 second quarter. For the first six months of 1998, net sales totaled \$738,664,000, compared to \$764,283,000 for the six month period in 1997. Sales in the second quarter and the first six months of 1998 were unfavorably affected on translation of local currency sales into the stronger U.S. dollar; the unfavorable currency effect approximated 3% in the second quarter, and 4% for the six month period. In addition, the ongoing economic disruption in the Far East adversely affected the Company's results, partially offsetting local currency gains realized in other operating areas of the world.

Net income for the second quarter of 1998 totaled \$55,907,000 compared to \$63,309,000 in the prior year second quarter; net income for the first six months of 1998 totaled \$118,533,000 compared to \$126,553,000 for the comparable 1997 period. Basic and diluted earnings per share for the quarter were both \$.52 compared to \$.58 and \$.57, respectively, in the prior year second quarter; basic and diluted earnings per share for the first six months of 1998 both totaled \$1.10 compared to \$1.16 and \$1.15, respectively, for the comparable 1997 period.

The percentage relationship of cost of goods sold and other operating expenses to sales for the first half 1998 and 1997 are detailed below.

	FIRST HALF	
	1998	1997
Cost of Goods Sold .....	53.3%	53.8%
Research and Development Expenses .....	6.5%	6.2%
Selling and Administrative Expenses .....	16.0%	14.8%

As described in Note 2 of the Notes to the Consolidated Financial Statements included in the Company's 1997 Annual Report to Shareholders, the Company undertook a program to expand and streamline its aroma chemical production facilities during 1996. The aroma chemical streamlining resulted in a nonrecurring pretax charge to second quarter 1996 earnings of \$49,707,000 (\$31,315,000 after tax or \$.29 per share). Utilization of the reserve in 1998 and the remaining reserve balance at June 30, 1998 were as follows:

	Balance at 12/31/97	Utilized in 1998	Balance at 6/30/98
Employee related .....	\$ 2,024,000	\$ 966,000	\$ 1,058,000
Closing manufacturing plants ....	15,978,000	6,933,000	9,045,000
Total .....	<u>\$18,002,000</u>	<u>\$7,899,000</u>	<u>\$10,103,000</u>

The effective tax rates for the second quarter and first six months of 1998 were 35.1% and 35.2%, respectively, as compared to 35.9% and 36.1% for the comparable periods in 1997. 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. Cash, cash equivalents and short-term investments totaled \$161,963,000 at June 30, 1998. At June 30, 1998, working capital was \$613,490,000 compared to \$670,598,000 at December 31, 1997. Gross additions to property, plant and equipment during the first half of 1998 were \$32,084,000.

In the first half of 1998, the Company repurchased approximately 1.8 million shares of common stock under its existing share repurchase program. At June 30, 1998, approximately 2.9 million shares of common stock had been repurchased under the plan authorized in September 1996.

In January 1998, the Company's cash dividend was increased to an annual rate of \$1.48 per share from \$1.44 in 1997, and \$.37 per share was paid to shareholders in both the first and second quarters of 1998. The Company anticipates that its growth, capital expenditure programs and share repurchase program will be funded from internal sources.

The accumulated comprehensive income component of Shareholders' Equity, comprised principally of the cumulative translation adjustment, at June 30, 1998, was (\$52,129,000) compared to (\$36,851,000) at December 31, 1997. 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 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

## (a) 1998 Annual Meeting

At the annual meeting of Registrant's shareholders held Thursday, May 14, 1998, at which 99,138,110 shares, or 91.9%, of Registrant's Common Stock were represented in person or by proxy, the 11 nominees for director of Registrant, as listed in Registrant's proxy statement dated March 30, 1998 previously filed with the Commission, were duly elected to Registrant's Board of Directors. There was no solicitation of proxies in opposition to these nominees. Subsequently, however, Brian D. Chadbourne resigned effective as of June 1, 1998 as a director and Senior Vice-President of Registrant.

