

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

FORM 10-Q

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

For the quarterly period ended June 30, 2013

OR

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

For the transition period from _____ to _____

Commission file number 1-4858

**INTERNATIONAL FLAVORS &
FRAGRANCES INC.**

(Exact name of registrant as specified in its charter)

New York
(State or other jurisdiction of
incorporation or organization)

13-1432060
(I.R.S. 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 Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

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

Number of shares outstanding as of July 23, 2013: 81,735,786

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

INTERNATIONAL FLAVORS & FRAGRANCES INC.
CONSOLIDATED BALANCE SHEET
(DOLLARS IN THOUSANDS)
(Unaudited)

	June 30, 2013	December 31, 2012
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 365,897	\$ 324,422
Trade receivables (net of allowances of \$8,844 and \$9,293, respectively)	541,607	499,443
Inventories: Raw materials	239,428	256,728
Work in process	8,466	7,804
Finished goods	264,890	276,126
Total Inventories	512,784	540,658
Deferred income taxes	57,474	65,763
Prepaid expenses and other current assets	156,131	142,401
Total Current Assets	<u>1,633,893</u>	<u>1,572,687</u>
Property, plant and equipment, at cost	1,545,740	1,532,317
Accumulated depreciation	<u>(894,729)</u>	<u>(877,676)</u>
	651,011	654,641
Goodwill	665,582	665,582
Other intangible assets, net	33,652	36,688
Deferred income taxes	154,966	157,074
Other assets	169,817	159,520
Total Assets	<u>\$ 3,308,921</u>	<u>\$ 3,246,192</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Bank borrowings and overdrafts and current portion of long-term debt	\$ 100,175	\$ 150,071
Accounts payable	176,731	199,272
Accrued payroll and bonus	55,963	80,027
Dividends payable	27,744	—
Restructuring and other charges	3,120	3,149
Other current liabilities	203,091	197,359
Total Current Liabilities	<u>566,824</u>	<u>629,878</u>
Long-term debt	932,796	881,104
Deferred gains	42,930	44,674
Retirement liabilities	297,306	327,373
Other liabilities	94,635	110,608
Total Other Liabilities	<u>1,367,667</u>	<u>1,363,759</u>
Commitments and Contingencies (Note 12)		
Shareholders' Equity:		
Common stock 12 1/2¢ par value; authorized 500,000,000 shares; issued 115,761,840 shares as of June 30, 2013 and December 31, 2012; and outstanding 81,741,180 and 81,626,874 shares as of June 30, 2013 and December 31, 2012	14,470	14,470
Capital in excess of par value	127,695	127,504
Retained earnings	2,978,709	2,841,166
Accumulated other comprehensive loss	(412,532)	(403,625)
Treasury stock, at cost - 34,020,660 shares as of June 30, 2013 and 34,134,966 shares as of December 31, 2012	<u>(1,338,656)</u>	<u>(1,330,707)</u>
Total Shareholders' Equity	<u>1,369,686</u>	<u>1,248,808</u>
Noncontrolling interest	4,744	3,747
Total Shareholders' Equity including noncontrolling interest	<u>1,374,430</u>	<u>1,252,555</u>
Total Liabilities and Shareholders' Equity	<u>\$ 3,308,921</u>	<u>\$ 3,246,192</u>

See Notes to Consolidated Financial Statements

INTERNATIONAL FLAVORS & FRAGRANCES INC.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(AMOUNT IN THOUSANDS EXCEPT PER SHARE AMOUNTS)
(Unaudited)

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Net sales	\$ 757,635	\$ 721,317	\$1,485,471	\$1,431,933
Cost of goods sold	423,649	419,774	840,125	844,991
Research and development expenses	64,672	56,400	123,774	113,809
Selling and administrative expenses	124,813	112,835	239,468	218,249
Restructuring and other charges, net	2,105	—	2,105	1,668
Interest expense	12,860	10,613	24,013	21,423
Other income, net	(11,209)	(845)	(12,282)	(1,088)
Income before taxes	140,745	122,540	268,268	232,881
Taxes on income	38,423	33,944	75,248	63,230
Net income	<u>102,322</u>	<u>88,596</u>	<u>193,020</u>	<u>169,651</u>
Other comprehensive income, after tax:				
Foreign currency translation adjustments	(17,051)	(52,707)	(16,825)	(24,058)
(Losses)/gains on derivatives qualifying as hedges	(2,174)	3,138	(2,302)	2,434
Pension and postretirement net liability	5,088	4,350	10,220	8,771
Other comprehensive income	<u>(14,137)</u>	<u>(45,219)</u>	<u>(8,907)</u>	<u>(12,853)</u>
Total comprehensive income	<u>\$ 88,185</u>	<u>\$ 43,377</u>	<u>\$ 184,113</u>	<u>\$ 156,798</u>
Net income per share - basic	\$ 1.25	\$ 1.09	\$ 2.36	\$ 2.08
Net income per share - diluted	\$ 1.24	\$ 1.08	\$ 2.34	\$ 2.06
Average number of shares outstanding - basic	81,309	81,095	81,300	80,938
Average number of shares outstanding - diluted	82,041	81,782	82,018	81,727
Dividends declared per share	\$ 0.34	\$ 0.31	\$ 0.68	\$ 0.62

See Notes to Consolidated Financial Statements

INTERNATIONAL FLAVORS & FRAGRANCES INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
(DOLLARS IN THOUSANDS)
(Unaudited)

	<u>Six Months Ended June 30,</u>	
	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Net income	\$ 193,020	\$ 169,651
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization	39,807	37,094
Deferred income taxes	4,971	(13,786)
Gain on disposal of assets	(18,021)	(1,525)
Stock-based compensation	14,050	11,272
Pension settlement/curtailment	—	874
Changes in assets and liabilities:		
Trade receivables	(60,753)	(58,035)
Inventories	14,694	(5,643)
Accounts payable	(10,198)	(21,214)
Accruals for incentive compensation	(23,076)	2,019
Other current payables and accrued expenses	13,919	26,523
Other assets	(21,727)	(21,248)
Other liabilities	(28,643)	9,384
Net cash provided by operating activities	<u>118,043</u>	<u>135,366</u>
Cash flows from investing activities:		
Additions to property, plant and equipment	(60,689)	(53,833)
Purchase of life insurance contracts	—	(1,035)
Proceeds from termination of life insurance contracts	793	—
Maturity of net investment hedges	626	1,960
Proceeds from disposal of assets	16,467	124
Net cash used in investing activities	<u>(42,803)</u>	<u>(52,784)</u>
Cash flows from financing activities:		
Cash dividends paid to shareholders	(27,733)	(50,206)
Net change in revolving credit facility borrowings and overdrafts	(284,061)	(26,034)
Deferred financing costs	(2,786)	—
Proceeds from long-term debt	297,786	—
Proceeds from issuance of stock under stock plans	3,566	5,400
Excess tax benefits on stock-based payments	5,172	6,513
Purchase of treasury stock	(19,174)	—
Net cash used in financing activities	<u>(27,230)</u>	<u>(64,327)</u>
Effect of exchange rate changes on cash and cash equivalents	(6,535)	(1,897)
Net change in cash and cash equivalents	41,475	16,358
Cash and cash equivalents at beginning of year	324,422	88,279
Cash and cash equivalents at end of period	<u>\$ 365,897</u>	<u>\$ 104,637</u>
Interest paid, net of amounts capitalized	\$ 20,955	\$ 20,066
Income taxes paid	\$ 71,659	\$ 29,729

See Notes to Consolidated Financial Statements

Notes to Consolidated Financial Statements

Note 1. Consolidated Financial Statements:

Basis of Presentation

These interim statements and related management's 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, liquidity and capital resources included in our 2012 Annual Report on Form 10-K ("2012 Form 10-K"). These interim statements are unaudited. The year-end balance sheet data included in this Form 10-Q filing was derived from audited financial statements, but does not include all disclosures required by generally accepted accounting principles in the United States of America. We have historically operated and continue to operate on a 52/53 week fiscal year ending on the Friday closest to the last day of the quarter. For ease of presentation, June 30 and December 31 are used consistently throughout this Form 10-Q and these interim financial statements and related notes to represent the period-end dates. For the 2013 and 2012 periods, the actual closing dates were June 28 and June 29, respectively. The unaudited interim financial statements include all adjustments (consisting only of normal recurring adjustments) and accruals necessary in the judgment of management for a fair statement of the results for the periods presented. When used herein, the terms "the Registrant," "IFF," "the Company," "we," "us" and "our" mean International Flavors & Fragrances Inc. and its consolidated subsidiaries.

Reclassifications and Revisions

For the six months ended June 30, 2012, the Consolidated Statement of Cash Flows has been revised to properly eliminate the non-cash effect of accrued capital expenditures of \$15.0 million from the Changes in Accounts payable to the Changes in Other current payables and accrued expenses within Net cash provided by operating activities. The Consolidated Statement of Cash Flows for the six months ended June 30, 2012 has also been revised to properly eliminate capitalized interest of \$3.1 million from Interest paid, net of capitalized amounts. These revisions are not considered material to the previously issued financial statements.

The Consolidated Balance Sheet as of December 31, 2012, has been revised to properly reflect the funded status of one of our non-U.S. pension plans, and the related deferred tax asset, from non-current to current. Accordingly, Retirement liabilities and deferred income taxes (non-current) were decreased by \$10.6 million and \$3.5 million, respectively and Other current liabilities and deferred income taxes (current) were increased by \$7.2 million and \$0.1 million, respectively. These revisions are not considered material to the previously issued financial statements.

Recent Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board ("FASB") issued authoritative guidance related to reclassifications out of accumulated other comprehensive income ("AOCI"). Under the amendments in this update, an entity is required to report, in one place, information about reclassifications out of AOCI and to report changes in its AOCI balances. For significant items reclassified out of AOCI to net income in their entirety in the same reporting period, reporting is required about the effect of the reclassifications on the respective line items in the statement where net income or loss is presented. For items that are not reclassified to net income or loss in their entirety in the same reporting period, a cross reference to other disclosures currently required under GAAP is required in the notes to the entity's consolidated financial statements. This guidance is effective prospectively for reporting periods beginning after December 15, 2012. During the first quarter of 2013, the Company adopted this guidance as disclosed in Note 11.

In March 2013, the FASB issued authoritative guidance clarifying the accounting for the release of cumulative translation adjustment into net income when a parent either sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business within a foreign entity. The guidance is effective prospectively for reporting periods beginning after December 15, 2013. We do not anticipate that this adoption will have a significant impact on our financial position, results of operations or cash flows.

Note 2. Net Income Per Share:

Net income per share is based on the weighted average number of shares outstanding. A reconciliation of the shares used in the computation of basic and diluted net income per share is as follows:

<u>(SHARES IN THOUSANDS)</u>	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Basic	81,309	81,095	81,300	80,938
Assumed dilution under stock plans	732	687	718	789
Diluted	<u>82,041</u>	<u>81,782</u>	<u>82,018</u>	<u>81,727</u>

Stock options and stock settled appreciation rights (“SSAR’s”) to purchase 113,000 shares in the aggregate were outstanding as of the three and six months ended June 30, 2012, but are not included in the computation of diluted net income per share because to do so would have been anti-dilutive for the periods presented. There were no stock options or SSAR’s excluded from the computation of diluted net income per share for the three and six months ended June 30, 2013.

The Company has issued shares of purchased restricted common stock (“PRS”) which contain rights to nonforfeitable dividends while these shares are outstanding and thus are considered participating securities which are required to be included in the computation of basic and diluted earnings per share pursuant to the two-class method. The Company did not present the two-class method since the difference between basic and diluted net income per share for both unrestricted common shareholders and PRS shareholders was less than \$0.01 per share for each period presented and the number of PRS outstanding as of June 30, 2013 and 2012 was immaterial (approximately 0.7% of the total number of common shares outstanding as of June 30, 2013 and 2012). Net income allocated to such PRS was \$0.7 million and \$0.5 million during the three months ended June 30, 2013 and 2012, respectively and \$1.3 million and \$1.1 million during the six months ended June 30, 2013 and 2012, respectively.

