

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 September 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 November 6, 1998: 106,107,545

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

INTERNATIONAL FLAVORS & FRAGRANCES INC.

CONSOLIDATED BALANCE SHEET  
(DOLLARS IN THOUSANDS)

	9/30/98	12/31/97
Assets		
Current Assets:		
Cash & Cash Equivalents	\$ 142,138	\$ 216,994
Short-term Investments	912	43,452
Trade Receivables	296,461	242,791
Allowance For Doubtful Accounts	(8,504)	(8,101)

Inventories: Raw Materials	233,736	193,136
Work in Process	7,267	13,593
Finished Goods	161,074	153,345
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Total Inventories	402,077	360,074
Other Current Assets	67,184	80,249
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Total Current Assets	900,268	935,459
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Property, Plant & Equipment, At Cost	878,923	810,901
Accumulated Depreciation	(404,155)	(364,392)
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Other Assets	474,768	446,509
	42,056	40,293
	-----	-----
Total Assets	\$ 1,417,092	\$ 1,422,261
	=====	=====
Liabilities and Shareholders' Equity		
Current Liabilities:		
Bank Loans	\$ 28,572	\$ 10,490
Accounts Payable-Trade	63,830	57,832
Dividends Payable	39,448	40,407
Income Taxes	59,929	56,070
Other Current Liabilities	106,006	100,062
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Total Current Liabilities	297,785	264,861
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Other Liabilities:		
Deferred Income Taxes	23,102	23,139
Long-term Debt	3,131	5,114
Retirement and Other Liabilities	135,068	128,659
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Total Other Liabilities	161,301	156,912
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Shareholders' Equity:		
Common Stock (115,761,840 shares issued)	14,470	14,470
Capital in Excess of Par Value	136,406	137,418
Restricted Stock	(7,312)	(9,000)
Retained Earnings	1,215,918	1,166,348
Accumulated Other Comprehensive Income:		
Cumulative Translation Adjustment	(13,468)	(36,851)
	-----	-----
	1,346,014	1,272,385
Treasury Stock, at cost - 9,388,545 shares in '98 and 6,630,911 in '97	(388,008)	(271,897)
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Total Shareholders' Equity	958,006	1,000,488
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Total Liabilities and Shareholders' Equity	\$ 1,417,092	\$ 1,422,261
	=====	=====

See Notes to Consolidated Financial Statements



Average Number of Shares Outstanding - Basic (000's)	107,507	109,113
Average Number of Shares Outstanding - Diluted (000's)	107,845	109,844
Dividends Paid Per Share	\$1.11	\$1.08

See Notes to Consolidated Financial Statements

## INTERNATIONAL FLAVORS &amp; FRAGRANCES INC.

CONSOLIDATED STATEMENT OF CASH FLOWS  
(DOLLARS IN THOUSANDS)

	9 Months Ended 9/30	
	1998	1997
Cash Flows From Operating Activities:		
Net Income	\$ 168,782	\$ 183,268
Adjustments to Reconcile to Net Cash Provided by Operations:		
Depreciation	36,291	37,511
Deferred Income Taxes	5,350	2,285
Changes in Assets and Liabilities:		
Current Receivables	(39,841)	(64,215)
Inventories	(29,178)	(8,489)
Current Payables	13,616	25,716
Other, Net	3,260	6,096
Net Cash Provided by Operations	158,280	182,172
Cash Flows From Investing Activities:		
Proceeds From Sales/Maturities of Short-term Investments	41,896	17,691
Purchases of Short-term Investments	0	(8,341)
Additions to Property, Plant & Equipment, Net of Minor Disposals	(56,651)	(37,101)
Net Cash Used in Investing Activities	(14,755)	(27,751)
Cash Flows From Financing Activities:		
Cash Dividends Paid to Shareholders	(120,171)	(118,321)
Increase in Bank Loans	17,038	166
Decrease in Long-term Debt	(1,888)	(1,908)
Proceeds From Issuance of Stock Under Stock Option Plans	3,899	14,124
Purchase of Treasury Stock	(121,022)	(63,689)
Net Cash Used in Financing Activities	(222,144)	(169,628)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	3,763	(12,704)
Net Change in Cash and Cash Equivalents	(74,856)	(27,911)
Cash and Cash Equivalents at Beginning of Year	216,994	261,370
Cash and Cash Equivalents at End of Period	\$ 142,138	\$ 233,459
Interest Paid	\$ 1,284	\$ 1,814
Income Taxes Paid	\$ 75,243	\$ 83,821

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 September 30, 1998 were as follows:

	BALANCE AT 12/31/97	UTILIZED IN 1998	BALANCE AT 9/30/98
Employee related	\$ 2,024,000	\$ 1,288,000	\$ 736,000
Closing manufacturing plants	15,978,000	10,853,000	5,125,000
Total	\$18,002,000	\$12,141,000	\$ 5,861,000

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

OPERATIONS

Worldwide net sales for the third quarter of 1998 were \$349,846,000, compared to \$356,242,000 in the 1997 third quarter. For the first nine months of 1998, net sales totaled \$1,088,510,000, compared to \$1,120,525,000 for the nine month period in 1997. In the current quarter, the Company achieved solid growth in fragrance sales in North America, and double-digit sales growth in Latin America fragrances. North America flavor sales rebounded sharply with an 11% sales increase. These strong sales gains, however, were not sufficient to offset the effects of the ongoing economic slowdown in the Far East and economic difficulties in Russia and Latin America; the economic difficulties in Latin America primarily impacted flavor sales. As a result, local currency sales for the third quarter, as well as the nine months, were flat with the previous year.