## (b) 1999 Annual Meeting - Notice to Shareholders

If any shareholder of Registrant intends to present a proposal at the next annual meeting of shareholders of Registrant but not to include the proposal in the Registrant's Proxy Statement and form of proxy with respect to that meeting and fails to notify the Registrant of such proposal prior to February 13, 1999, then the management proxies will be allowed to use their discretionary voting authority when the proposal is raised at the annual meeting, without any discussion of the matter in the proxy statement.

## ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

## (a) Exhibits

## Number

- 10(a) Agreement dated July 2, 1998 between Registrant and Brian D. Chadbourne, former director and Senior Vice-President of Registrant.
- 27.1 Financial Data Schedule (EDGAR version only).
- 27.2 Financial Data Schedule for the years ended December 31, 1995 and 1996 (EDGAR version only) which have been restated for the adoption of Statement of Financial Accounting Standards No. 128, Earnings Per Share, which requires a dual presentation of basic and diluted earnings per share.
- 27.3 Financial Data Schedule for the three months ended March 31, 1996, the six months ended June 30, 1996 and the nine months ended September 30, 1996 (EDGAR version only) which have been restated for the adoption of Statement of Financial Accounting Standards No. 128, Earnings Per Share, which requires a dual presentation of basic and diluted earnings per share.
- 27.4 Financial Data Schedule for the three months ended March 31, 1997, the six months ended June 30, 1997 and the nine months ended September 30, 1997 (EDGAR version only) which have been restated for the adoption of Statement of Financial Accounting Standards No. 128, Earnings Per Share, which requires a dual presentation of basic and diluted earnings per share.

## (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 &amp; FRAGRANCES INC.

Dated: August 14, 1998

By: /s/ DOUGLAS J. WETMORE

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

Dated: August 14, 1998

By: /s/ STEPHEN A. BLOCK

-----  
Stephen A. Block, Vice-President Law and Secretary

EXHIBIT 10(a)

IFF

INTERNATIONAL FLAVORS & FRAGRANCES INC.

521 WEST 57th STREET, NEW YORK, N.Y.  
10019 (212) 765-5500

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CREATORS AND MANUFACTURERS OF FLAVORS, FRAGRANCES AND AROMA CHEMICALS

FAX: (212) 708-7132

July 2, 1998

Mr. Brian D. Chadbourne  
1 West 72 Street, Apt. 12  
New York, New York 10023

Dear Brian:

As we have discussed, you and International Flavors & Fragrances Inc. ("IFF" or the "Company") have agreed that it would be in your best interests, and those of the Company, for your employment with IFF to terminate and for you to pursue other business opportunities. This letter (this "Agreement") will set forth the terms of our agreement in connection with your separation from IFF.

1. Your employment with IFF terminated on June 1, 1998 (the "Termination Date"). In that connection, please execute the letter of resignation as a Senior Vice-President and a Director of IFF attached to this letter as Exhibit A. You also agree to execute such other resignations as an officer, director and/or trustee of IFF subsidiaries or of IFF benefit plans as may be requested of you. From and after the Termination Date, you will continue to receive "Salary Continuation Payments" of \$39,583.33 per month, your IFF salary at the date of your termination, through and including the earlier of (a) November 30, 1999 or (b) the date on which you commence "Employment," as defined in Section 3 of this Agreement, with a business that is "competitive," as defined in Section 10, with IFF (the period during which you receive Salary Continuation Payments is hereinafter referred to as the "Severance Period"). Salary Continuation Payments will be made semi-monthly at the same times as compensation is paid to exempt employees

of IFF. Salary Continuation Payments for the month of June 1998 will be paid to you together with the Salary Continuation Payment due on or about July 31, 1998.