Note 3. Restructuring and Other Charges, Net:*Fragrance Ingredients Rationalization*

During the second quarter of 2013, the Company announced that it intends to close its fragrance ingredients manufacturing facility in Augusta, Georgia by July 2014 and plans to consolidate production into other Company facilities. In connection with this closure, the Company expects to incur charges of \$16-\$21 million, consisting primarily of \$10-\$12 million in accelerated depreciation of fixed assets, \$3-\$4 million in personnel-related costs and \$3-\$5 million in plant shutdown and other related costs. The Company recorded a total charge of \$2.9 million during the second quarter of 2013, consisting of a \$2.1 million pre-tax charge related to severance included in Restructuring and other charges, net and a \$0.8 million non-cash charge related to accelerated depreciation included in Cost of goods sold. The remainder of the estimated costs is expected to be recognized over the following four quarters. The Company expects that 43 positions will be eliminated as a result of these decisions. The Company estimates that approximately \$6-\$9 million of the costs will result in future cash expenditures.

Strategic Initiative

In the fourth quarter of 2011, the Company recorded a \$9.8 million charge to cover a strategic initiative which involved a reduction in workforce primarily related to a realignment of responsibilities in our Fragrances business unit. It also entailed the redeployment of creative resources in emerging markets and resulted in the elimination of 72 positions across our Fragrances, Flavors and corporate functions. The Company recorded an additional net charge of \$1.7 million during 2012, which was principally attributable to adjustments based on the final separation terms with affected employees. There are no additional charges expected for this plan.

Changes in employee-related restructuring liabilities during the six months ended June 30, 2013 related to these plans were as follows:

<u>(DOLLARS IN THOUSANDS)</u>	<u>Fragrance Ingredients Rationalization</u>	<u>Strategic Initiative</u>	<u>Total</u>
Balance December 31, 2012	\$ —	\$ 3,149	\$ 3,149
Additional charges, net	2,105	—	2,105
Payments and other costs	—	(2,134)	(2,134)
Balance June 30, 2013	<u>\$ 2,105</u>	<u>\$ 1,015</u>	<u>\$ 3,120</u>

Note 4. Other Intangible Assets, Net:

Other intangible assets, net consist of the following amounts:

<u>(DOLLARS IN THOUSANDS)</u>	<u>June 30, 2013</u>	<u>December 31, 2012</u>
Gross carrying value ⁽¹⁾	\$ 165,406	\$ 165,406
Accumulated amortization	(131,754)	(128,718)
Total	<u>\$ 33,652</u>	<u>\$ 36,688</u>

⁽¹⁾ Includes patents, trademarks and other intellectual property, valued at acquisition.

Amortization expense was \$1.5 million, in each period for the three months ended June 30, 2013 and 2012 and amortization expense for the six months ended June 30, 2013 and 2012 was \$3.0 million, in each period. Annual amortization is expected to be \$6.1 million for the year 2013 and \$4.7 million for the years 2014 through 2017.

Note 5. Borrowings:

Debt consists of the following:

<u>(DOLLARS IN THOUSANDS)</u>	<u>Rate</u>	<u>Maturities</u>	<u>June 30, 2013</u>	<u>December 31, 2012</u>
Senior notes - 2007	6.40%	2017-27	\$ 500,000	\$ 500,000
Senior notes - 2006	6.10%	2013-16	225,000	225,000
Senior notes - 2013	3.20%	2023	299,736	—
Credit facility		2016	—	296,748
Bank overdrafts and other		2012	175	399
Deferred realized gains on interest rate swaps			8,060	9,028
			<u>1,032,971</u>	<u>1,031,175</u>
Less: Current portion of long-term debt			(100,175)	(150,071)
			<u>\$ 932,796</u>	<u>\$ 881,104</u>

On April 4, 2013, the Company issued \$300.0 million face amount of 3.20% Senior Notes (“Senior Notes - 2013”) due 2023 at a discount of \$0.3 million. The Company received proceeds related to the issuance of these Senior Notes - 2013 of \$297.8 million which was net of the \$0.3 million discount and a \$1.9 million underwriting discount (recorded as deferred financing costs). In addition, the Company incurred \$0.9 million of other deferred financing costs in connection with the debt issuance. The discount and deferred financing costs are being amortized as interest expense over the term of the Senior Notes - 2013. The Senior Notes - 2013 bear interest at a rate of 3.20% per year, with interest payable on May 1 and November 1 of each year, commencing on November 1, 2013. The Senior Notes - 2013 mature on May 1, 2023. Upon 30 days’ notice to holders of the Senior Notes - 2013, the Company may redeem the Senior Notes - 2013 for cash in whole, at any time, or in part, from time to time, prior to maturity, at redemption

prices that include accrued and unpaid interest and a make-whole premium. However, no make-whole premium will be paid for redemptions of the Senior Notes - 2013 on or after February 1, 2023. The Indenture provides for customary events of default and contains certain negative covenants that limit the ability of the Company and its subsidiaries to grant liens on assets, to enter into sale-leaseback transactions or to consolidate with or merge into any other entity or convey, transfer or lease all or substantially all of the Company's properties and assets. In addition, subject to certain limitations, in the event of the occurrence of both (1) a change of control of the Company and (2) a downgrade of the Senior Notes - 2013 below investment grade rating by both Moody's Investors Services, Inc. and Standard & Poor's Ratings Services within a specified time period, the Company will be required to make an offer to repurchase the Senior Notes - 2013 at a price equal to 101% of the principal amount of the Senior Notes - 2013, plus accrued and unpaid interest to the date of repurchase.

On April 26, 2013, the Company repaid the full amount outstanding under the credit facility (\$283.1 million).

On July 12, 2013, the Company made a payment of \$100 million related to our Senior Unsecured Notes issued in 2006.

Note 6. Income Taxes:

At June 30, 2013, we had \$23.6 million of unrecognized tax benefits recorded in Other liabilities and \$4.7 million recorded in Other current liabilities. If these unrecognized tax benefits were recognized, the effective tax rate would be affected.

For the six months ended June 30, 2013, the Company reduced its accrual for interest and penalties by \$4.8 million, net, principally due to the reclassification to income taxes payable for Spain, as discussed below. At June 30, 2013, the Company had accrued interest and penalties of \$2.6 million classified in Other liabilities and \$0.1 million classified in Other current liabilities.

The Company regularly repatriates a portion of current year earnings from select non-U.S. subsidiaries. No provision is made for additional taxes on undistributed earnings of subsidiary companies that are intended and planned to be indefinitely invested in such subsidiaries. We intend to, and have plans to, reinvest these earnings indefinitely in our foreign subsidiaries to fund local operations and/or capital projects.

The Company has ongoing income tax audits and legal proceedings which are at various stages of administrative or judicial review, of which the most significant items are discussed below. In addition, the Company has other ongoing tax audits and legal proceedings that relate to indirect taxes, such as value-added taxes, capital tax, sales and use taxes and property taxes, which are discussed in Note 12.

During the third quarter of 2012 the Company and the Spanish tax authorities entered into an overall settlement with respect to assessments imposed in connection with audits for the 2004-2010 fiscal years. In connection with this settlement, the Company paid Euro 84.0 million (\$105.5 million based on exchange rates at the respective payment dates) during 2012 and paid the remainder of Euro 1.5 million (\$1.9 million based on the exchange rate at the payment date) in the first quarter of 2013. This settlement did not address either the 2002-2003 fiscal years or the 2011 fiscal year. In connection with the overall settlement, the Company recorded after-tax charges of \$72.4 million during the third quarter 2012, which included \$56.0 million related to the tax settlement of the 2004-2010 period and the increased liabilities for uncertain tax positions of \$16.4 million for years not settled. During the fourth quarter of 2012 the Company and the Spanish tax authorities also finalized a multi-year agreement that established the tax basis for the Company's activities in Spain for 2012 through 2014 consistent with the key principles preliminarily agreed upon as part of the overall settlement. The Company's Spanish subsidiaries have not yet received an assessment with respect to the 2011 fiscal year.

As a result of the audits of 2002-2003 fiscal years, the Spanish tax authorities imposed assessments aggregating Euro 22.4 million (\$28.6 million), including aggregate estimated interest. The Company had previously appealed these assessments with the Appellate Court. On February 7, 2013, the Appellate Court upheld the Central Economic-Administrative Tribunal's ("TEAC") ruling with respect to the 2003 tax assessment and the related tax avoidance claims. We decided not to pursue the appeal process. Accordingly, during the second quarter of 2013, we paid Euro 17.7 million (\$23.3 million based on the exchange rate at the payment date) in connection with the 2003 tax assessment. As a result of this payment, the remaining aggregate assessment related to the 2002-2003 fiscal years was Euro 4.7 million (\$6.1 million) as of June 30, 2013. To proceed with its appeals of the tax assessments for the 2002-2003 fiscal years, the Company was required to post bank guarantees. As of June 30, 2013, the Company had

remaining posted bank guarantees of Euro 4.7 million (\$6.1 million) associated with the 2002-2003 appeals. In light of the court's ruling, we also recorded a charge of \$9.3 million in the first quarter associated with issues in the 2002-2003 cases that were unrelated to the issues underlying the 2004-2010 settlement. This charge was partially offset by a \$3.1 million adjustment to prior accruals for the 2003 case. As a result of our decision not to appeal, we have classified approximately \$4.0 million of amounts to be paid as income taxes payable as of June 30, 2013. During the third quarter of 2013, we paid the remaining balance of Euro 3.1 million (\$4.0 million based on the exchange rate at the payment date) related to the 2003 tax assessment. On June 17, 2013, the Appellate Court ruled against us on our appeal of the 2002 income tax assessment and related claims, which we have also decided not to appeal. There was no income tax impact associated with this decision.

In addition to the above, the Company has also been a party to four dividend withholding tax controversies in Spain in which the Spanish tax authorities alleged that the Company's Spanish subsidiaries underpaid withholding taxes during the 1995-2001 fiscal years. The Company had previously appealed each of these controversies. During 2012, the Company received unfavorable decisions on the first three cases. As a result of these rulings, the Company (i) recorded charges (including estimated interest) of approximately \$12 million after-tax during 2012, and (ii) made payments of Euro 9.8 million (\$12.8 million based on exchange rate at the respective payment date) during 2012. At June 30, 2013, the Company had Euro 4.5 million (\$5.8 million) reflected in income taxes payable in connection with these three cases. The fourth and final remaining appeal has not yet been heard by the Spanish Supreme Court. At June 30, 2013, the aggregate amount of the remaining dividend withholding controversy was Euro 3.2 million (\$4.1 million), including estimated interest, which is fully reserved. As of June 30, 2013, the Company had posted bank guarantees of Euro 7.5 million (\$9.8 million) in order to proceed with the appeal in this controversy.

As of June 30, 2013, the Company's aggregate provisions for uncertain tax positions, including interest and penalties, was \$31.0 million, which includes \$7.0 million associated with the tax positions taken by our Spanish subsidiaries for the 2002 and the 2011 fiscal years, \$3.7 million associated with our Spanish dividend withholding tax controversies and the remainder associated with various other tax positions asserted in foreign jurisdictions, none of which is individually material.

In addition, the Company has several other tax audits in process and has open tax years with various taxing jurisdictions that range primarily from 2007 to 2012. Based on currently available information, we do not believe the ultimate outcome of any of these tax audits and other tax positions related to open tax years, when finalized, will have a material impact on our financial position.

The effective tax rate for the three months ended June 30, 2013 was 27.3% compared with 27.7% for the three months ended June 30, 2012. The quarter-over-quarter decline is primarily driven by the benefit received from the R&D tax credit of \$0.9 million. In addition, the 2012 quarter included a \$4.7 million provision related to the second Spanish dividend withholding tax case and other provision adjustments on uncertain tax positions. The effective tax rate for the six months ended June 30, 2013 was 28.0% compared with 27.2% for the six months ended June 30, 2012. The 2013 first six months includes a \$6.2 million after-tax charge associated with the 2002-2003 ruling as discussed above. The year-over-year increase includes a provision increase due to the mix of earnings which is partially offset by a \$4.6 million benefit associated with U.S. tax legislation enacted in the first quarter of 2013 (including the R&D tax credit). The 2012 first six-month period includes a \$10.6 million benefit due to a corporate restructuring of certain of our foreign subsidiaries that was offset by \$12.9 million of provisions related to the Spanish dividend withholding tax cases and other reserve adjustments on uncertain tax positions.