Net income for the third quarter of 1998 totaled \$50,249,000 compared to \$56,715,000 in the prior year third quarter; net income for the first nine months of 1998 totaled \$168,782,000 compared to \$183,268,000 for the comparable 1997 period. Basic and diluted earnings per share for the current quarter were both \$.47, compared to \$.52 in the prior year third quarter. Basic and diluted earnings per share for the first nine months of 1998 both totaled \$1.57, compared to \$1.68 and \$1.67, 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 NINE MONTHS	
	1998	1997
Cost of Goods Sold	53.9%	53.8%
Research and Development Expenses	6.7%	6.3%
Selling and Administrative Expenses	16.2%	15.0%

Cost of goods sold and Research and Development expenses, as a percentage of net sales, remained comparable over the two periods. Selling and Administrative expenses increased as a percentage of sales primarily due to costs of the Company's Year 2000 program, as well as certain costs incurred in connection with preparation for the conversion to the Euro currency, effective January 1, 1999, and the Company's ongoing project to implement the enterprise requirements planning ("ERP") software package, SAP.

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 September 30, 1998 were as follows:

	BALANCE AT 12/31/97	UTILIZED IN 1998	BALANCE AT 9/30/98
Employee related	\$ 2,024,000	\$ 1,288,000	\$ 736,000
Closing manufacturing plants	15,978,000	10,853,000	5,125,000
Total	\$18,002,000	\$12,141,000	\$ 5,861,000

The effective tax rates for the third quarter and first nine months of 1998 were 32.8% and 34.5%, respectively, as compared to 35.5% and 35.9% for the comparable periods in 1997. The lower effective 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 \$143,050,000 at September 30, 1998. At September 30, 1998, working capital was \$602,483,000 compared to \$670,598,000 at December 31, 1997. Gross additions to property, plant and equipment during the first nine months of 1998 were \$58,074,000.

In the first nine months of 1998, the Company repurchased approximately 2.9 million shares of common stock under its existing share repurchase program. At September 30, 1998, approximately 4.0 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 each of the first three 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 September 30, 1998, was (\$13,468,000) 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.



## YEAR 2000

The Company has instituted a comprehensive program to address its "Year 2000" needs (the "Y2K Program"). The Y2K Program is currently on schedule to be completed prior to January 1, 2000, and in most cases no later than September 30, 1999. The Y2K Program has been designed to evaluate and, if necessary, to repair or replace those computer programs and embedded computer chips that are significant to the Company and that use only the last two digits to refer to a year ("Y2K Code"), so that such Y2K Code will be "Year 2000 Compliant," that is, will recognize dates beginning in the Year 2000. For purposes of the Y2K Program, Y2K Code is that which the Company concludes could, if not made Year 2000 Compliant, materially affect the Company's operations and ability to service its customers, or create a safety or environmental risk. In addition to dealing with the Company's Y2K Code, the Y2K Program also is designed to identify and evaluate the Year 2000 readiness of the Company's key suppliers of inventory and non-inventory goods and services, and of the Company's significant customers.

The Y2K Program as it relates to the Company's computer programs and embedded technology has five phases: (1) assessing computer programs and embedded technology to identify Y2K Code; (2) assigning priorities to the identified Y2K Code; (3) repairing or replacing Y2K Code to make such Y2K Code Year 2000 Compliant; (4) testing the repaired or replaced Y2K Code; and (5) developing and implementing, if necessary, contingency plans to address the possibility that the Company or third parties, whose operations or business could affect the Company, do not become Year 2000 Compliant. The Company has engaged certain outside consultants with recognized expertise in assessing and dealing with Year 2000 needs, principally Computer Sciences Corporation, to assist in the management of the Y2K Program and in the repair and testing of certain Y2K Code.

The Y2K Program focuses on Y2K Code in three principal areas: (1) infrastructure; (2) applications software; and (3) facility operations, where the great majority of embedded technology is found. The infrastructure area involves hardware and systems software other than applications software. As hardware and systems software is repaired, upgraded or replaced, it is tested to assure that it is Year 2000 Compliant. The Company expects the infrastructure portion of the Y2K Program to be completed by June 1999.

Significant portions of the Company's application software will be replaced by new software, principally SAP, an ERP software package. At September 30, 1998, the global design for the SAP project was substantially complete, and the first implementation, encompassing the Company's North American operations, is anticipated to take place on May 1, 1999, its scheduled date under the SAP project plans. Applications software Y2K Code not being replaced as part of the SAP project is being repaired, upgraded or replaced (where an upgrade or replacement is available from the supplier of such software) to make such Y2K Code Year 2000 Compliant. This portion of the Y2K Program is expected to be completed by September 30, 1999, consistent with the schedule established by the Y2K Program.

Facility operations include hardware, software and associated embedded computer chips used in the operation of facilities owned by the Company, including, but not limited to, equipment used in manufacturing and research and development, as well as security and other systems that may have

date sensitive operating controls. The Company is currently completing the assessment of these systems to identify Y2K Code. This portion of the Y2K Program is on schedule, and the Company expects it to be completed in the fourth quarter of 1999.

The Company has identified its key suppliers of inventory and non-inventory goods and services and has contacted them, in writing and in some cases through face-to-face discussions, to ascertain the extent of their Year 2000 Compliance. Similarly, the Company has also been communicating with significant customers about their and the Company's Year 2000 Compliance plans and progress. This portion of the Y2K Program is expected to be completed in the third quarter of 1999.

The total cost to the Company of the Y2K Program is expected to approximate \$45 million of which \$17 million has been expended at September 30, 1998. Of the Y2K Program costs, approximately \$21 million represents capital expenditures associated with replacement hardware, software and associated items. The remaining amount, approximately \$24 million, represents the costs of repair, testing and related efforts, and is being expensed as incurred. Of the \$17 million spent as of September 30, 1998, \$8 million related to capital and the balance of \$9 million was expensed. These amounts do not include the estimated cost of the SAP project.

The failure to make Y2K Code Year 2000 Compliant could result in an interruption in, or failure of, certain business activities or operations, which could materially and adversely affect the Company's results of operations, liquidity and/or financial condition. The Company currently expects that the Company's Y2K Code will be Year 2000 Compliant on or before December 31, 1999. Due to the general uncertainty about the overall extent of the Year 2000 problem, however, including, but not limited to, uncertainty about the extent of Year 2000 Compliance of the Company's suppliers and customers, the Company is unable currently to determine whether the consequences of the failure of entities other than the Company to be Year 2000 Compliant will have a material impact on the Company's results of operations, liquidity or financial condition.