2. Within thirty (30) days after the date of your execution of this Agreement and Exhibits A and C, IFF will pay you a sum representing four (4) weeks' vacation pay in respect of 1998 ("Vacation Pay"). You understand and agree that you will not be entitled to any other vacation pay in respect of your employment with the Company.
3. Within thirty (30) days after the date of your execution of this Agreement and Exhibits A and C, ownership of the IFF-provided automobile presently in your possession (the "Company Car") will be transferred to you. If you are required to recognize any compensation resulting from the transfer, that compensation will be included in your Form W-2 in respect of 1998.
4. Except as provided in the next sentence, you agree that the Salary Continuation Payments, Vacation Pay and transfer to you of the Company Car will be in lieu of all other monetary compensation to which you may be otherwise entitled in respect of your employment, including but not limited to any incentive compensation in respect of 1998, whether under the Management Incentive Compensation Plan or otherwise. You will be contacted by the IFF Compensation and Benefits Department with respect to the disposition of your Retirement Investment Fund Plan (including supplemental plan) accounts.
5. In accordance with the Consolidated Omnibus Budget Reconciliation Act of 1986 ("COBRA"), you and your eligible dependents will have the opportunity to continue medical and dental coverage under the IFF Group Health Plan. Although normally employees desiring such post-employment coverage would have to pay a monthly premium for it from the outset, for you IFF will waive the monthly premiums for the shorter of the Severance Period or until the end of the month in which you commence new "Employment," as hereinafter defined. Such period is hereinafter

referred to as the "Supplemental Benefits Period." For the purpose of this Agreement, "Employment" will mean your substantially full-time participation for monetary compensation as an officer, director, employee, partner, principal, consultant or individual proprietor in any entity or business. After the expiration of the Supplemental Benefits Period, you will be able to continue the coverage for up to a period (including the Supplemental Benefits Period) aggregating eighteen (18) months after the Termination Date by paying the applicable monthly premiums.

6. The life insurance coverage (including any coverage under the IFF Executive Death Benefit Plan) with which you have been provided as an active IFF employee will continue until the expiration of the Supplemental Benefits Period. You will have the right to convert the basic portion of such group life insurance into individual coverage without the need for a medical history or examination by contacting a Prudential agent of your choice within thirty-one (31) days after the expiration of the Supplemental Benefits Period. You will be contacted by Metropolitan Life Insurance Company with respect to conversion of the Executive Death Benefit Plan portion of such life insurance coverage. Upon any conversion of either or both portions of such life insurance coverage, you will be solely responsible for all premiums.
7. During the Supplemental Benefits Period, IFF will provide you, at no cost to you, with outplacement assistance to help you find a new position. The nature of such outplacement assistance will be determined by the Company in its sole discretion. You agree to provide reasonable assistance to IFF, at such reasonable times as it may be requested, in connection with the transition of your responsibilities as Senior Vice-President and President, IFF Fragrances, to those on whom such responsibilities may devolve.
8. In the event of your death during the Severance Period, the Salary Continuation Payments and COBRA coverage (including payment of premiums by

IFF) will continue for the remainder of the Severance Period. Salary Continuation Payments will be paid to your legal representative.

9. You agree and acknowledge that, as of the Termination Date, the Executive Severance Agreement dated December 10, 1996 between you and IFF will terminate.
10. As part of the consideration for the benefits accruing to you under this Agreement, you agree that, until the expiration of the Severance Period, you will not, directly or indirectly, (a) accept Employment, or become an investor with a beneficial interest of more than one percent (1%) of the outstanding stock or other equity of, or (b) make loans or advances of more than one percent (1%) of the outstanding stock or other equity to, or (c) act as an advisor (whether as a consultant or otherwise) to, any person, firm, partnership, corporation or other business, domestic or foreign, who or which competes, directly or indirectly, with IFF. For purposes of this Section 10, a business will be deemed "competitive" if its operations are in the flavor, fragrance or aroma chemicals business or if its operations adversely affect (i) the availability or price to IFF of any commodity of the kind purchased, acquired or used by IFF, or (ii) the demand of others for products made or sold by IFF or the price of such products, in either case in any locality in which such availability or demand will exist.
11. You agree that until November 30, 1999, you will neither solicit for employment by nor hire any IFF employee for, and you will not, either directly or indirectly, encourage or advise any IFF employee to leave the employ of IFF and/or accept any position with, any business, whether or not competitive with IFF and whether or not you are engaging or intend to engage in such business. For the purpose of this Section 11, an "IFF employee" is any person who at the relevant time either is an active employee of IFF or within the preceding twelve (12) months, whether or not an active employee, has been paid any compensation, whether as salary, consulting fee

or severance or salary continuation, by IFF (for the purpose of this Section 11 pension or other retirement benefits will not be considered compensation).