Note 7. Stock Compensation Plans:

The Company has various plans under which its officers, senior management, other key employees and directors may be granted equity-based awards. Equity awards outstanding under the plans include PRS, restricted stock units (“RSU’s”), stock options, SSAR’s and Long-Term Incentive Plan awards; liability-based awards outstanding under the plans are cash-settled RSUs.

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

<u>(DOLLARS IN THOUSANDS)</u>	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Equity-based awards	\$ 9,527	\$ 8,282	\$ 14,050	\$ 11,272
Liability-based awards	600	640	2,051	1,571
Total stock-based compensation expense	10,127	8,922	16,101	12,843
Less: tax benefit	(3,114)	(2,772)	(5,021)	(4,035)
Total stock-based compensation expense, after tax	<u>\$ 7,013</u>	<u>\$ 6,150</u>	<u>\$ 11,080</u>	<u>\$ 8,808</u>

Note 8. Segment Information:

The Company is organized into two operating segments: Flavors and Fragrances. These segments align with the internal structure of the Company used to manage these businesses. Performance of these operating segments is evaluated based on segment profit which is defined as operating profit before Restructuring and certain non-recurring adjustments, Interest expense, Other expense, net and Taxes on income.

The Global expenses caption below represents corporate and headquarters-related expenses which include legal, finance, human resources, certain incentive compensation expenses and other R&D and administrative expenses that are not allocated to individual operating segments.

Reportable segment information is as follows:

<u>(DOLLARS IN THOUSANDS)</u>	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>June 30,</u>		<u>June 30,</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Net sales:				
Flavors	\$374,041	\$361,371	\$ 730,401	\$ 711,258
Fragrances	383,594	359,946	755,070	720,675
Consolidated	<u>\$757,635</u>	<u>\$721,317</u>	<u>\$1,485,471</u>	<u>\$1,431,933</u>
Segment profit:				
Flavors	\$ 89,919	\$ 80,633	\$ 172,955	\$ 160,313
Fragrances	71,913	63,635	140,270	119,716
Global expenses	(17,169)	(11,960)	(29,761)	(25,145)
Restructuring and other charges, net	(2,105)	—	(2,105)	(1,668)
Operational improvement initiative costs ⁽¹⁾	(162)	—	(1,360)	—
Operating profit	142,396	132,308	279,999	253,216
Interest expense	(12,860)	(10,613)	(24,013)	(21,423)
Other income, net ⁽²⁾	11,209	845	12,282	1,088
Income before taxes	<u>\$140,745</u>	<u>\$122,540</u>	<u>\$ 268,268</u>	<u>\$ 232,881</u>

⁽¹⁾ Operational improvement initiative costs relate to the closing of a smaller facility in Europe and certain manufacturing activities in Asia, while transferring production to larger facilities in each respective region.

⁽²⁾ Other income, net includes a \$16.1 million gain on the sale of a non-operating asset for the three and six months ended June 30, 2013.

Net sales are attributed to individual regions based upon the destination of product delivery. Net sales related to the U.S. for the three months ended June 30, 2013 and 2012 were \$175 million and \$167 million, respectively and for the six months ended June 30, 2013 and 2012 were \$333 million and \$335 million, respectively. Net sales attributed to all foreign countries in total for the three months ended June 30, 2013 and 2012 were \$583 million and \$554 million, respectively and for the six months ended June 30, 2013 and 2012 were \$1,153 million and \$1,097 million, respectively. No non-U.S. country had net sales in any period presented greater than 8% of total consolidated net sales.

Note 9. Employee Benefits:

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

U.S. Plans (DOLLARS IN THOUSANDS)	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Service cost for benefits earned	\$ 881	\$ 938	\$ 1,762	\$ 1,877
Interest cost on projected benefit obligation	5,741	6,002	11,482	12,003
Expected return on plan assets	(6,557)	(6,041)	(13,114)	(12,083)
Net amortization and deferrals	5,869	4,913	11,738	9,825
Net periodic benefit cost	5,934	5,812	11,868	11,622
Defined contribution and other retirement plans	2,076	1,974	3,946	3,863
Total expense	\$ 8,010	\$ 7,786	\$ 15,814	\$ 15,485

Non-U.S. Plans (DOLLARS IN THOUSANDS)	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Service cost for benefits earned	\$ 4,027	\$ 3,164	\$ 8,170	\$ 6,358
Interest cost on projected benefit obligation	7,612	7,762	15,486	15,584
Expected return on plan assets	(11,695)	(11,401)	(23,794)	(22,888)
Net amortization and deferrals	2,284	1,607	4,652	3,221
Loss due to settlements and special terminations	35	418	75	874
Net periodic benefit cost	2,263	1,550	4,589	3,149
Defined contribution and other retirement plans	987	1,088	2,278	2,329
Total expense	\$ 3,250	\$ 2,638	\$ 6,867	\$ 5,478

The Company expects to contribute \$18 – \$28 million to its non-U.S. pension plans during 2013. In the six months ended June 30, 2013, \$30.0 million of contributions were made to the qualified U.S. pension plans. In the three and six months ended June 30, 2013, \$4.5 million and \$8.5 million of contributions were made to the non-U.S. plans, respectively. In the three and six months ended June 30, 2013, \$1.0 million and \$2.1 million of benefit payments were made with respect to the Company's non-qualified U.S. pension plan, respectively.

Expense recognized for postretirement benefits other than pensions included the following components:

(DOLLARS IN THOUSANDS)	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Service cost for benefits earned	\$ 362	\$ 341	\$ 724	\$ 682
Interest cost on projected benefit obligation	1,168	1,447	2,336	2,894
Net amortization and deferrals	(663)	(361)	(1,326)	(722)
Total postretirement benefit expense	\$ 867	\$ 1,427	\$ 1,734	\$ 2,854

The Company expects to contribute approximately \$5 million to its postretirement benefits other than pension plans during 2013. In the three and six months ended June 30, 2013, \$1.4 million and \$2.8 million of contributions were made, respectively.

Note 10. Financial Instruments:**Fair Value**

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

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

This hierarchy requires us to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value. We determine the fair value of structured liabilities (where performance is linked to structured interest rates, inflation or currency risks) using the London InterBank Offer Rate (“LIBOR”) swap curve and forward interest and exchange rates at period end. Such instruments are classified as Level 2 based on the observability of significant inputs to the model. We do not have any instruments classified as Level 1 or Level 3, other than those included in pension asset trusts as discussed in Note 13 of our 2012 Form 10-K.

These valuations take into consideration our credit risk and our counterparties’ credit risk. The estimated change in the fair value of these instruments due to such changes in our own credit risk (or instrument-specific credit risk) was immaterial as of June 30, 2013.

The amounts recorded in the balance sheet (carrying amount) and the estimated fair values of financial instruments at June 30, 2013 and December 31, 2012 consisted of the following:

<u>(DOLLARS IN THOUSANDS)</u>	<u>June 30, 2013</u>		<u>December 31, 2012</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash and cash equivalents ⁽¹⁾	\$ 365,897	\$ 365,897	\$ 324,422	\$ 324,422
Credit facilities and bank overdrafts ⁽²⁾	175	175	297,147	297,147
Long-term debt: ⁽³⁾				
Senior notes - 2007	500,000	597,827	500,000	634,000
Senior notes - 2006	225,000	241,583	225,000	248,000
Senior notes - 2013	299,736	282,884	—	—

- (1) The carrying amount of cash and cash equivalents approximates fair value due to the short maturity of those instruments.
- (2) The carrying amount of our credit facilities and bank overdrafts approximates fair value as the interest rate is reset frequently based on current market rates as well as the short maturity of those instruments.
- (3) The fair value of our long-term debt was calculated using discounted cash flows applying current interest rates and current credit spreads based on our own credit risk.

Derivatives

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

In 2003, we executed a 10-year Yen - U.S. dollar currency swap related to the monthly sale and purchase of products between the U.S. and Japan which has been designated as a cash flow hedge. This swap matured in January 2013.

During the third quarter of 2010, we entered into two interest rate swap agreements effectively converting the fixed rate on a portion of our long term borrowings to a variable short-term rate based on the LIBOR plus an interest markup. These swaps are designated as fair value hedges and will mature in the third quarter of 2013. Amounts recognized in Interest expense have been immaterial for the three and six months ended June 30, 2013 and 2012.

During the six months ended June 30, 2013 and the year ended December 31, 2012, we entered into multiple forward currency contracts which qualified as net investment hedges, in order to mitigate a portion of our net European investments from foreign currency risk. The effective portions of net investment hedges are recorded in Other comprehensive income ("OCI") as a component of Foreign currency translation adjustments in the accompanying Consolidated Statement of Comprehensive Income. Realized gains/(losses) are deferred in AOCI where they will remain until the net investments in our European subsidiaries are divested. Four of these forward currency contracts matured during the six months ended June 30, 2013. The outstanding forward currency contracts have remaining maturities of less than one year.

During the six months ended June 30, 2013 and the year ended December 31, 2012, we entered into several forward currency contracts which qualified as cash flow hedges. The objective of these hedges is to protect against the currency risk associated with forecasted U.S. dollar (USD) denominated raw material purchases made by Euro (EUR) functional currency entities which result from changes in the EUR/USD exchange rate. The effective portions of cash flow hedges are recorded in OCI as a component of Losses on derivatives qualifying as hedges in the accompanying Consolidated Statement of Comprehensive Income. Realized gains/(losses) in AOCI related to cash flow hedges of raw material purchases are recognized as a component of Cost of goods sold in the accompanying Consolidated Statement of Comprehensive Income in the same period as the related costs are recognized.

During Q1 2013, we entered into three interest rate swaps to hedge the anticipated issuance of fixed-rate debt, which are designated as cash flow hedges. The effective portions of cash flow hedges are recorded in OCI as a component of Losses on derivatives qualifying as hedges in the accompanying Consolidated Statement of Comprehensive Income. During the second quarter of 2013, we terminated these swaps and incurred a loss of \$2.7 million, which we will amortize as Interest expense over the life of the Senior Notes - 2013 (discussed in Note 5).

The following table shows the notional amount of the Company's derivative instruments outstanding as of June 30, 2013 and December 31, 2012:

<u>(DOLLARS IN THOUSANDS)</u>	<u>June 30, 2013</u>	<u>December 31, 2012</u>
Foreign currency contracts	\$ 189,550	\$ 143,483
Interest rate swaps	\$ 100,000	\$ 100,000

The following tables show the Company's derivative instruments measured at fair value (Level 2 of the fair value hierarchy), as reflected in the Consolidated Balance Sheets as of June 30, 2013 and December 31, 2012:

<u>(DOLLARS IN THOUSANDS)</u>	<u>June 30, 2013</u>		<u>Total Fair Value</u>
	<u>Fair Value of Derivatives Designated as Hedging Instruments</u>	<u>Fair Value of Derivatives Not Designated as Hedging Instruments</u>	
Derivative assets ^(a)			
Foreign currency contracts	\$ 3,728	\$ 3,961	\$ 7,689
Interest rate swaps	25	—	25
	<u>\$ 3,753</u>	<u>\$ 3,961</u>	<u>\$ 7,714</u>
Derivative liabilities ^(b)			
Foreign currency contracts	\$ 1,049	\$ 1,435	\$ 2,484

<u>(DOLLARS IN THOUSANDS)</u>	<u>December 31, 2012</u>		<u>Total Fair Value</u>
	<u>Fair Value of Derivatives Designated as Hedging Instruments</u>	<u>Fair Value of Derivatives Not Designated as Hedging Instruments</u>	
Derivative assets ^(a)			
Foreign currency contracts	\$ 676	\$ 2,535	\$ 3,211
Interest rate swaps	328	—	328
	<u>\$ 1,004</u>	<u>\$ 2,535</u>	<u>\$ 3,539</u>
Derivative liabilities ^(b)			
Foreign currency contracts	\$ 5,251	\$ 278	\$ 5,529

^(a) Derivative assets are recorded to Prepaid expenses and other current assets in the Consolidated Balance Sheet.