Subject to the above uncertainties, however, the Company believes that, with the completion of the Y2K Program as scheduled, and with the implementation of SAP, the likelihood of material interruptions of the Company's normal business should be reduced. Notwithstanding the Company's belief, the Company is currently unable to predict, and thus to describe, its most likely worst case Year 2000 scenario. To address the possibility that the Company or its suppliers, customers, or other third parties are not successful in becoming Year 2000 Compliant, the Company has commenced development of contingency plans for the critical aspects of its operations. Such plans will be designed to avoid or mitigate potential serious disruptions in the Company's business and will be refined and modified as the Company monitors and evaluates the progress of its Y2K Program.

#### EURO CURRENCY ADOPTION

As part of the European Economic and Monetary Union (EMU), a single currency (the "Euro") will replace the national currencies of most of the European countries in which the Company conducts business. The conversion rates between the Euro and the participating nations' currencies will be fixed irrevocably as of January 1, 1999, with the participating national currencies being removed

from circulation between January 1, and June 30, 2002 and replaced by Euro notes and coinage. During the "transition period" from January 1, 1999 through December 31, 2001, public and private entities as well as individuals may pay for goods and services using either checks, drafts, or wire transfers denominated in Euro or the participating country's national currency.

The Company expects its systems and processes to be Euro "compliant" (able to receive Euro denominated payments and able to invoice in Euro as requested by suppliers and customers, respectively) by January 1, 1999 in the affected countries. Conversion of its systems and processes to the Euro is currently underway. The effects of the Euro conversion on the Company's revenues, costs and competitive position, while currently still being assessed, are not expected to be significant. The cost of systems and business process conversion is not expected to be material.

#### CAUTIONARY STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

Statements in this Management's Discussion and Analysis which are not historical facts or information are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, and are subject to risks and uncertainties that could cause IFF's actual results to differ materially from those expressed or implied by such forward-looking statements. Risks and uncertainties with respect to IFF's business include general economic and business conditions, the price and availability of raw materials, the ability of the Company and third parties, including customers or suppliers, to adequately address the Year 2000, and political and economic uncertainties, including the fluctuation or devaluation of currencies in countries in which IFF does business.

## PART II. OTHER INFORMATION

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

## (a) Exhibits

## Number

- 10(a) Agreement dated June 23, 1998 between Registrant and Carlos A. Lobbosco, Vice-President of Registrant.
- 10(b) Agreement dated July 27, 1998 between Registrant and Stuart R. Maconochie, Vice-President of Registrant.
- 10(c) Agreement dated September 2, 1998 between Registrant and David G. Bluestein, former director and Senior Vice-President of Registrant.
- 27 Financial Data Schedule (EDGAR version only).

## (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: November 13, 1998 By: /s/ DOUGLAS J. WETMORE

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

Dated: November 13, 1998 By: /s/ STEPHEN A. BLOCK

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Stephen A. Block, Vice-President Law and Secretary

JUNE 23, 1998

Mr. Carlos A. Lobbosco  
Alvear Avenue 1654  
4th Floor  
Buenos Aires, Argentina

Dear Carlos,

This letter will outline the understandings you and International Flavors & Fragrances Inc. ("IFF") have reached in respect of your assignment, effective July 1, 1998, to Europe as the Fragrance Area Manager, EAME (the "Assignment"). We have agreed as follows:

1. Effective July 1, 1998, your annual base salary will be the local currency equivalent of US\$385,000, converted at official exchange rates. Your salary will be reviewed annually in accordance with IFF policy for officers of IFF.
2. IFF will cause to be leased for your use during the Assignment, in the name of the appropriate IFF subsidiary, an apartment in the metropolitan area of London, England or such other city in Europe in which you and IFF agree you will reside (the "Apartment"). IFF will cause the rent and utilities (other than telephone) to be paid on the Apartment. The initial monthly rent for the Apartment may not exceed US \$5,000 without my prior written approval. Any taxable income that you are required to recognize as a result of the Company's leasing the Apartment for your use will be considered "Other Assignment Income", as defined in Section 5 below. You will be responsible for all costs related to any housing that you continue to maintain in Argentina during the Assignment.
3. During the Assignment you will continue to participate in the IFF Management Incentive Compensation Plan ("MICP") on the same terms as you currently

MR. CARLOS A. LOBBOSCO  
JUNE 23, 1998  
PAGE 2 OF 7 PAGES

participate in the MICP. Your MICP award will continue to be based on a combination of the performance of IFF as well as your own. MICP will be paid to you in US Dollars. MICP for 1998 will be calculated as a percentage of your 1998 year-end salary (US\$385,000).

4. You acknowledge that, on June 15, 1998, you were granted a stock option award of 35,000 shares of IFF Common Stock under, and subject to the terms and conditions of, the IFF 1997 Employee Stock Option Plan. Two copies of a Stock Option Agreement are enclosed with this letter. Please execute and return one copy to Steve Block in New York.
5. To the extent that the effective aggregate income tax rate on your annual base salary and MICP during and relating to the Assignment ("Assignment Salary and Bonus") exceeds 26%, IFF will reimburse you, on a fully "grossed up" basis, for all taxes in excess of 26% in respect of such taxable Assignment Salary and Bonus. IFF will fully "gross up" any other taxable income relating to the Assignment that you are required to recognize ("Other Assignment Income"). Assignment Salary and Bonus and Other Compensation Income are sometimes collectively referred to as "Assignment Compensation." The effective aggregate income tax rate on your Assignment Salary and Bonus, and the tax due on Other Assignment Income, will be determined by considering taxes owed on the Assignment Salary and Bonus and Other Assignment Income in any country in which such taxes are required to be paid, and will be calculated by Price Waterhouse LLP or such other independent public accountants whom IFF may elect to retain to prepare your income

tax returns related to Assignment Compensation (the "Accountant"). IFF will pay that percentage of the cost of having your taxes prepared by the Accountant that Assignment Compensation bears to total taxable income reported in returns prepared for you by the Accountant (the "Assignment Compensation Percentage"). The determination by the Accountant of (a) the effective aggregate income tax rate in respect of Assignment Salary and Bonus, (b) taxes owed on Other Assignment Income, and (c) the Assignment Compensation Percentage will be binding on both you and IFF. You will be fully and solely responsible for all taxes due in any

country in respect of any income (whether or not compensation from IFF) other than Assignment Compensation. Any taxable income that you are required to recognize as a result of the Company's payment of the Assignment Compensation Percentage will be considered Other Assignment Income.