12. Under your Security Agreement with IFF, a copy of which is attached to this Agreement as Exhibit B, and under applicable trade secret law, you are obliged to keep in confidence all IFF proprietary and confidential information, including that described above, and not to divulge it to others or to use it for your own purposes or in the service of any new employer. Both under your Security Agreement and under applicable law, this obligation continues not only while you are employed by IFF, but after cessation of that employment. In that connection, you acknowledge that during your IFF service, you have acquired proprietary and confidential knowledge and information of IFF, including, but not limited to, business, technical, human resources and legal strategies, and the identity of IFF customers and suppliers and the quantities of products ordered by or from and the prices paid by or to those customers and suppliers. In addition, you have also acquired similar confidential knowledge and information belonging to IFF's customers and provided to IFF in confidence under written and oral secrecy agreements. You agree to abide by the terms and conditions of the Security Agreement both during the Severance Period and thereafter, but such obligations will in no way be construed as a continuation of your IFF employment, which terminated on the Termination Date.
13. Upon your leaving the employ of IFF you are also required to deliver to IFF all notes, memoranda, records, files or other papers, including all copies thereof, in your custody or control and relating to any IFF proprietary and confidential knowledge or information, or any such information of IFF customers or suppliers (collectively, "IFF Documents"). You hereby acknowledge that you have delivered all to IFF all IFF Documents.
14. You and IFF agree:

(a) At no time will you in any way denigrate, demean or otherwise say or do anything, whether in oral discussions or in writing, (i) that would cause any director, officer, employee or representative of IFF, or any third party, including but not limited to suppliers, customers and competitors of IFF, to lower his, her or its perception about the integrity, public or private image, professional competence, or quality of products or service, of IFF or of any officer, director, employee or other representative of IFF, or (ii) that might suggest, directly or indirectly, or cause any such person or entity to conclude that the termination of your employment with, and/or your resignation as a director of, IFF was the result of any disagreement with IFF on any matter relating to the Company's operations, policies or practices. If IFF is asked by a prospective employer for a reference with respect to a new position for which you are being considered, without your prior written consent the Company will do no more than confirm your dates of employment and your salary history. You hereby acknowledge that your breach of any of Sections 7, 10, 11, 12, 13 or 14 will entitle the Company (i) immediately to terminate any payment or other benefit then being made or provided to you or otherwise due to you under this letter agreement (except for any amounts then due to you in respect of your RIFP accounts) and (ii) to injunctive relief.

(b) At no time will any director, officer, employee or other representative of IFF in any way denigrate, demean or otherwise say or do anything, whether in oral discussions or in writing, that would cause any other director, officer, employee or representative of IFF, or any third party, including but not limited to suppliers, customers and competitors of IFF, to lower his, her or its perception about your integrity, public or private image or professional competence.

15. Please sign and return the Release attached to this Agreement as Exhibit C. This Agreement will take effect only upon your execution of this Agreement and Exhibits A and C.



16. This Agreement will be governed by and interpreted in accordance with New York law.

Please sign and date both copies of this letter in the space provided below and return one fully executed copy, together with the executed letter of resignation and the Release. The other copy is for your records.

Brian, we appreciate your service to IFF and wish you the best for the future.

Sincerely yours,

INTERNATIONAL FLAVORS & FRAGRANCES INC.

By: /s/ EUGENE P. GRISANTI

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Eugene P. Grisanti  
Chairman and President

AGREED AND ACCEPTED:

/s/ BRIAN D. CHADBOURNE

-----  
Brian D. Chadbourne  
July 7, 1998

EXHIBIT A

As of June 1, 1998

Stephen A. Block, Esq.  
Vice-President and Secretary  
International Flavors & Fragrances Inc.  
521 West 57th Street  
New York, New York 10019

Dear Mr. Block:

I hereby resign as Senior Vice-President and President, Fragrance Division, and as a member of the Board of Directors of International Flavors & Fragrances Inc.