^(b) Derivative liabilities are recorded as Other current liabilities in the Consolidated Balance Sheet.

The following table shows the effect of the Company's derivative instruments which were not designated as hedging instruments in the Consolidated Statement of Comprehensive Income for the three and six months ended June 30, 2013 and 2012 (in thousands):

<u>Derivatives Not Designated as Hedging Instruments</u>	Amount of (Loss) Gain For the Three Months Ended June 30,		Location of (Loss) Gain Recognized in Income on Derivative
	2013	2012	
Foreign currency contracts	\$ 4,330	\$ 5,564	Other income, net

<u>Derivatives Not Designated as Hedging Instruments</u>	Amount of (Loss) Gain Recognized in Income on Derivative For the six months ended June 30,		Location of (Loss) Gain Recognized in Income on Derivative
	2013	2012	
Foreign currency contracts	\$ 12,507	\$ 6,083	Other income, net

Most of these net gains (losses) offset any recognized gains (losses) arising from the revaluation of the related intercompany loans during the same respective periods.

The following table shows the effect of the Company's derivative instruments designated as cash flow and net investment hedging instruments in the Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2013 and 2012 (in thousands):

	Amount of (Loss) Gain Recognized in OCI on Derivative (Effective Portion) For the Three Months Ended June 30,		Location of (Loss) Gain Reclassified from AOCI into Income (Effective Portion)	Amount of (Loss) Gain Reclassified from Accumulated OCI into Income (Effective Portion) For the Three Months Ended June 30,	
	2013	2012		2013	2012
Derivatives in Cash Flow Hedging Relationships:					
Cross currency swap ⁽¹⁾	\$ —	\$ 271	Other income, net	\$ (118)	\$ (646)
Foreign currency contracts	(702)	2,862	Cost of goods sold	(151)	1,187
Interest rate swaps ⁽²⁾	(1,473)	—	Interest expense	(68)	—
Derivatives in Net Investment Hedging Relationships:					
Foreign currency contracts	(343)	816	N/A	—	—
Total	\$ (2,518)	\$ 3,949		\$ (337)	\$ 541
	Amount of (Loss) Gain Recognized in OCI on Derivative (Effective Portion) For the six months ended June 30,		Location of (Loss) Gain Reclassified from AOCI into Income (Effective Portion)	Amount of (Loss) Gain Reclassified from Accumulated OCI into Income (Effective Portion) For the six months ended June 30,	
	2013	2012		2013	2012
Derivatives in Cash Flow Hedging Relationships:					
Cross currency swap ⁽¹⁾	\$ —	\$ 1,033	Other income, net	\$ (333)	\$ (1,373)
Foreign currency contracts	320	1,323	Cost of goods sold	1,562	960
Interest rate swaps ⁽²⁾	(2,667)	—	Interest expense	(68)	—
Derivatives in Net Investment Hedging Relationships:					
Foreign currency contracts	1,642	313	N/A	—	—
Total	\$ (705)	\$ 2,669		\$ 1,161	\$ (413)

⁽¹⁾ Ten year swap executed in 2003.

⁽²⁾ Interest rate swaps were entered into as pre-issuance hedges for the \$300 million bond offering.

No ineffectiveness was experienced in the above noted cash flow hedges during the three and six months ended June 30, 2013 and 2012. The ineffective portion of the net investment hedges was not material during the three and six months ended June 30, 2013 and 2012.

The Company expects that approximately \$1.5 million (net of tax) of derivative losses included in AOCI at June 30, 2013, based on current market rates, will be reclassified into earnings within the next 12 months. The majority of this amount will vary due to fluctuations in foreign currency exchange rates.

Note 11. Accumulated Other Comprehensive Income (Loss):

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

<u>(DOLLARS IN THOUSANDS)</u>	<u>Foreign Currency Translation Adjustments</u>	<u>(Losses) Gains on Derivatives Qualifying as Hedges</u>	<u>Pension and Postretirement Liability Adjustment</u>	<u>Total</u>
Accumulated other comprehensive (loss) income, net of tax, as of December 31, 2012	\$ (93,722)	\$ (218)	\$ (309,685)	\$(403,625)
OCI before reclassifications	(16,825)	(1,141)	—	(17,966)
Amounts reclassified from AOCI	—	(1,161)	10,220	9,059
Net current period other comprehensive income (loss)	<u>(16,825)</u>	<u>(2,302)</u>	<u>10,220</u>	<u>(8,907)</u>
Accumulated other comprehensive loss, net of tax, as of June 30, 2013	<u>\$ (110,547)</u>	<u>\$ (2,520)</u>	<u>\$ (299,465)</u>	<u>\$(412,532)</u>

<u>(DOLLARS IN THOUSANDS)</u>	<u>Foreign Currency Translation Adjustments</u>	<u>(Losses) Gains on Derivatives Qualifying as Hedges</u>	<u>Pension and Postretirement Liability Adjustment</u>	<u>Total</u>
Accumulated other comprehensive (loss) income, net of tax, as of December 31, 2011	\$ (111,409)	\$ 4,237	\$ (268,137)	\$(375,309)
OCI before reclassifications	(24,058)	2,021	—	(22,037)
Amounts reclassified from AOCI	—	413	8,771	9,184
Net current period other comprehensive income (loss)	<u>(24,058)</u>	<u>2,434</u>	<u>8,771</u>	<u>(12,853)</u>
Accumulated other comprehensive (loss) income, net of tax, as of June 30, 2012	<u>\$ (135,467)</u>	<u>\$ 6,671</u>	<u>\$ (259,366)</u>	<u>\$(388,162)</u>

The following table provides details about reclassifications out of accumulated other comprehensive income to the Consolidated Statement of Comprehensive Income:

<u>(DOLLARS IN THOUSANDS)</u>	<u>Six Months Ended June 30, 2013</u>	<u>Six Months Ended June 30, 2012</u>	<u>Affected Line Item in the Consolidated Statement of Comprehensive Income</u>
(Losses) gains on derivatives qualifying as hedges			
Cross currency swap	\$ (333)	\$ (1,373)	Other income, net
Foreign currency contracts	2,155	1,324	Cost of goods sold
Interest rate swaps	(68)	—	Interest expense
	<u>(593)</u>	<u>(364)</u>	Provision for income taxes
	<u>\$ 1,161</u>	<u>\$ (413)</u>	Total, net of income taxes
(Losses) gains on pension and postretirement liability adjustments			
Settlements / Curtailments	\$ (75)	\$ (874)	(a)
Prior service cost	2,197	2,109	(a)
Actuarial losses	(17,261)	(14,433)	(a)
	<u>4,919</u>	<u>4,427</u>	Provision for income taxes
	<u>\$ (10,220)</u>	<u>\$ (8,771)</u>	Total, net of income taxes

(a) The amortization of prior service cost and actuarial loss is included in the computation of net periodic benefit cost. Refer to Note 9 to the Consolidated Financial Statements - Employee Benefits for additional information regarding net periodic benefit cost.

Note 12. Commitments and Contingencies:

Guarantees and Letters of Credit

The Company has various bank guarantees and letters of credit which are available for use regarding governmental requirements associated with pending litigation in various jurisdictions and to support its ongoing business operations.

At June 30, 2013, we had total bank guarantees and standby letters of credit of approximately \$60.3 million with various financial institutions. Of this amount, Euro 12.2 million (\$15.9 million) in bank guarantees are related to governmental requirements on income tax disputes in Spain, as discussed in further detail in Note 6. Also included in the above aggregate amount is a total of \$12.3 million in bank guarantees which the Company has posted to appeal a Spanish capital tax assessment and \$23.8 million for certain assessments in Brazil for other diverse income tax and indirect tax disputes related to fiscal years 1998-2011. There were no material amounts utilized under the standby letters of credit as of June 30, 2013.

In order to challenge the assessments in these cases in Brazil, the Company has been required to and has separately pledged assets, principally property, plant and equipment, to cover assessments in the amount of approximately \$21.2 million as of June 30, 2013.

Lines of Credit

The Company has various lines of credit which are available to support its ongoing business operations. At June 30, 2013, we had available lines of credit (in addition to the credit facility discussed in Note 5) of approximately \$86.7 million with various financial institutions. There were no significant amounts drawn down pursuant to these lines of credit as of June 30, 2013.

Litigation

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

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

Environmental

Over the past 20 years, various federal and state authorities and private parties have claimed that we are a Potentially Responsible Party ("PRP") as a generator of waste materials for alleged pollution at a number of waste sites operated by third parties located principally in New Jersey and have sought to recover costs incurred and to be incurred to clean up the sites.

We have been identified as a PRP at nine facilities operated by third parties at which investigation and/or remediation activities may be ongoing. We analyze our potential liability on at least a quarterly basis. We accrue for environmental liabilities when they are probable and estimable. We estimate our share of the total future cost for these sites to be less than \$5 million.

While joint and several liability is authorized under federal and state environmental laws, we believe the amounts we have paid and anticipate paying in the future for clean-up costs and damages at all sites are not material and will not have a material adverse effect on our financial condition, results of operations or liquidity. This assessment is based upon, among other things, the involvement of other PRPs at most of the sites, the status of the proceedings, including various settlement agreements and consent decrees, and the extended time period over which payments will likely be made. There can be no assurance, however, that future events will not require us to materially increase the amounts we anticipate paying for clean-up costs and damages at these sites, and that such increased amounts will not have a material adverse effect on our financial condition, results of operations or cash flows.

Other Contingencies

The Company has contingencies, including litigation, in various jurisdictions in which it operates pertaining to such items as value-added taxes, capital and other indirect taxes, customs and duties and sales and use taxes, the most significant existing in Brazil and Spain. It is possible that cash flows or results of operations, in any period, could be materially affected by the unfavorable resolution of one or more of these contingencies.

With regard to the Brazilian matters, we believe we have valid defenses for the underlying positions under dispute; however, in order to pursue these defenses, we are required to, and have provided, bank guarantees and pledged assets in the aggregate amount of \$45.0 million. The Brazilian matters take an extended period of time to proceed through the judicial process and there are a limited number of rulings to date. However, based on the information available as of June 30, 2013, we estimate a range of reasonably possible loss related to these matters of \$1-\$17 million.

The Spanish tax authorities are alleging claims for a capital tax in a case arising from similar allegations as the income tax cases (discussed in further detail in Note 6). In connection with the 2002 income tax assessment ruling discussed in Note 6, the Appellate Court rejected one of the two bases upon which we based our capital tax position. However, we believe that we still have a strong basis for our capital tax position and intend to continue to defend these claims. If there is an unfavorable ruling in this case, we estimate a reasonably possible loss of approximately \$12 million.

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

Overview

We create, manufacture and supply flavors and fragrances for the food, beverage, personal care and household-products industries either in the form of compounds or individual ingredients. Our flavors and fragrance compounds combine a large number of ingredients that are blended, mixed or reacted together to produce proprietary formulas created by our perfumers and flavorists.

Flavors are the key building blocks that impart taste in processed food and beverage products and, as such, play a significant role in determining consumer preference of the end products in which they are used. While we are a global leader, our flavors business is more regional in nature, with different formulas that reflect local tastes and ingredients. As a leading creator of flavors, we help our customers deliver on the promise of delicious and healthy foods and drinks that appeal to consumers. Our flavors compounds are ultimately used by our customers in four end-use categories: (1) Savory, (2) Beverages, (3) Sweet, pharmaceutical and oral care ("Sweet"), and (4) Dairy.