6. During the Assignment you will continue to participate in the IFF TCN Pension Plan (the "TCN Plan"). IFF agrees to assure that, upon your retirement from the Company, you will receive an aggregate minimum monthly pension, expressed as a 60-month annuity certain (the "Pension"), of at least the amount in respect of the various retirement dates set forth in the schedule below (the "Pension Schedule"). The Pension will be paid in US Dollars. If your actual retirement date (the "Retirement Date") falls between any two dates in the Pension Schedule, the Pension will be adjusted accordingly.

The amount of the Pension will first be calculated by aggregating the retirement benefits which you have or will have earned at your actual retirement date from all sources in which you currently participate or have participated during your IFF service, including but not limited to the TCN Plan, pension plans of other IFF entities, and the Argentina social security/retirement system. The amount of the Pension will be calculated in accordance with the terms of the TCN Plan. If for any reason, the Pension as calculated under the TCN Plan does not provide the minimum Pension required by the Pension Schedule, IFF will pay you a monthly supplement amount so that your aggregate retirement benefit equals the Pension required by the Pension Schedule for the applicable retirement date. You will have the right to elect to receive the Pension in such a way that, rather than receiving a 60-month annuity certain (which provides no benefit for your surviving spouse beyond the fifth anniversary after the Retirement Date), your surviving spouse, upon your death, will continue to receive a benefit equal to 50% of the benefit you were receiving at your death. You acknowledge, however, that should you elect such a "joint and 50%" option, the amount to be paid to you at your retirement will be reduced actuarially from that set forth in the Pension Schedule.



PENSION SCHEDULE  
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RETIREMENT DATE	MINIMUM GUARANTEED MONTHLY PENSION (US\$)
July 1, 1998	7,365
July 1, 1999	10,400
July 1, 2000	13,400
July 1, 2001	16,500
On or After December 31, 2002	19,600

7. It is currently anticipated that the Assignment will terminate as of July 1, 2001. IFF may elect in its sole discretion to cause the Assignment to terminate earlier, and the Assignment may be extended upon mutual agreement between you and IFF. After the termination of the Assignment, you intend to return to Argentina. From the termination of the Assignment until the Retirement Date, which is currently anticipated to be December 31, 2002, you will remain an employee of IFF, based in Buenos Aires, Argentina, and will perform such services for IFF as the Chairman of the Board of Directors of the Company may request. During this period your base salary will not be lower than that at the end of the Assignment, and you will continue to participate in the TCN Plan and have the same other benefits from IFF as you had in Argentina prior to the Assignment.
8. During the Assignment, you will be eligible, as part of your paid vacation, for annual home leave to Argentina. IFF will pay for up to eight round trip business class airfares between Argentina and Europe, which may be used by you and members of your family. Any taxable income that you are required to recognize as a result of the Company's payment of any such airfares will not be considered Assignment Compensation, and will be your sole responsibility.
9. Until the Retirement Date you will be covered for life, disability and travel insurance under those programs--including but not limited to life insurance

under IFF's basic and supplemental programs, of \$900,000-maintained by IFF for its employees in the United States. You and your family will continue to be covered by the IFF Argentina medical scheme. You will also be included in the IFF global medical and dental program, currently administered by CIGNA.

10. You may elect to have IFF provide you with an automobile (the "European Company Car") for your business and personal use in your city of residence during the Assignment. In that event, insurance, maintenance and other expenses in connection with the use of such automobile will be paid and/or reimbursed in accordance with IFF policy. Any taxable income that you are required to recognize as a result of the provision or your use of the European Company Car will be considered Other Assignment Income. Should you elect to have IFF provide the European Company Car, then, within thirty (30) days after delivery of the European Company Car, you will either (a) purchase the automobile currently provided to you by IFF in Argentina (the "Argentine Company Car") at its then value, calculated in accordance with usual IFF practice, or (b) you will return the Argentine Company Car to IFF Argentina. Until and unless you elect to have IFF provide you with the European Company Car, you may retain the use of the Argentine Company Car on the same terms and conditions as it is now provided. If you have not previously purchased or returned the Argentine Company Car, on the Retirement Date you may purchase it at its then value, calculated in accordance with usual IFF practice.
11. IFF Argentina will continue to pay your annual membership fees, up to a maximum of the equivalent in Argentine Pesos of US\$9,000 per year (the "Club Fees"), in the Argentine Club in Buenos Aires. Should you elect to join a social/sport club in Europe, all fees and expenses of joining and/or maintaining your membership in such club will be your sole responsibility. Any taxable income that you are required to recognize as a result of IFF's payment of the Club Fees will not be considered Assignment Compensation, and will be your sole responsibility.
12. IFF will pay on your behalf the out-of-pocket expenses associated with the shipment of your personal goods to

Europe at the commencement, and from Europe to Argentina at the termination, of the Assignment, in each case in accordance with the IFF Corporate Relocation Policy then in effect. The Company will also pay or reimburse you for all fees and expenses needed to obtain any visa other travel documents and/or work permits that may be required. You acknowledge that the effectiveness and continuing enforceability of this Agreement is conditioned upon your obtaining all authorizations necessary to enable you to undertake and to continue in the Assignment. IFF will assist you in obtaining and keeping all such authorizations. Finally, the Company acknowledges that, at the commencement of the Assignment you will initially work and reside in London. In accordance with the IFF Corporate Relocation Policy IFF will pay or reimburse you for your temporary living expenses in London until you move into your permanent residence, which you intend will occur within four months (by October 31, 1998). Any taxable income that you are required to recognize as a result of IFF's payment or reimbursement of any cost or expense contemplated by this Section 12 will be considered Other Assignment income.