/s/ BRIAN D. CHADBOURNE

-----  
Brian D. Chadbourne

IFF SECURITY AGREEMENT

International Flavors & Fragrances Inc.

521 West 57th St., New York, N.Y. 10019

In consideration of my employment by IFF or any of its subsidiaries (herein together called IFF), I hereby agree as follows:

1. I acknowledge that in the course of my employment by IFF, I may have access to, acquire or gain confidential knowledge or information (i) with respect to formulae, secret processes, plans, devices, products, computer programs and other intangible property, know-how and other data belonging or relating to IFF or belonging to a customer or supplier of IFF, or (ii) with respect to the identity of customers of IFF, and the identity of products and the quantity and prices of the same ordered by such customers. I acknowledge that all such information is the sole property of IFF or its customer or supplier, and I shall treat it as set forth below.

2. I shall keep confidential all such knowledge or information described above and shall not divulge it to others nor use it for my own private purposes or personal gain, without the express written consent of IFF. This obligation on my part shall continue during and after the period of my employment by IFF.

3. Upon termination of my employment, or at any time IFF may request, I shall deliver to IFF all notes, memoranda, formulae, records, files or other papers, tapes, discs or programs, and copies thereof, in my custody relating to any such knowledge or information described above to which I have had access or which I may have developed during the term of my employment.

4. I shall not, without the prior written permission of IFF, after leaving the employ of IFF for any reason, work for others, or for my own account, on any of the secret processes, formulae or programs on which I have worked or to which I have had access while in the employ of IFF.

5. Any invention, formula, process, product, program, idea, discovery and improvement conceived or developed by me within the period of my employment, relating to any activity engaged in by IFF, shall be the sole and exclusive property of IFF and I shall promptly communicate to IFF full information with respect to any of the foregoing conceived or developed by me. I shall execute and deliver all documents and do all other things as shall be deemed by IFF to be necessary and proper to effect the assignment to IFF of the sole and exclusive right, title and interest in and to all such inventions, formulae, processes, products, programs, ideas, discoveries and improvements, and patent applications and patents thereon.

6. I understand and agree that IFF has no interest in and will not accept divulgence to it of any confidential knowledge or information which is the property of any previous employer or other third party. Notwithstanding any other paragraph of this agreement, I shall not communicate any such confidential knowledge or information to IFF nor use the same during the course of my employment.

7-23-96

/s/ BRIAN D. CHADBOURNE

-----  
(date)

-----  
(signature)

RELEASE

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KNOW ALL PERSONS BY THESE PRESENTS that the undersigned, Brian D. Chadbourne, 1 West 72 Street, Apt. 12, New York, New York 10023 (hereinafter referred to as "Employee"), for and in consideration of certain benefits heretofore paid or to be paid or provided to him by International Flavors & Fragrances Inc., a New York corporation with a place of business located at 521 West 57th Street, New York, New York 10019 (hereinafter referred to as "IFF Inc."), as such benefits are set forth in an Agreement dated July 2, 1998, a copy of which is annexed hereto as Annex A, DOES HEREBY AGREE TO RELEASE and DOES HEREBY RELEASE IFF Inc. and all of its subsidiaries and affiliates and their respective directors, officers and employees (hereinafter referred to as "Releasees") from all "Claims", as hereinafter defined, and Employee agrees never to file any lawsuit or any claim with any Federal, state or local administrative agency asserting or in respect of any of such Claims.

As used in this Release, the term "Claims" means and includes all charges, complaints, claims, liabilities, obligations, promises, agreements, damages, actions, causes of action, rights, costs, losses and expenses (including attorneys' fees and costs actually incurred) of any nature whatsoever, known or unknown, suspected or unsuspected, which Employee now has, or claims to have, or which Employee at any earlier time had, or claimed to have had, or which