Our fragrances are a key component in the world's finest perfumes and best-known consumer brands, including beauty care, fabric care, personal wash and home care products. Our fragrance compounds are ultimately used by our customers in two broad categories: (1) Fine Fragrance and Beauty Care and (2) Functional Fragrances, which when combined, we refer to as Fragrance Compounds. In addition, our Fragrance Ingredients are used internally and sold to third parties, including customers and competitors, for use in preparation of compounds.

The flavors and fragrances market is part of a larger market which supplies a variety of ingredients and components that consumer products companies utilize in their products. The broader market includes large multinational companies or smaller regional and local participants which supply products such as seasonings, texturizers, spices, enzymes, certain food-related commodities, fortified products and cosmetic ingredients. The flavors and fragrances market is estimated to be approximately \$18 billion; however the exact size of the global market is not available due to fragmentation of data. We, together with the other top three companies, are estimated to comprise approximately two-thirds of the total estimated sales in the global flavors and fragrances sub-segment of the broader market.

As part of our strategic emphasis on profitable growth, since late 2011 we have exited certain low margin sales activities in Flavors and this process, which resulted in increased operating margins, was substantially complete as of the end of the second quarter of 2013. In addition, in the second quarter of 2013, we announced our intention to close our fragrance ingredients manufacturing facility in Augusta, Georgia, thereby supporting our objective to ensure operations are cost efficient and competitive. We expect to close the facility by July 2014 and to consolidate production into other facilities, as further discussed in Note 3 to our Consolidated Financial Statements.

Net sales growth during the second quarter of 2013 was 5% on a reported basis. Excluding the effects of currency, local currency (LC) sales grew 6% and grew 8% on a like-for-like basis, excluding the effects of the exit of low margin sales activities in Flavors. The LC growth reflects good new win performance (net of losses) in both Flavors and Fragrance Compounds and lower volume declines on existing business in Fragrance Compounds, which collectively more than offset declines in Fragrance Ingredients principally related to high-volume products. We expect growth rates for the second half of the year to moderate versus the second quarter performance given the strong comparable results in 2012. However, we are still on target to meet our long term strategic targets. We believe that the negative impact on net sales growth from the exit of low margin sales activities is substantially complete as of the end of the second quarter 2013. We expect our emerging markets will continue to be the primary drivers of LC growth.

Exchange rate fluctuations had a 100 basis points (bps) unfavorable impact on net sales for the second quarter, driven mainly by a weakening of the Euro versus the dollar versus the prior year quarter. The effect of exchange rates can vary by business and region, depending upon the mix of sales by destination country as well as the relative percentage of local sales priced in U.S. dollars versus local currencies.

Gross margins improved versus the second quarter of 2012. The improvement reflects modest declines in raw material costs, mix improvements (reflecting new wins and the impact of the exit of low margin sales activities in Flavors) and ongoing cost reduction efforts in Fragrances when compared to the second quarter of 2012. Although we see modest declines in year-over-year raw material costs, the absolute raw material price levels remain near historical highs. Given the overall economic uncertainty and market volatility of our crop-related raw materials, it is challenging to predict their effects on gross margin trends. We intend to continue to pursue options to enable us to recover the double-digit cost increases that we have experienced during 2011-2012 and to improve our margins through operational performance and

mix enhancement. We expect to continue to see year-over-year gross margin expansion in 2013 as we fully benefit from the actions taken in 2012 combined with a benign raw material cost environment, however, we expect the rate of year-over-year improvement to decrease in the third quarter due to the strong second half of 2012. Included in the second quarter of 2013 is a \$2.9 million charge, consisting of a \$2.1 million pre-tax charge related to severance included in Restructuring and other charges, net and a \$0.8 million non-cash charge related to accelerated depreciation included in Cost of goods sold associated with the Fragrance Ingredients Rationalization and a \$0.2 million pre-tax charge associated with our operational improvement initiatives, which relate to the closing of a smaller facility in Europe and certain manufacturing activities in Asia while transferring production to larger facilities in each respective region. We have continued the testing and start-up process at our compounding facility in China and believe that commercial production will begin during the second half of the year, which will likely result in higher depreciation expense and other potential operating costs associated with a commercial start-up.

FINANCIAL PERFORMANCE OVERVIEW

Reported sales in the second quarter of 2013 increased approximately 5%. In LC terms, sales increased 6% as a result of our broad and diverse portfolio of end-use product categories and geographies as the benefits associated new win performance in both Flavors and Fragrance Compounds and lower volume declines on existing business in Fragrance Compounds more than offset sales declines in Fragrance Ingredients principally related to high-volume products. Flavors realized LC growth of 5% for the second quarter of 2013 (or 8% on a like-for-like basis, excluding the effects of the exit of low margin sales activities). Our Fragrance business achieved LC growth of 8%, an improvement versus flat LC sales in the second quarter of 2012. Fragrances performance reflects lower volume declines on existing business and new win performance in our Fragrance Compounds categories, led by Fine & Beauty Care, which more than offset declines in Fragrance Ingredients principally related to high-volume products. Overall, our second quarter 2013 results continued to be driven by our strong emerging market presence that represented 49% of sales and experienced 10% LC growth. From a geographic perspective, the Latin America (LA), Europe, Africa and Middle East (EAME), and Greater Asia (GA) regions all delivered LC growth in 2013, led by LA, with 10% LC growth.

Operating profit increased \$10.1 million to \$142.4 million (18.8% of sales) in the 2013 second quarter compared to \$132.3 million (18.3% of sales) in the comparable 2012 period. The three months ended June 30, 2013 included operational improvement initiative costs of \$0.2 million related to closing a smaller facility in Europe and certain manufacturing activities in Asia while transferring production to larger facilities in each respective region and restructuring costs of \$2.9 million related to the Fragrance Ingredients Rationalization. Excluding these charges, adjusted operating profit was \$145.5 million (19.2% of sales) as of June 30, 2013. The quarter-over-quarter improvement in adjusted operating profit was principally driven by volume growth combined with gross margin expansion (including the benefits of mix improvements, manufacturing efficiency and slightly favorable raw material costs) that collectively more than offset the effects of higher R&D, selling and administrative costs (including higher incentive compensation expense).

Net income increased by approximately \$13.7 million quarter-over-quarter to \$102.3 million as of June 30, 2013 principally driven by improved operating performance and the gain on the sale of a non-operating asset, partially offset by higher exchange losses.

We continue to execute against our strategic priorities of leveraging our geographic reach, strengthening our innovation platform and maximizing our portfolio during the second quarter of 2013. By maintaining cost discipline and realizing productivity gains across many parts of the business, we believe that we can continue to fund investments in resources and capabilities in emerging markets, R&D and key technologies. In 2013, we believe that capital spending will approach 5% of sales as we continue to prioritize investments in emerging markets and Flavors.

Cash flows from operations for the six months ended June 30, 2013 were \$118.0 million or 7.9% of sales, compared to cash inflow from operations of \$135.4 million or 9.5% of sales for the six months ended June 30, 2012. The decrease in cash flow from operations in 2013 was largely driven by \$30.0 million of pension contributions to our U.S. plans in the current period compared to zero in the 2012 period. In addition, payments related to incentive compensation awards were approximately \$25.1 million higher during the 2013 period (due to the stronger 2012 versus 2011 program performance), partially offset by higher earnings and improvements in core working capital (trade receivables, inventories and accounts payable).

Results of Operations

(DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)	Three Months Ended June 30,			Six Months Ended June 30,		
	2013	2012	Change	2013	2012	Change
Net sales	\$ 757,635	\$ 721,317	5%	\$1,485,471	\$1,431,933	4%
Cost of goods sold	423,649	419,774	1%	840,125	844,991	-1%
Gross profit	333,986	301,543		645,346	586,942	
Research and development (R&D) expenses	64,672	56,400	15%	123,774	113,809	9%
Selling and administrative (S&A) expenses	124,813	112,835	11%	239,468	218,249	10%
Restructuring and other charges, net	2,105	—	100%	2,105	1,668	26%
Operating profit	142,396	132,308		279,999	253,216	
Interest expense	12,860	10,613	21%	24,013	21,423	12%
Other income, net	(11,209)	(845)	1227%	(12,282)	(1,088)	1029%
Income before taxes	140,745	122,540		268,268	232,881	
Taxes on income	38,423	33,944	13%	75,248	63,230	19%
Net income	\$ 102,322	\$ 88,596	15%	\$ 193,020	\$ 169,651	14%
Diluted EPS	\$ 1.24	\$ 1.08	15%	\$ 2.34	\$ 2.06	14%
Gross margin	44.1%	41.8%	230.0	43.4%	41.0%	240.0
R&D as a percentage of sales	8.5%	7.8%	70.0	8.3%	7.9%	40.0
S&A as a percentage of sales	16.5%	15.6%	90.0	16.1%	15.2%	90.0
Operating margin	18.8%	18.3%	50.0	18.8%	17.7%	110.0
Adjusted operating margin ⁽¹⁾	19.2%	18.3%	90.0	19.1%	17.8%	130.0
Effective tax rate	27.3%	27.7%	(40.0)	28.0%	27.2%	80.0
<u>Segment net sales</u>						
Flavors	\$ 374,041	\$ 361,371	4%	\$ 730,401	\$ 711,258	3%
Fragrances	383,594	359,946	7%	755,070	720,675	5%
Consolidated	\$ 757,635	\$ 721,317		\$1,485,471	\$1,431,933	

⁽¹⁾ Adjusted operating margin excludes the operational improvement initiative costs of \$0.2 million and \$1.4 million for the three and six months ended June 30, 2013, respectively, Restructuring and other charges, net of \$2.1 million for the three and six months ended June 30, 2013 and \$1.7 million for the six months ended June 30, 2012, and \$0.8 million of accelerated depreciation included in Cost of goods sold related to the Fragrance Ingredients Rationalization for the three and six months ended June 30, 2013.

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

SECOND QUARTER 2013 IN COMPARISON TO SECOND QUARTER 2012

Sales

Sales for the second quarter of 2013 totaled \$757.6 million, an increase of 5% from the prior year quarter. Excluding the impact of foreign currency, LC sales increased 6% (or 8% on a like-for-like basis, excluding the effects of the exit of low margin sales activities), as new wins in both Flavors and Fragrance Compounds and lower volume declines on existing business in Fragrance Compounds collectively more than offset declines in Fragrance Ingredients principally related to high-volume products. Overall LC growth was driven by 10% growth in emerging markets.

Flavors Business Unit

Flavors reported sales growth increased 4% and LC sales growth increased 5% during the second quarter of 2013 compared to the 2012 period. Excluding the impact of a 3% decline in sales associated with the strategic decision to exit certain lower margin sales activities, LC sales increased 8% on a like-for-like basis. The overall increase was driven by new wins and favorable sales mix. On an end-use product category basis, LC growth was led by double-digit growth in Beverages and high single-digit gains in Savory that was partially offset by high single-digit declines in Sweet, primarily as a result of the exit of low margin sales activities in NOAM. Growth for both Savory and Sweet in the 2013 period was negatively impacted by the exit of low margin sales activities. All categories benefited from new wins. The Flavors business delivered LC growth in EAME, LA, GA and NOAM, led by GA. On a like-for-like basis (excluding the impact of the exit of certain low margin sales activities), growth was led by NOAM and LATAM. Sales in GA were driven by double-digit gains in Savory and high single-digit growth in Dairy and Beverages. Sales in EAME were driven by double-digit gains in Savory and Beverages and mid single-digit gains in Dairy. LA LC growth of 3% was driven by double-digit gains in Savory and high single-digit gains in Beverages. Sales in NOAM were led by high double-digit growth in Beverage that were partially offset by high double-digit declines in Sweet.

Fragrances Business Unit

The Fragrances business experienced a 7% increase in reported sales and an 8% increase in LC sales for the second quarter of 2013 versus a 3% decline in LC sales during the second quarter of 2012. New wins and lower volume declines on existing business were partially offset by declines in Fragrance Ingredients principally related to high-volume products. The declines in Fragrance Ingredients were partially offset by improved volumes within the specialty segment. Our Fragrance Compounds categories saw LC sales grow 10% over the prior year period compared to a 1% decline in Fragrance Ingredients principally related to high-volume products. Within Fragrance Compounds, sales were driven by double-digit growth in Fine and Beauty Care and high single-digit increases in Functional categories.