13. In the event your employment with IFF is terminated by IFF for any reason other than for "Cause" prior to December 31, 2002, and in connection with such termination you are not entitled to the benefits under the Executive Severance Agreement between you and the Company dated December 14, 1993, you will retire from IFF employment as of the termination date, which will be deemed the Retirement Date. In such event, you may elect (a) to commence receiving the Pension commencing immediately after the Retirement Date, or (b) in lieu of commencing to receive the Pension at the Retirement Date, to receive "Salary Continuation Payments" equal to your monthly base salary at the Retirement Date, for the shorter of (i) eighteen (18) months or (ii) if the Retirement Date occurs after July 1, 2001, the number of months between the Retirement Date and December 31, 2002, after which the Pension will commence (with the amount of the Pension-including the guaranteed minimum-computed based on your years of Service through the Retirement Date but with a commencement date based on your age on the actual date on which the Pension commences). After the Retirement

Date, you will be entitled to all other benefits then granted by IFF to retired employees of IFF Argentina. "Cause" will have the same meaning in this Agreement as in the Executive Severance Agreement.

14. Should you die during the Assignment, IFF will assist your family in arranging for, and will pay all reasonable costs of, the repatriation of your remains and personal effects from Europe to Argentina.

Carlos, if the terms set forth above accurately reflect our understanding, please sign and return the extra copy of this letter and return it to Steve Block. If you have any questions, please feel free to contact Bill Myers, Steve Block or me.

Sincerely,

INTERNATIONAL FLAVORS &  
FRAGRANCES INC.

By: /s/ EUGENE P. GRISANTI

-----  
Eugene P. Grisanti  
Chairman & President

AGREED AND ACCEPTED:

/s/ CARLOS A. LOBBOSCO  
-----  
Carlos A. Lobbosco

July 27, 1998

Mr. Stuart R. Maconochie  
110 a Cranmer Court  
Whiteheads Grove  
London, SW3 3HJ  
England

Dear Stuart,

This letter will outline the understandings you and International Flavors & Fragrances Inc. ("IFF") have reached in respect of your assignment, effective June 1, 1998, as Senior Vice-President and President, Fragrance Division, of IFF (the "Assignment"). We have agreed as follows:

1. Effective June 1, 1998, your annual base salary has been increased to \$475,000. Your salary will be reviewed annually in accordance with IFF policy for officers of IFF.
2. Effective July 13, 1998, IFF has entered into a six (6) month lease in its name for a furnished two-bedroom, two-bath apartment at Bristol Plaza, 210 East 65th Street, New York, New York (the "Short-Term Apartment"), for your use while you look for more permanent accommodations. After the expiration of the lease of the Short-Term Apartment, IFF, at its option will lease or purchase in its name, for your use during the remainder of the Assignment, an accommodation reasonably suited to your needs at the time, which will be either a furnished or unfurnished apartment in New York City or a house in a community within commuting distance of New York City ("Long-Term Accommodations"). The location and rental or purchase cost of the Long-Term Accommodations will be subject to my prior written approval. The Short-Term Apartment and the Long-Term Accommodations are sometimes hereinafter collectively referred to as the "Accommodations".

IFF will pay all costs associated with the lease of the Short-Term Apartment and with the lease or

MR. STUART R. MACONOCHIE  
JULY 27, 1998  
PAGE 2 OF 5 PAGES

purchase of the Long-Term Accommodations, including rent, rental/real estate agent's fees, customary closing costs, and utilities (other than telephone). The Accommodations will be reserved exclusively for you, except that, if for any reason you will not be using the Accommodations for a period of at least one week, IFF in its sole discretion may use the Accommodations to accommodate others during that period. Any taxable income that you are required to recognize as a result of the Company's leasing or purchasing the Accommodations for your use will be considered "Other Assignment Income", as defined in Section 5 below. You will be responsible for all costs related to any housing that you continue to maintain in the United Kingdom during the Assignment.

3. During the Assignment you will continue to participate in the IFF Management Incentive Compensation Plan ("MICP"). Your MICP award will continue to be based on a combination of the performance of IFF as well as your own. MICP for 1998 will be calculated as a percentage of your 1998 year-end salary (\$475,000).
4. You acknowledge that, on June 15, 1998, you were granted a stock option award of 30,000 shares of IFF Common Stock under, and subject to the terms and conditions of, the IFF 1997 Employee Stock Option Plan. Two copies of a Stock Option Agreement are enclosed with this

letter. Please execute and return one copy to Steve Block in New York.

5. All taxes on your base salary, MICP, in respect of your exercise of stock options (including any Alternative Minimum Tax preference), any other income that for United States tax purposes is considered "compensation income" within the meaning of the United States Internal Revenue Code, and any other income in any country that is not considered "Other Assignment Income", as defined hereinbelow (collectively "Non-Grossable Income") will be your sole responsibility. IFF will fully "gross up" other taxable income relating to the Assignment that you are required to recognize ("Other Assignment Income"). The tax due on Non-Grossable Income and Other Assignment Income will be determined by considering taxes owed on Non-Grossable Income and Other Assignment Income in any country in which such taxes are required to be paid, and will be calculated by Price Waterhouse LLP or such other independent public accountants whom IFF may

elect to retain to provide you with tax advice and to prepare your income tax returns (the "Accountant"). IFF will pay that percentage of the costs for tax advice and for having your taxes prepared by the Accountant that Other Assignment Income bears to the aggregate of Non-Grossable Income and Other Assignment Income reported in returns prepared for you by the Accountant (the "Assignment Compensation Percentage"). The determination by the Accountant of (a) taxes owed on Other Assignment Income and (b) the Assignment Compensation Percentage will be binding on both you and IFF. Any taxable income that you are required to recognize as a result of the Company's payment of the Assignment Compensation Percentage will be considered Other Assignment Income.