Employee at any future time may have, or claim to have, against each or any of the Releasees as to any matters occurring or arising on or before the date this Release is executed by Employee. The Claims Employee is releasing under this Release include, but are not limited to, rights arising out of alleged violations of any contracts, express or implied, written or oral, and any Claims for wrongful discharge, fraud, misrepresentation, infliction of emotional distress, or any other tort, and any other claims relating to or arising out of Employee's employment with IFF Inc. or the termination thereof, and any Claim for violation of any Federal, state or other governmental statute, regulation or ordinance including, but not limited to, the following, each as amended to date: (1) Title VII of the Civil Rights Act of 1964, 42 U.S.C. Sec. 2000e et seq. (race, color, religion, sex and national origin discrimination); (2) Section 1981 of the Civil Rights Act of 1866, 42 U.S.C. Sec. 1981 (race discrimination); (3) the Age Discrimination in Employment Act, 29 U.S.C. Sec. 621-634 (age discrimination); (4) the Equal Pay Act of 1963, 29 U.S.C. Sec. 206 (equal pay); (5) Executive Order 11246 (race, color, religion, sex and national origin discrimination); (6) Executive Order 11141 (age discrimination); (7) Section 503 of the Rehabilitation Act of 1973, 29 U.S.C. Sec. 701 et seq. (handicap discrimination); (8) the Employee Retirement Income Security Act of 1974, 29 U.S.C. Sec. 1001 et seq. (retirement matters); and (9) any applicable New York, New Jersey or Connecticut state or local law relating to employment termination that may be discriminatory or otherwise in contravention of public policy.

Employee hereby represents that he has not filed any complaints, charges, or lawsuits against any Releasee with any governmental agency or any court; that he will not file

or pursue any at any time hereafter; and that if any such agency or court assumes jurisdiction of any complaint, charge or lawsuit against any Releasee on behalf of Employee, he will request such agency or court to withdraw from the matter. Neither this Release nor the undertaking in this paragraph shall limit Employee from pursuing Claims for the sole purpose of enforcing his rights under Annex A or under any employment or retiree benefit plan or program of IFF Inc.

Employee hereby represents that he has been given a period of twenty-one (21) days to review and consider this Release before signing it. Employee further understands that he may use none or as much of this 21-day period as he wishes prior to signing.

Employee is advised that he has the right to and should consult with an attorney before signing this Release. Employee understands that whether or not to do so is Employee's decision. Employee has exercised his right to consult with an attorney to the extent, if any, that he desired.

Employee may revoke this Release within seven (7) days after he signs it. Revocation can be made by delivering a written notice or revocation to Vice-President, Human Resources, IFF Inc., 521 West 57th Street, New York, New York 10019. For such revocation to be effective, written notice must be received by such Vice-President, Human Resources, not later than the close of business on the seventh day after the day on which Employee executes this Release. If Employee revokes this Release, it shall not be effective and the Letter Agreement described in Annex A shall be null and void.

Employee understands and acknowledges that IFF Inc. has not made any promises or representations to Employee other than those in Annex A.

EMPLOYEE ACKNOWLEDGES THAT HE HAS READ THIS RELEASE, UNDERSTANDS IT AND IS VOLUNTARILY EXECUTING IT.

[PLEASE READ THIS RELEASE CAREFULLY. IT COVERS ALL KNOWN AND UNKNOWN CLAIMS.]

Executed at New York, New York, on July 8th, 1998

/s/ BRIAN D. CHADBOURNE

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Brian D. Chadbourne

STATE OF NEW YORK     )  
COUNTY OF NEW YORK   )ss:

Subscribed and sworn to before  
me this 8 day of July, 1998  
by the said Brian D. Chadbourne  
known to me.

/s/     HARRY MILLER

-----  
Notary Public

HARRY MILLER  
Notary Public, State of New York  
No. 01MI7943773  
Qualified in New York County  
Commission Expires March 30, 2000

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.

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6-MOS	DEC-31-1998	
	JUN-30-1998	
		150,055
		11,908
		296,161
		8,279
		375,744
	894,557	
		825,491
		377,197
	1,384,649	
281,067		
		3,900
	0	
		0
		14,470
		933,295
1,384,649		
		738,664
	738,664	
		393,477
		559,665
	(4,856)	
	0	
	918	
	182,937	
		64,404
118,533		
	0	
	0	
		0
	118,533	
		1.10
		1.10



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.