Sales performance by Region and Category

		% Change in Sales-Second Quarter 2013 vs. Second Quarter 2012					
		Fine & Beauty Care	Functional	Ingredients	Total Frag.	Flavors	Total
NOAM	Reported	13%	-5%	2%	3%	2%	2%
EAME	Reported	12%	3%	-1%	6%	3%	5%
	Local Currency ⁽¹⁾	13%	4%	0%	7%	5%	6%
LA	Reported	10%	13%	0%	11%	1%	7%
	Local Currency ⁽¹⁾	14%	16%	1%	14%	3%	10%
GA	Reported	7%	12%	-16%	7%	6%	7%
	Local Currency ⁽¹⁾	7%	13%	-11%	8%	8%	8%
Total	Reported	11%	6%	-2%	7%	4%	5%
	Local Currency ⁽¹⁾	13%	7%	-1%	8%	5%	6%

⁽¹⁾ Local currency sales growth is calculated by translating prior year sales at the exchange rates for the corresponding 2013 period.

- NOAM Flavors sales increased 2% as a result of high double-digit growth in Beverage that was partially offset by high double-digit declines in Sweet (which was negatively impacted by the exit of low margin sales activities) and double-digit declines in Dairy. On a like-for-like basis, excluding the effects of the exit of low margin sales activities, NOAM Flavors sales experienced double-digit growth. NOAM Fragrance sales increased 3% in the second quarter of 2013, principally due to double-digit gains in Fine & Beauty Care and Home Care categories and low single-digit gains in Fragrance Ingredients, which were only partially offset by double-digit declines in Fabric Care.

- EAME Flavors LC sales growth of 5% was led by double-digit growth in Savory and Beverage and mid single-digit growth in Dairy. All categories benefited from new wins. EAME Fragrance LC sales increased 7% overall, driven mainly by double-digit growth in Fine and Beauty Care as well as double-digit growth in Personal Wash and single-digit growth in Fabric Care.
- LA Flavors LC sales were up 3% as new wins drove double-digit gains in Savory and high single-digit gains in Beverages, which were partially offset by high single-digit declines in Sweet, driven by the exit of low margin sales activities. LA Flavors experienced 11% growth on a like-for-like basis. LA Fragrances LC sales had double-digit growth within both Fine and Beauty Care and Functional Fragrance categories, reflecting strong new win performance as well as low single-digit growth in Fragrance Ingredients.
- GA Flavors had 8% LC sales growth from double-digit growth in Savory followed by high single-digit growth in Beverages and Dairy, driven by new win performance. In GA, both Fine and Beauty Care and Functional Fragrance categories benefited from strong win performance whereas Fragrance Ingredients continued to see volume declines principally related to high-volume products.

Cost of Goods Sold

Cost of goods sold, as a percentage of sales, decreased 230 bps to 55.9% in the second quarter of 2013 compared to 58.2% in the second quarter of 2012. The improvement versus last year was mainly driven by favorable sales mix and other margin recovery efforts, including manufacturing efficiencies combined with modestly lower raw material costs on a year-over-year basis.

Research and Development (R&D) Expenses

Overall R&D expenses, as a percentage of sales, increased 70 bps to 8.5% in the second quarter of 2013 versus 7.8% in the second quarter of 2012. The increase in R&D expenses reflects higher incentive compensation and costs associated with a multi-year collaboration agreement with Amyris.

Selling and Administrative (S&A) Expenses

S&A expenses, as a percentage of sales, increased 90 bps to 16.5% in the second quarter of 2013 versus 15.6% in the second quarter of 2012. The increase in S&A expenses principally reflects higher incentive compensation.

Operating Results by Business Unit

We evaluate the performance of business units based on segment profit which is defined as operating profit before Restructuring and certain non-recurring adjustments, net, Interest expense, Other expense, net and Taxes on income. See Note 8 to our Consolidated Financial Statements for the reconciliation to Income before taxes.

<u>(DOLLARS IN THOUSANDS)</u>	<u>Three Months Ended June 30,</u>	
	<u>2013</u>	<u>2012</u>
Segment profit:		
Flavors	\$ 89,919	\$ 80,633
Fragrances	71,913	63,635
Global	(17,169)	(11,960)
Restructuring and other charges, net	(2,105)	—
Operational improvement initiative costs	(162)	—
Operating profit	<u>\$ 142,396</u>	<u>\$ 132,308</u>
Profit margin		
Flavors	24.0%	22.3%
Fragrances	18.7%	17.7%
Consolidated	18.8%	18.3%

Flavors Segment Profit

Flavors segment profit totaled \$89.9 million in the second quarter of 2013, or 24.0% as a percentage of sales, compared to \$80.6 million, or 22.3% as a percentage of sales, in the comparable 2012 period. The improvement in segment profit and profit margin was driven by strong sales performance, new wins and favorable sales mix that collectively more than offset the higher spending in overhead.

Fragrances Segment Profit

Fragrances segment profit totaled \$71.9 million in the second quarter of 2013, or 18.7% as a percentage of sales, compared to \$63.6 million, or 17.7% as a percentage of sales, in the comparable 2012 period. The improvement in segment profit and profit margin was due to favorable sales mix and ongoing cost discipline, along with other profit improvement efforts.

Global Expenses

Global expenses represent corporate and headquarters-related expenses which include legal, finance, human resources and R&D and other administrative expenses that are not allocated to an individual business unit. In the second quarter of 2013, Global expenses were \$17.2 million compared to \$12.0 million during the second quarter of 2012. The increase reflects higher incentive compensation expense and re-measurement expense associated with the deferred compensation plan assets.

Restructuring and Other Charges, Net

Restructuring and other charges, net in 2013 consist of separation costs for employees, including severance, outplacement and other benefit costs, relating to the Fragrance Ingredients Rationalization that started in the second quarter of 2013 related to the closing of the fragrance ingredients manufacturing facility in Augusta, Georgia. The Company recorded a total charge of \$2.9 million during the second quarter of 2013, consisting of a \$2.1 million pre-tax charge related to severance included in Restructuring and other charges, net and a \$0.8 million non-cash charge related to accelerated depreciation included in Cost of goods sold. The Company expects that 43 positions will be eliminated as a result of these decisions. The Company estimates that approximately \$6-\$9 million of the costs will result in future cash expenditures.

Interest Expense

Interest expense increased \$2.2 million to \$12.9 million in the second quarter of 2013 compared to the second quarter of 2012. The increase in interest expense principally reflects the additional borrowings from the Senior Notes - 2013 issuance that occurred during the second quarter of 2013. Average cost of debt was 5.0% for the 2013 three month period compared to 4.9% in the 2012 three month period.

Other Income, Net

Other income, net increased by approximately \$10.4 million to \$11.2 million in the second quarter of 2013 versus \$0.8 million in the comparable 2012 period. The increase over the prior year period is driven largely by a \$16.1 million gain related to the sale of a non-operating asset, which was partially offset by realized/unrealized losses on working capital in certain emerging markets.

Income Taxes

The effective tax rate for the three months ended June 30, 2013 was 27.3% compared with 27.7% for the three months ended June 30, 2012. Excluding the tax charge of \$5.6 million related to the gain on the sale of a non-operating asset and net of tax benefits related to restructuring and operational improvement initiative costs of \$1.1 million, the adjusted effective tax rate was 26.5%. The decrease in the adjusted effective tax rate was primarily driven by the benefit associated with the U.S. tax legislation enacted in the first quarter of 2013, which includes the R&D tax credit. The prior year rate included increased provisions related to Spanish withholding taxes and other provision adjustments on uncertain tax positions.

FIRST SIX MONTHS OF 2013 IN COMPARISON TO FIRST SIX MONTHS OF 2012

Sales

Sales for the first six months of 2013 totaled \$1.5 billion, an increase of 4% from the prior year quarter. Excluding the impact of foreign currency, LC sales increased 5% (or 6% on a like-for-like basis, excluding the effects of the exit of low margin sales activities), as new wins in both Flavors and Fragrance Compounds and lower volume declines on existing business in Fragrance Compounds collectively more than offset declines in Fragrance Ingredients principally related to high-volume products. Overall LC growth was driven by 10% growth in emerging markets.

Flavors Business Unit

Flavors sales increased 3% for the first six months of 2013 compared to the 2012 period. Excluding the impact of foreign currency, LC sales for the Flavors business increased 4% during the first six month of 2013 compared to the 2012 period. Excluding the impact of a 3% decline in sales associated with the strategic decision to exit certain lower margin sales activities, LC sales increased 7% on a like-for-like basis. The overall increase was driven by new wins and favorable sales mix. On an end-use product category basis, LC growth was led by double-digit growth in Beverages followed by mid single-digit growth in Savory and Dairy, which was partially offset by high single-digit declines in Sweet, primarily as a result of the exit of low margin sales activities in NOAM. Growth for both Savory and Sweet in the 2013 period was negatively impacted by the exit of low margin sales activities. All categories benefited from new wins. The Flavors business delivered LC growth in EAME, LA and GA, led by GA. Sales in GA were driven by double-digit gains in Savory and Dairy and mid single-digit gains in Sweet and Beverages. Sales in EAME were driven by double-digit gains in Beverages and mid single-digit growth in Savory and Dairy. LA LC growth of 3% was driven by high single-digit gains in Beverages, Savory and Dairy. Sales in NOAM were led by high double-digit growth in Beverages that were more than offset by high double-digit declines in Sweet and high single-digit declines in Dairy.

Fragrances Business Unit

The Fragrances business experienced a 5% increase in both reported and LC sales for the first six months of 2013 versus a 1% decline in LC sales during the first six months of 2012. Lower volume declines on existing business and new wins were partially offset by single-digit declines in Fragrance Ingredients. Our Fragrance Compounds categories saw LC sales grow 8% over the prior year period compared to 6% declines in Fragrance Ingredients principally related to high-volume products. The declines in Fragrance Ingredients were partially offset by improved volumes within the specialty segment. Within Fragrance Compounds, sales were driven by double-digit growth in Fabric Care and high single-digit growth in Personal Wash and Fine and Beauty Care categories.

Sales performance by Region and Category

		% Change in Sales-First Six Months 2013 vs. First-Six Months 2012					
		Fine & Beauty Care	Functional	Ingredients	Total Frag.	Flavors	Total
NOAM	Reported	3%	-2%	-5%	-1%	-2%	-1%
EAME	Reported	4%	6%	-7%	3%	4%	3%
	Local Currency ⁽¹⁾	4%	6%	-7%	3%	5%	4%
LA	Reported	15%	13%	-7%	12%	0%	8%
	Local Currency ⁽¹⁾	19%	14%	-6%	15%	3%	11%
GA	Reported	9%	12%	-11%	8%	5%	6%
	Local Currency ⁽¹⁾	9%	13%	-7%	9%	7%	8%
Total	Reported	7%	8%	-7%	5%	3%	4%
	Local Currency ⁽¹⁾	8%	8%	-6%	5%	4%	5%

⁽¹⁾ Local currency sales growth is calculated by translating prior year sales at the exchange rates for the corresponding 2013 period.