6. During the Assignment, to the extent legally permissible IFF will take such steps as may be necessary to enable you to continue to participate in the United Kingdom Social Security System and United Kingdom Private Health System. You will also continue to accrue a pension (the "Pension") in accordance with the March 31, 1990 letter agreement between you and IFF (Great Britain), a copy of which is annexed to this agreement as Exhibit A. You understand and acknowledge that you will not participate in any other pension plan maintained by IFF anywhere in the world.
7. During the Assignment, you will be eligible for four (4) weeks of paid vacation per year. In addition, as part of your paid vacation, you will be eligible for annual home leave to the United Kingdom. IFF will pay for one round trip business class airfare between New York City and London, England for you, a spouse, and any members of your (or your spouse's) family who are then living with you permanently in the United States and who at the time of any such trip are no older than full-time undergraduate college students. Any taxable income that you are required to recognize as a result of the Company's payment of any of such airfares will be considered Other Assignment Income.
8. You and your family will continue to be covered by the IFF (Great Britain) medical scheme. In addition, you personally, and any members of your (or your spouse's) family who qualify for coverage under the terms of the IFF United States medical and dental program, currently administered by CIGNA, will be included in such program.

9. IFF will provide you with an automobile (the "United States Company Car") for your business and personal use in your city of residence during the Assignment, in accordance with the IFF automobile program for corporate officers stationed in the United States. Any taxable income that you are required to recognize as a result of the provision or your use of the United States Company Car will not be considered Other Assignment Income. Within thirty (30) days after delivery of the United States Company Car, you will either (a) purchase the automobile currently provided to you by IFF in the United Kingdom (the "UK Company Car") at its then value, calculated in accordance with usual IFF practice, or (b) you will return the UK Company Car to IFF (Great Britain).
10. IFF (Great Britain) will continue to pay your annual membership fees in Harry's Bar and Annabelle's, both in London, England ("the "UK" Club Fees"), up to a maximum aggregate of (pound)1,500 per year. Consideration will also be given to IFF's paying for an appropriate country club membership in your name, to be used for business purposes, in the United States (the "US Club Fees"). Any taxable income that you are required to recognize as a result of IFF's payment of the UK Club Fees and/or US Club Fees (should IFF agree to a country club membership in the United States) will not be considered Other Assignment Income, and will be your sole responsibility.
11. IFF will pay on your behalf the out-of-pocket expenses associated with the shipment of your personal goods to the United States at the commencement, and from the United States to the United Kingdom at the termination, of the Assignment, in each case in accordance with the IFF Corporate Relocation Policy then in effect. The Company will also pay or reimburse you for all fees and expenses needed to obtain any visa other travel documents and/or work permits that may be required. You acknowledge that the effectiveness and continuing enforceability of this Agreement is conditioned upon your obtaining all authorizations necessary to enable you to undertake and to continue in the Assignment. IFF will assist you in obtaining and keeping all such authorizations. Any taxable income that you are required to recognize as a result of IFF's payment or reimbursement of any



cost or expense contemplated by this Section 11 will be considered Other Assignment Income.

12. In the event your employment with IFF is terminated by IFF for any reason other than for "cause" prior to June 30, 2005 and in connection with such termination you are not entitled to the benefits under the Executive Severance Agreement between you and the Company dated December 14, 1993, you will retire from IFF employment as of the termination date, which is hereinafter referred to as the "Retirement Date." In such event, and in addition to the Pension, you will receive (a) "Salary Continuation Payments" equal to your monthly base salary at the Retirement Date, for the shorter of (i) eighteen (18) months or (ii) if the Retirement Date occurs after December 31, 2003, the number of months between the Retirement Date and June 30, 2005, and (b) a prorated MSCP award in respect of the year in which the termination occurs. After the Retirement Date, you will be entitled to all other benefits then granted by IFF to retired employees of IFF (Great Britain). "Cause" will have the same meaning in this Agreement as in the Executive Severance Agreement.

Stuart, if the terms set forth above accurately reflect our understanding, please sign and return the extra copy of this letter and return it to Steve Block. If you have any questions, please feel free to contact Bill Myers, Steve Block or me.

Sincerely,

INTERNATIONAL FLAVORS &  
FRAGRANCES, INC.

By: /s/ EUGENE P. GRISANTI  
-----  
Eugene P. Grisanti  
Chairman & President

AGREED AND ACCEPTED:

/s/ STUART R. MACONCHIE  
-----  
Stuart R. Maconochie

IFF (LOGO)  
[LETTERHEAD]

S.R. Maconochie, Esq.,  
Badger's Wood,  
Kimbers Lane,  
Maidenhead,  
Berkshire.  
SL6 2QP

31st March 1990

Dear Mr. Maconochie,

Your retirement benefits

The Finance Act 1989 introduced restrictions on the benefits that can be provided under pension schemes approved by the Inland Revenue.

We set out in our letter of 31st March 1990 the arrangements designed to provide you with the maximum benefits approvable by the Inland Revenue for tax purposes.

However, we appreciate that the benefits provided under the tax approvable schemes may not provide the desired levels of benefits.

Therefore, we set out below the benefits that we will provide in addition to the benefits provided under the approvable schemes, should those approvable schemes benefits fall short of the desired amounts.

1. Definitions

"Salary" means your basic salary over the period of twelve months immediately prior to your date of retirement, death or leaving service plus the yearly average of your other earnings subject to Schedule E income tax in the 36 months immediately prior to your retirement, death or leaving service.

"Normal Pension Age" means your 65th birthday.

"Personal Pension Plan" means the arrangement approvable under Chapter IV Part XIV of the Income and Corporation Taxes Act 1988, to which the Employer is contributing.

"Personal Plans" means the Personal Pension Plan and the arrangement approvable under Chapter IV Part XIV of the Income and Corporation Taxes Act 1988 established to accept the transfer value from your pension arrangement with R.P. Scherer.

"Employer" means IFF(GB) Limited.

"Maximum Approvable Remuneration" means the best definition allowable by the Inland Revenue for the purposes of calculating approvable benefits, subject always to an earnings ceiling set by the Inland Revenue, which for the year ending 31st March 1990 is (Pound)60,000. This ceiling will increase on 1st April each year in line with the movement in the General Index of Retail Prices for the year 1st January to 31st December (inclusive) immediately preceding the 1st April of determination.

"Widow" means the wife to whom you are married at the date of death.

"Retained Lump Sum Death Benefit" means the total value of any lump sum death benefits that, for the purposes of calculating the Inland Revenue Maximum approvable lump sum death benefit, have to be taken into consideration.