Earnings per share amounts on this financial data schedule have been restated for the adoption of Statement of Financial Accounting Standards No. 128, Earnings Per Share, which requires a dual presentation of basic and diluted earnings per share.

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	12-MOS DEC-31-1996	12-MOS DEC-31-1995
	DEC-31-1996	DEC-31-1995
	261,370	251,430
	56,613	45,503
	253,484	253,913
	8,733	8,602
	369,078	414,547
	1,006,356	1,035,977
	878,224	839,206
	410,427	370,621
	1,506,913	1,534,269
280,464	276,401	
	8,289	11,616
0	0	0
	14,470	14,470
	1,062,067	1,102,090
1,506,913	1,534,269	
	1,436,053	1,439,487
1,436,053	1,439,487	
	778,816	746,971
	1,094,344	1,053,843
	38,302	(12,871)
	1,564	1,632
2,740	3,160	
299,103	393,723	
109,209	144,906	
189,894	248,817	
0	0	0
0	0	0
	0	0
	189,894	248,817
	1.71	2.24
	1.70	2.22

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.

Earnings per share amounts on this financial data schedule have been restated for the adoption of Statement of Financial Accounting Standards No. 128, Earnings Per Share, which requires a dual presentation of basic and diluted earnings per share.

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	3-MOS DEC-31-1996 MAR-31-1996	6-MOS DEC-31-1996 JUN-30-1996	9-MOS DEC-31-1996 SEP-30-1996	
	230,246	226,800	247,091	
	54,882	75,670	62,064	
	294,164	299,154	284,541	
	8,027	8,334	8,888	
	399,669	376,432	369,708	
	1,042,956	1,058,980	1,038,689	
	847,469	857,623	875,618	
	375,751	399,039	410,316	
	1,544,999	1,547,732	1,534,094	
272,611	291,814	288,836		
	10,283	9,892	8,834	
0	0	0	0	
	0	0	0	
	14,470	14,470	14,470	
	1,116,787	1,098,854	1,087,108	
1,544,999	1,547,732	1,534,094		
	382,767	757,164	1,112,029	
382,767	757,164	1,112,029		
	204,071	405,878	599,646	
	282,341	562,599	835,512	
(4,414)	42,594	40,100		
0	0	0	0	
	546	1,293	2,093	
	104,294	150,678	234,324	
	38,130	54,811	85,342	
66,164	95,867	148,982		
	0	0	0	
	0	0	0	
	0	0	0	
	0	0	0	
	66,164	95,867	148,982	
	0.60	0.86	1.34	
	0.59	0.85	1.33	

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.

Earnings per share amounts on this financial data schedule have been restated for the adoption of Statement of Financial Accounting Standards No. 128, Earnings Per Share, which requires a dual presentation of basic and diluted earnings per share.

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	3-MOS DEC-31-1997 MAR-31-1997	6-MOS DEC-31-1997 JUN-30-1997	9-MOS DEC-31-1997 SEP-30-1997	
	207,255	208,529	233,459	
	54,136	46,326	47,063	
	290,154	305,217	281,396	
	7,716	7,674	7,706	
	358,152	349,501	356,477	
	976,906	992,376	993,416	
	853,575	859,233	859,357	
	400,177	406,487	412,872	
	1,463,784	1,478,824	1,473,407	
285,041	301,658	290,802		
	6,977	7,351	6,080	
0	0	0	0	
	14,470	14,470	14,470	
1,463,784	1,015,176	1,015,648	1,018,684	
	1,478,824	1,473,407		
	382,813	764,283	1,120,525	
382,813	764,283	1,120,525		
	207,293	411,348	603,326	
	287,196	571,748	841,707	
(4,071)	(6,568)	(8,917)		
0	0	0	0	
559	1,177	1,914		
99,129	197,926	285,821		
35,885	71,373	102,553		
63,244	126,553	183,268		
0	0	0	0	
0	0	0	0	
0	0	0	0	
63,244	126,553	183,268		
0.58	1.16	1.68		
0.58	1.15	1.67		