- NOAM Flavors sales declined 2% as a result of high double-digit declines in Sweet (which was negatively impacted by the exit of low margin sales activities) and high single-digit declines in Dairy, which more than offset high double-digit growth in Beverages. On a like-for-like basis, excluding the effects of the exit of low margin sales activities, NOAM Flavors sales experienced high single-digit growth. NOAM Fragrance sales declined 1% in the first six months of 2013, principally due to double-digit declines in Fabric Care and mid single-digit declines in Fragrance Ingredients, principally related to high-volume products, which were only partially offset by high double-digit growth in Home Care and double-digit growth in Hair Care categories.
- EAME Flavors LC sales growth of 5% was led by double-digit growth in Beverages and mid single-digit growth in Savory and Dairy. All categories benefited from new wins. EAME Flavors experienced 6% growth on a like-for-like basis. EAME Fragrance LC sales increased 3% overall, driven mainly by double-digit growth in Personal Wash and high single-digit growth in Fabric Care and mid single-digit growth in Fine Fragrance categories, which more than offset the mid single-digit declines in Fragrance Ingredients, principally related to high-volume products.
- LA Flavors LC sales were up 3% as new wins drove high single-digit gains in the Beverages, Savory and Dairy end-use categories. LA Flavors experienced 8% growth on a like-for-like basis. LA Fragrances LC sales had substantial double-digit growth within both Fine and Beauty Care and Functional Fragrance categories, reflecting lower volume declines on existing business and strong new win performance that collectively more than offset high single-digit declines in Fragrance Ingredients.
- GA Flavors had 7% LC sales growth from double-digit growth in Savory and Dairy followed by mid single-digit growth in Beverages and Sweet, driven by new win performance. In GA, both Fine and Beauty Care and Functional Fragrance categories benefited from strong win performance whereas Fragrance Ingredients continued to see volume declines principally related to high-volume products.

Cost of Goods Sold

Cost of goods sold, as a percentage of sales, decreased 240 bps to 56.6% in the first six months of 2013 compared to 59.0% in the first six months of 2012. The improvement versus last year was mainly driven by favorable sales mix and other margin recovery efforts, including manufacturing efficiencies combined with modestly lower raw material costs on a year-over-year basis. This was partially offset by our operational improvement initiative costs of \$1.4 million related to closing a smaller facility in Europe and certain manufacturing activities in Asia while transferring production to larger facilities in each respective region.

Research and Development (R&D) Expenses

Overall R&D expenses remained relatively comparable at 8.3% of sales in the first six months of 2013 versus 7.9% in the first six months of 2012, as additional investments in technology and innovation were primarily offset by the effects of a stronger dollar.

Selling and Administrative (S&A) Expenses

S&A expenses, as a percentage of sales, increased 90 bps to 16.1% in the first six months of 2013 versus 15.2% in the first six months of 2012. The increase in S&A expenses principally reflects higher incentive compensation.

Operating Results by Business Unit

We evaluate the performance of business units based on segment profit which is defined as operating profit before Restructuring and certain non-recurring adjustments, Interest expense, Other expense, net and Taxes on income. See Note 8 to our Consolidated Financial Statements for the reconciliation to Income before taxes.

(DOLLARS IN THOUSANDS)	Six Months Ended June 30,	
	2013	2012
Segment profit:		
Flavors	\$ 172,955	\$ 160,313
Fragrances	140,270	119,716
Global	(29,761)	(25,145)
Restructuring and other charges, net	(2,105)	(1,668)
Operational improvement initiative costs	(1,360)	—
Operating profit	<u>\$ 279,999</u>	<u>\$ 253,216</u>
Profit margin		
Flavors	23.7%	22.5%
Fragrances	18.6%	16.6%
Consolidated	18.8%	17.7%

Flavors Segment Profit

Flavors segment profit totaled \$173.0 million in the first six months of 2013, or 23.7% as a percentage of sales, compared to \$160.3 million, or 22.5% as a percentage of sales, in the comparable 2012 period. The improvement in segment profit and profit margin was driven by strong sales performance, new wins and favorable sales mix that collectively more than offset the higher spending in overhead.

Fragrances Segment Profit

Fragrances segment profit totaled \$140.3 million in the first six months of 2013, or 18.6% as a percentage of sales, compared to \$119.7 million, or 16.6% as a percentage of sales, in the comparable 2012 period. The improvement in segment profit and profit margin was due to favorable sales mix and ongoing cost discipline, along with other profit improvement efforts.

Global Expenses

Global expenses represent corporate and headquarters-related expenses which include legal, finance, human resources and R&D and other administrative expenses that are not allocated to an individual business unit. In the first six months of 2013, Global expenses were \$29.8 million compared to \$25.1 million during the first six months of 2012. The increase reflects higher incentive compensation expense and re-measurement costs associated with the deferred compensation plan assets.

Restructuring and Other Charges, Net

Restructuring and other charges, net in 2013 consist of separation costs for employees, including severance, outplacement and other benefit costs, relating to the Fragrance Ingredients Rationalization that started in the second quarter of 2013 related to the closing of the fragrance ingredients manufacturing facility in Augusta, Georgia. The Company recorded a total charge of \$2.9 million during the second quarter of 2013, consisting of a \$2.1 million pre-tax charge related to severance included in Restructuring and other charges, net and a \$0.8 million non-cash charge related to accelerated depreciation included in Cost of goods sold. The Company expects that 43 positions will be eliminated as a result of these decisions. The Company estimates that approximately \$6-\$9 million of the costs will result in future cash expenditures. The 2012 amount consists of separation costs for employees, including severance, outplacement and other benefit costs, relating to the Strategic Initiative started in the fourth quarter of 2011 and the European Rationalization Plan announced in the third quarter of 2009. Once fully implemented, the plant closure is expected to generate savings of approximately \$6-\$8 million per year.

Interest Expense

Interest expense increased \$2.6 million to \$24.0 million in the first six months of 2013 compared to the first six months of 2012. The increase in interest expense principally reflects the additional borrowings from the Senior Notes - 2013 issuance that occurred during the second quarter of 2013. Average cost of debt was 4.7% for the 2013 six month period compared to 4.9% in the 2012 six month period.

Other Income, Net

Other income, net increased by approximately \$11.2 million to \$12.3 million in the first six months of 2013 versus \$1.1 million in the comparable 2012 period. The six month period ended June 30, 2013 includes a \$16.1 million gain related to the sale of a non-operating asset, which was partially offset by realized/unrealized losses on working capital in certain emerging markets.

Income Taxes

The effective tax rate for the six months ended June 30, 2013 was 28.0% compared with 27.2% for the six months ended June 30, 2012. Excluding the tax charge of \$5.6 million related to the gain on the sale of a non-operating asset, the \$6.2 million charge related to the 2002-2003 cases (as discussed in Note 6 of the Consolidated Financial Statements) and net of tax benefits related to restructuring and operational improvement initiative costs of \$1.3 million, the adjusted effective tax rate is 25.4% for the 2013 period. The period-over-period decrease is largely due to U.S. tax legislation enacted in the first quarter of 2013 (including the R&D tax credit). The 2012 first six-month period includes a \$10.6 million benefit due to a corporate restructuring of certain of our foreign subsidiaries that was offset by \$12.9 million of provisions related to the Spanish dividend withholding tax cases and other reserve adjustments on uncertain tax positions.

Liquidity and Capital Resources

CASH AND CASH EQUIVALENTS

We had cash and cash equivalents of \$365.9 million at June 30, 2013 compared to \$324.4 million at December 31, 2012, of which \$186.7 million of the balance at June 30, 2013 was held outside the United States. Cash balances held in foreign jurisdictions are, in most circumstances, available to be repatriated to the United States; however, they would be subject to United States federal income taxes, less applicable foreign tax credits. We have not provided U.S. income tax expense on accumulated earnings of our foreign subsidiaries because we have the ability and plan to reinvest the undistributed earnings indefinitely.

Effective utilization of the cash generated by our international operations is a critical component of our tax strategy. Strategic dividend repatriation from foreign subsidiaries creates U.S. taxable income, which enables us to realize deferred tax assets. The Company regularly repatriates, in the form of dividends from its non-U.S. subsidiaries, a portion of its current year earnings to fund financial obligations in the U.S.

CASH FLOWS FROM OPERATING ACTIVITIES

Operating cash flows in the first six months of 2013 were \$118.0 million compared to an inflow of cash from operations of \$135.4 million in the first six months of 2012. The net cash outflow associated with our core working capital decreased by \$28.6 million compared to the first six months of 2012. Operating cash flows versus the prior year period also reflects higher incentive compensation payments and \$30 million of pension contributions in the U.S. when compared to 2012.

We made a payment of \$23.3 million related to the 2002-2003 Spanish tax cases during the second quarter of 2013. The Company has funded, and will fund any remaining payments, by utilizing available cash from operations and/or available borrowings under the Company's revolving credit facility as of the payment date.

Working capital (current assets less current liabilities) totaled \$1,067.1 million at June 30, 2013, compared to \$942.8 million at December 31, 2012. This increase in working capital reflects the effects of higher commercial activity on trade receivables combined with payments on trade payables and incentive compensation plans.

CASH FLOWS USED IN INVESTING ACTIVITIES

Additions to property, plant and equipment were \$60.7 million during the first six months of 2013 compared to \$53.8 million in the first six months of 2012. The increase in additions versus last year reflects planned investments in capacity and new technologies, mainly in the emerging markets. We expect additions to property, plant and equipment to approach 5% of our sales in 2013.

Net investing activities during the first six months of 2013 utilized \$42.8 million compared to \$52.8 million in the prior year period.

CASH FLOWS USED IN FINANCING ACTIVITIES

Net financing activities in the first six months of 2013 used \$27.2 million compared to \$64.3 million in the first six months of 2012. The decrease in cash used for financing activities principally reflects the absence of a dividend payment in the 2013 period as compared to 2012.

At June 30, 2013, we had \$1,033.0 million of debt outstanding compared to \$1,031.2 million outstanding at December 31, 2012.

We paid dividends totaling \$27.7 million in the 2013 period and \$50.2 million in the 2012 period. We declared a cash dividend per share of \$0.39 in the third quarter of 2013 that will be paid on October 10, 2013 to all shareholders of record as of September 26, 2013.

In December 2012, the Board of Directors authorized a \$250 million share repurchase program, which commenced in the first quarter of 2013. Based on the total remaining amount of \$230.8 million available under the repurchase program, approximately 3.1 million shares, or 3.8% of shares outstanding (based on the market price and shares outstanding as of June 30, 2013) could be repurchased under the program as of June 30, 2013. The purchases will be made from time to time on the open market or through private transactions as market and business conditions warrant. Repurchased shares will be placed into treasury stock. During the three months ended June 30, 2013, we repurchased 66,445 shares on the open market at an aggregate cost of \$4.9 million or an average of \$74.36 per share. For the full year we expect total purchases to be approximately \$50 million.

CAPITAL RESOURCES

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

On April 4, 2013, we issued \$300.0 million face amount of 3.20% Senior Notes ("Senior Notes - 2013") due 2023 at a discount of \$0.3 million. The Company received proceeds related to the issuance of these Senior Notes - 2013 of \$297.8 million which was net of the \$0.3 million discount and a \$1.9 million underwriting discount (recorded as deferred financing costs). In addition, the Company incurred \$0.9 million of other deferred financing costs in

connection with the debt issuance. The discount and deferred financing costs are being amortized as interest expense over the term of the Senior Notes - 2013. The Senior Notes - 2013 bear interest at a rate of 3.20% per year, with interest payable on May 1 and November 1 of each year, commencing on November 1, 2013. See Note 5 to the Consolidated Financial Statements for further information.

On April 26, 2013, the Company repaid the full amount outstanding under the credit facility of \$283.1 million.

On July 12, 2013, the Company made a payment of \$100 million related to our Senior Unsecured Notes issued in 2006.

We expect to contribute \$18 - \$28 million to our non-U.S. pension plans during 2013. For the six months ended June 30, 2013, we have contributed \$8.5 million related to our non-U.S. pension plans and \$30 million related to our U.S. pension plans.

We supplement short-term liquidity with access to capital markets, mainly through bank credit facilities and issuance of commercial paper. We did not issue commercial paper during the first six months of 2013 or 2012.

Under our revolving credit facility, we are required to maintain, at the end of each fiscal quarter, a ratio of net debt for borrowed money to adjusted EBITDA in respect of the previous 12-month period of not more than 3.25 to 1. Based on this ratio, at June 30, 2013 our covenant compliance provided overall borrowing capacity of \$1,385 million.

As of June 30, 2013 we had no borrowings under our revolving credit facility. The amount which we are able to draw down on under the facility is limited by financial covenants as described in more detail below. Our drawdown capacity on the facility was \$942.8 million at June 30, 2013.