## 2. Retirement at Normal Pension Age

On your retirement at Normal Pension Age you will be entitled to a yearly pension for life calculated as (A) below, less (B) below:

- (A) 2/3rds of your Salary at Normal Pension Age.
- (B) the pension payable (or prospectively payable) from Normal Pension Age in respect of the Personal Plans.

The pension under (B) above shall be calculated as if the benefits were taken wholly in the form of pension of the same type and subject to the same conditions as apply under this letter. The amount of such pension shall include the pension equivalent of any benefits payable to you other than in pension form and shall be determined as if no cash would be taken as an alternative to pension. The amount of pension shall be calculated where necessary using such estimates of policy proceeds, annuity rates and any other relevant matters as we shall determine to be appropriate.

### 3. Early Retirement

You may, with our consent, retire early on grounds other than Ill-health at any time on or after age 50.

On early retirement, if the pension secured by your Personal Pension Plan is insufficient, you will be entitled to a yearly pension payable for life calculated in accordance with the following formula

$$\frac{N \times P}{NS}$$

Where N = the number of years of service completed at the date of retirement with a proportionate amount for each complete month.

NS = total service that would have been completed at Normal Pension Age with a proportionate amount for each complete month.

P = 2/3rds of your Salary at the date of retirement less the pension value of your Personal Plans as calculated in accordance with 2 above.

If you have not attained age 63 at retirement this pension will then be reduced by 1/4% for each complete month between your retirement date and your 63rd birthday to take into account its payment from a date earlier than Normal Pension Age.

4. Leaving Service

In the event that you leave our service you will be entitled to a yearly pension payable for life, commencing at Normal Pension Age, equal to the pension calculated as in 3 above but with no reduction for early payment.

This pension will be increased between your date of leaving service and Normal Pension Age by the lesser of 5% per annum compound (with a proportionate amount of a part-year) and the increase in the General Index of Retail Prices for the period.

5. Lump sum death in service benefit

If you die while in our employment and before taking any benefits described in this letter, there will be payable a lump sum calculated as (A) below, less (B) below:

(A) a lump sum of three times your Salary at date of death less any lump sum death benefits payable under the Personal Plans.

(B) The lesser of:

(i) three times your Salary less the Retained Lump Sum Death Benefit,  
and

(ii) four times your Maximum Approvable Remuneration less the Retained Lump Sum Death Benefit.

The lump sum will be payable in accordance with the attached Appendix.

6. Widow's pension

(i) Death in service:

In the event of your death in service, there will be payable a yearly pension to your widow for life calculated as (A) below, less (B) below:

(A) 4/9ths of your Salary less any widow's pension payable under the Personal Plans.

(B) The lesser of

(i) 4/9ths of your Salary less any widow's pension payable under the Personal Plans.

and

(ii) the lesser of:

(a) 37/108ths of your Maximum Approvable Remuneration and

(b) 4/9ths of your Maximum Approvable Remuneration less any widow's Pensions payable under the Personal Plans (if any).

(ii) Death in retirement

In the event of your death in retirement, there will be payable to your widow, a yearly pension for life of an amount equal to 2/3rds of your pension (if any) payable in accordance with this letter.

7. Increases to pension in payment

Your pension payable under this letter (if any) will increase in payment at the rate of 3% per annum compound on each anniversary of your retirement or death. Any widow's pension payable under this letter will increase at the same rate from your date of retirement, or date of death if earlier.

8. Amendment or discontinuance

Whilst we fully intend to maintain the benefits described in this letter we reserve the right to amend or discontinue any, or all of the above provisions.

Please sign, date and return to us the attached duplicate of this letter to confirm your agreement to the above benefits.

Yours sincerely,

/s/ P.G. MAJOR

-----  
(for and on behalf of IFF (GB) Limited)

I hereby confirm my agreement to the above terms and conditions.

Signed /s/ S.R. MACONOCHIE

Date 2nd July 1990

-----  
(S.R. Maconochie)

APPENDIX

PROVISIONS RELATING TO PAYMENT OF DEATH BENEFITS

Any benefit arising under paragraph 5 of the attached letter shall be payable in accordance with the following terms and conditions:

Subject to no such amount being held by the Employer for more than two years following the date of death of the Member the Employer shall have power to pay or apply any such amount at such time or times to or for the benefit of such one or more of your Beneficiaries in such shares proportions and manner and for such interests as the Employer having absolute discretion may within six months of your death direct (including and without prejudice to the generality of the foregoing the transfer of the whole or part of such amount to trustees to be held by such trustees for such Beneficiaries upon such trusts and powers (including discretionary trusts or powers exercisable by such trustees as the Employer shall decide)) and all or any expenses fees stamp duty or other outgoings incurred for the purpose of or in connection with any such payment or application no matter in what manner such amount be applied may if the Employer so decide be deducted from or paid out of the said amount.

PROVIDED THAT in default of exercise of the foregoing power within a period of two years from the date of your death the Employer shall pay the whole or such part of the amount not so paid or applied as aforesaid to your Personal Representatives except that if such amount would vest in the Crown the Duchy of Lancaster or the Duke of Cornwall as bona vacantia or in a creditor such amount shall be retained by the Employer.

In making any such transfer as aforesaid the Employer shall be entitled to rely upon the certificate of any Solicitor or firm of Solicitors to the effect that the trusts upon which any amount so transferred will be held are such that the said amount must necessarily be paid to or applied for the benefit of one or more of the Beneficiaries.



"Beneficiaries" means and includes the following:

- (i) your spouse or any ancestor or descendant (however remote the relationship) of you or of your spouse and the spouse of any such ancestor or descendant,
- (ii) any brother or sister of you or of your spouse (whether of the whole or half-blood) and any descendant of any such brother or sister and the spouse of any such brother or sister or of any such descendant of any such brother or sister,
- (iii) any step-brother or step-sister of you or of your spouse and any descendant of any such step-brother or step-sister and the spouse of any such step-brother or step-sister or of any such descendant of any such step-brother or step-sister,
- (iv) Any uncle or aunt of you or of your spouse and any descendant of any such uncle or aunt and the spouse of any such uncle or aunt or of any such descendant of any such uncle or aunt,  
  
whether in any of the aforesaid cases (i) (ii) (iii) and (iv) you were or were not liable for or to contribute to their maintenance or support and including any such person related by adoption
- (v) any other natural person who in the opinion of the Employer has been dependent or partly dependent on you for maintenance or support,
- (vi) any beneficiary entitled to any interest in your estate under any testamentary disposition made by you and in respect of which a grant of representation has been obtained; and
- (vii) any nominee of yours whom you wish to be treated as a Beneficiary for this purpose and whose name and address you have notified to the Employer in writing

and for the purposes of this definition:

- I. "Spouse" includes wife husband widow widower and any former wife or husband and a person with whom you or other relevant person has gone through any lawful ceremony of marriage.
- II. "descendant" shall include step-children.
- III. the class of Beneficiaries shall be closed at your death except that it shall include persons then en ventre sa mere who if born would have been Beneficiaries.
- IV. "ancestor" shall include parents.

"Dependants" means the following:

- (i) your wife widow child or children, and
- (ii) any natural person who in the opinion of the Employer is financially dependent upon you or was so dependent at the date of your death.

A child, unless mentally or physically incapacitated shall not be a Dependant after attaining the age of 18 years or ceasing to receive full-time education or vocational training, if later, (but not later than age 21 years).

For the purposes of this definition "child" shall include adopted and step-children of you or your spouse.

IFF (LOGO)  
[LETTERHEAD]

September 2, 1998

Mr. David G. Bluestein  
25 Wild Turkey Court  
Ridgefield, Connecticut 06877

Dear David,

You have informed me that you will resign from the employ of International Flavors & Fragrances Inc. ("IFF" or the "Company"), effective September 18, 1998 (the "Resignation Date"), to accept another position. This letter (this "Agreement") will set forth the terms of our understanding in connection with your resignation as an employee and Director of IFF.

1. In connection with your resignation, 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.
2. 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.
3. You will be eligible to receive a prorated incentive compensation award in respect of the portion of 1998 through the Resignation Date under the IFF Management Incentive Compensation Plan ("MICP"). Your actual incentive compensation award for 1998 will be based on the performance of the IFF Flavor Division for such

Mr. David G. Bluestein  
September 2, 1998  
Page 2 of 5 Pages

year and will be determined and awarded in early 1999 together with the awards to all other 1998 MICP participants.

4. Except as provided in the next sentence, you agree that the prorated MICP award for 1998 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 further payment of base salary or payment of vacation pay. The IFF Compensation and Benefits Department will contact you with respect to the disposition of your Retirement Investment Fund Plan (including supplemental plan) accounts.
5. On the Resignation Date, 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 terminate. You will have the right to convert 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 Resignation Date. In addition, in accordance with the Consolidated Omnibus Budget Reconciliation Act of 1986 ("COBRA"), after the Resignation Date you and your eligible dependents will have the opportunity to continue medical and dental coverage under the IFF Group Health Plan for up to eighteen (18) months by paying the applicable monthly premiums for such coverage.
6. You agree and acknowledge that, as of the Resignation Date, the Executive Severance Agreement dated November 11, 1997 between you and IFF will terminate.
7. You agree that until September 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 7, 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 7 pension or other retirement benefits will not be considered compensation).

8. 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 before and after the Resignation Date, but such obligations will in no way be construed as a continuation of your IFF employment, which will terminate on the Resignation Date.
9. 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 on or before the Resignation Date you will have delivered all to IFF all IFF documents.
10. 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 your resignation from the employ and/or 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. You hereby acknowledge that your breach of any of Sections 7, 8 or 9 or of this Section 10(a) will entitle the Company (i) immediately to withhold any payment or other benefit due to you at any time thereafter under this 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.

11. 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.
12. 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.

David, we appreciate your service to IFF and wish you the best in your new position

Sincerely yours,

INTERNATIONAL FLAVORS &  
FRAGRANCES INC.

By: /s/ EUGENE P. GRISANTI

-----  
Eugene P. Grisanti  
Chairman and  
President

AGREED AND ACCEPTED

/s/ DAVID G. BLUESTEIN

-----  
David G. Bluestein  
September 3, 1998

September 2, 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, Flavor Division,  
and as a member of the Board of Directors of International Flavors & Fragrances  
Inc., effective immediately.

/s/ DAVID G. BLUESTEIN

-----

David G. Bluestein



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 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.

9/22/97

/s/ DAVID G. BLUESTEIN

.....  
(date)

.....  
(signature)

## RELEASE

KNOW ALL PERSONS BY THESE PRESENTS that the undersigned, David G. Bluestein, 25 Wild Turkey Court, Ridgefield, Connecticut 06877 (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 September 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. (Sections)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. (Section 1981) (race discrimination); (3) the Age Discrimination in Employment Act, 29 U.S.C. (Sections)621-634 (age discrimination); (4) the Equal Pay Act of 1963, 29 U.S.C. (Section)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. (Sections)701 et seq. (handicap discrimination); (8) the Employee Retirement Income Security Act of 1974, 29 U.S.C. (Sections)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 of revocation to Vice-President and Secretary, 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 City, NY, on September 3, 1998

/s/ DAVID G. BLUESTEIN

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David G. Bluestein

STATE OF NEW YORK  
COUNTY OF NEW YORK ss:

Subscribed and sworn to before  
me this 3rd day of September, 1998  
by the said David G. Bluestein  
known to me.

/s/ MARA DUMSKI

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Notary Public

Mara Dumski  
Notary Public, State of New York  
No. 01DU4944307  
Qualified in New York County  
Commission Expires November 21, 1998

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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9-MOS

	DEC-31-1998	
	SEP-30-1998	
		142,138
		912
		296,461
		8,504
		402,077
	900,268	
		878,923
		404,155
	1,417,092	
	297,785	
		3,131
	0	
		0
		14,470
		943,536
1,417,092		
		1,088,510
	1,088,510	
		586,653
		835,752
		(6,303)
		0
	1,395	
		257,666
		88,884
168,782		
		0
		0
		0
		168,782
		1.57
		1.57