At June 30, 2013, we were in compliance with all financial and other covenants, including the net debt to adjusted EBITDA ratio. At June 30, 2013 our Net Debt/adjusted EBITDA ⁽¹⁾ ratio was 1.05 to 1 as defined by the debt agreements, well below the financial covenants of existing outstanding debt. Failure to comply with the financial and other covenants under our debt agreements would constitute default and would allow the lenders to accelerate the maturity of all indebtedness under the related agreement. If such acceleration were to occur, we would not have sufficient liquidity available to repay the indebtedness. We would likely have to seek amendments under the agreements for relief from the financial covenants or repay the debt with proceeds from the issuance of new debt or equity, and/or asset sales, if necessary. We may be unable to amend the agreements or raise sufficient capital to repay such obligations in the event the maturities are accelerated.

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

(DOLLARS IN MILLIONS)	12 Months Ended June 30,	
	2013	2012
Net income	\$ 277.4	\$ 276.4
Interest expense	44.5	42.3
Income taxes	201.3	109.6
Depreciation and amortization	98.8	75.0
Specified items ⁽¹⁾	2.1	44.4
Non-cash items ⁽²⁾	4.9	13.6
Adjusted EBITDA	<u>\$ 629.0</u>	<u>\$ 561.3</u>

- (1) Specified items for the 12 months ended June 30, 2013 of \$2.1 million consist of restructuring charges. Specified items for the twelve months ended June 30, 2012 consist of \$33.5 million related to the Mane patent litigation settlement and \$10.9 million of restructuring charges.
- (2) Non-cash items, defined as part of Adjusted EBITDA in the terms of the Company's credit facility agreement dated November 9, 2011, represent all other adjustments to reconcile net income to net cash provided by operations as presented on the Statement of Cash Flows, including gain on disposal of assets, stock-based compensation and pension settlement/curtailment.

(DOLLARS IN MILLIONS)	June 30,	
	2013	2012
Total debt	\$1,033.0	\$ 864.9
Adjustments:		
Deferred gain on interest rate swaps	(8.1)	(10.0)
Cash and cash equivalents	(365.9)	(104.6)
Net debt	<u>\$ 659.0</u>	<u>\$ 750.3</u>

As discussed in Note 12 to the Consolidated Financial Statements, at June 30, 2013, we had entered into various guarantees and had undrawn outstanding letters of credit from financial institutions. These arrangements reflect ongoing business operations, including commercial commitments, and governmental requirements associated with audits or litigation that are in process with various jurisdictions. Based on the current facts and circumstances they are not reasonably likely to have a material impact on our consolidated financial condition, results of operations, or cash flows.

As discussed in Notes 6 and 12 to the Consolidated Financial Statements, we had Euro 12.2 million (\$15.9 million) in bank guarantees outstanding as of June 30, 2013 related to the tax disputes in Spain. These amounts will be reduced once we make the remaining payments pursuant to the settlement agreement and the dividend withholding tax cases.

Cautionary Statement Under the Private Securities Litigation Reform Act of 1995

This Quarterly Report includes “forward-looking statements” under the Federal Private Securities Litigation Reform Act of 1995, including statements regarding the Company’s expectations concerning (i) improvements in local currency sales in 2013, (ii) our ability to capitalize on our strong emerging market presence to drive growth, (iii) the impact of our profit improvement initiatives, (iv) our competitive position in the market and financial performance in 2013, (v) future local currency growth rates and drivers of growth, (vi) the impact of our strategy to exit certain low margin sales activities in Flavors, (vii) our ability to increase gross margins in 2013, (viii) funding of investments in R&D, emerging markets and technologies, (ix) capital spending in 2013, (x) the level of contributions to non-U.S. pension plans, (xi) cash flows to fund future operations and to meet debt service requirements, and (xii) the ultimate resolution of pending tax matters with the Spanish tax authorities. These forward-looking statements should be evaluated with consideration given to the many risks and uncertainties inherent in the Company’s business that could cause actual results and events to differ materially from those in the forward-looking statements. Certain of such forward-looking information may be identified by such terms as “expect,” “anticipate,” “believe,” “outlook,” “may,” “estimate,” “should” and “predict” similar terms or variations thereof. Such forward-looking statements are based on a series of expectations, assumptions, estimates and projections about the Company, are not guarantees of future results or performance, and involve significant risks, uncertainties and other factors, including assumptions and projections, for all forward periods. Actual results of the Company may differ materially from any future results expressed or implied by such forward-looking statements. Such factors include, among others, the following:

- the economic climate for the Company’s industry and demand for the Company’s products;
- the ability of the Company to successfully implement its strategic plan and achieve the estimated savings;
- fluctuations in the price, quality and availability of raw materials;
- decline in consumer confidence and spending;
- changes in consumer preferences;
- the Company’s ability to predict the short and long-term effects of global economic conditions;
- movements in interest rates;
- the Company’s ability to implement its business strategy, including the achievement of anticipated cost savings, profitability, realization of price increases and growth targets;
- the Company’s ability to successfully develop new and competitive products and enter and expand its sales in new and other emerging markets;
- the effects of any unanticipated costs and construction or start-up delays in the expansion of any of the Company’s facilities;
- the impact of currency fluctuations or devaluations in the Company’s principal foreign markets;
- any adverse impact on the availability, effectiveness and cost of the Company’s hedging and risk management strategies;
- uncertainties regarding the outcome of, or funding requirements, related to litigation or settlement of pending litigation, uncertain tax positions or other contingencies, including the final assessment for the Company’s Spanish subsidiaries’ 2011 tax return;
- the impact of possible pension funding obligations and increased pension expense, particularly as a result of changes in asset returns or discount rates, on the Company’s cash flow and results of operations;
- the effect of legal and regulatory proceedings, as well as restrictions imposed on the Company, its operations or its representatives by U.S. and foreign governments;
- adverse changes in federal, state, local and foreign tax legislation or adverse results of tax audits, assessments, or disputes;
- the direct and indirect costs and other financial impact that may result from any business disruptions due to political instability, armed hostilities, incidents of terrorism, natural disasters, or the responses to or repercussion from any of these or similar events or conditions;
- the Company’s ability to quickly and effectively implement its disaster recovery and crisis management plans; and
- adverse changes due to accounting rules or regulations.

New risks emerge from time to time and it is not possible for management to predict all such risk factors or to assess the impact of such risks on the Company’s business. Accordingly, the Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

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

The foregoing list of important factors does not include all such factors, nor necessarily present them in order of importance. In addition, you should consult other disclosures made by the Company (such as in our other filings with the SEC or in company press releases) for other factors that may cause actual results to differ materially from those projected by the Company. Please refer to Part I. Item 1A., Risk Factors, of the 2012 Form 10-K for additional information regarding factors that could affect the Company's results of operations, financial condition and cash flow.

Non-GAAP Financial Measures

The Company uses non-GAAP financial operating measures in this Quarterly Report, including: (i) local currency sales (which eliminates the effects that result from translating its international sales in U.S. dollars), (ii) like-for-like sales (which eliminates the effects of local currency and the strategic decision to exit certain low margin sales), (iii) adjusted operating profit (which excludes the operational improvement initiative and restructuring charges), and (iv) adjusted effective tax rate (which excludes the sale of a non-operating asset, restructuring charges and operational improvement initiative costs). The Company also provides the non-GAAP measures adjusted EBITDA (which excludes certain specified items and non-cash items as set forth in the Company's debt agreements) and net debt (which is adjusted for deferred gain on interest rate swaps and cash and cash equivalents) solely for the purpose of providing information on the extent to which the Company is in compliance with debt covenants contained in its debt agreements.

We have included each of these non-GAAP measures in order to provide additional information regarding our underlying operating results and comparable year-over-year performance. Such information is supplemental to information presented in accordance with GAAP and is not intended to represent a presentation in accordance with GAAP. In discussing our historical and expected future results and financial condition, we believe it is meaningful for investors to be made aware of and to be assisted in a better understanding of, on a period-to-period comparable basis, financial amounts both including and excluding these identified items, as well as the impact of exchange rate fluctuations and the exit of certain low margin sales activities on operating results and financial condition. We believe such additional non-GAAP information provides investors with an overall perspective of the period-to-period performance of our business. In addition, management internally reviews each of these non-GAAP measures to evaluate performance on a comparative period-to-period basis in terms of absolute performance, trends and expected future performance with respect to our business. A material limitation of these non-GAAP measures is that such measures do not reflect actual GAAP amounts; for example, costs associated with operational improvements and restructuring activities involve actual cash outlays. We compensate for such limitations by using these measures as one of several metrics, including GAAP measures. These non-GAAP measures may not be comparable to similarly titled measures used by other companies.

International Flavors & Fragrances Inc.
Like-for-Like Flavors Sales Reconciliation

	Three Months Ended June 30, 2013				Six Months Ended June 30, 2013			
	Reported Sales Growth	Local Currency Sales Growth ⁽¹⁾	Exit of Low Margin Sales Activities	Like-for-Like Sales Growth ⁽²⁾	Reported Sales Growth	Local Currency Sales Growth ⁽¹⁾	Exit of Low-Margin Sales Activities	Like-for-Like Sales Growth ⁽²⁾
Total Company	5%	6%	2%	8%	4%	5%	1%	6%
Flavors								
North America	2%	2%	9%	11%	-2%	-2%	10%	8%
EAME	3%	5%	0%	5%	4%	5%	1%	6%
Latin America	1%	3%	8%	11%	0%	3%	5%	8%
Greater Asia	6%	8%	0%	8%	5%	7%	0%	7%
Total	4%	5%	3%	8%	3%	4%	3%	7%

⁽¹⁾ Local currency sales growth is calculated by translating prior year sales at the exchange rates used for the corresponding 2013 period.

⁽²⁾ Like-for-like is a non-GAAP metric that excludes the impact of exiting low margin sales activities and foreign exchange.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

There are no material changes in market risk from the information provided in the Company's 2012 Annual Report on Form 10-K.

Item 4. Controls and Procedures

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

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

The Chief Executive Officer and Chief Financial Officer have also concluded that there have not been any changes in our internal control over financial reporting during the quarter ended June 30, 2013 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We are subject to various claims and legal actions in the ordinary course of our business.

Tax Claims

We are currently involved in administrative and legal proceedings with the Spanish tax authorities that challenge tax deductions taken in our Spanish subsidiaries' tax returns and allege claims of tax avoidance. As a result of tax audits, the Spanish tax authorities imposed income tax assessments on our Spanish subsidiaries for the 2002-2003 fiscal years, in the aggregate amount of Euro 22.4 million (\$28.6 million), including aggregate estimated interest. During 2007, we filed appeals against these income tax assessments and related capital tax and tax avoidance claims with the Central Economic-Administrative Tribunal ("TEAC") in Spain. In early 2010, the TEAC affirmed these tax assessments and related claims and, during 2010, we filed appeals for judicial review with the Spanish National Appellate Court ("Appellate Court"). On February 7, 2013, the Appellate Court upheld the TEAC's ruling with respect to the 2003 tax assessment and the related tax avoidance claims. We decided not to pursue the appeal process. Accordingly, during the second quarter of 2013, we paid Euro 17.7 million (\$23.3 million based on the exchange rate at the payment date) in connection with the 2003 tax assessment. As a result of this payment, the remaining aggregate assessment related to the 2002-2003 fiscal years was Euro 4.7 million (\$6.1 million) as of June 30, 2013. During the third quarter of 2013, we paid the remaining balance of Euro 3.1 million (\$4.0 million based on the exchange rate at the payment date) related to the 2003 tax assessment. On June 17, 2013, the Appellate Court ruled against us on our appeal of the 2002 income tax assessment and related claims, which we have also decided not to appeal. There was no income tax impact associated with this decision.

On August 1, 2012, we reached an overall settlement with the Spanish tax authorities regarding income tax deductions taken by our Spanish subsidiaries for the 2004-2010 fiscal years which deductions were similar to those challenged in connection with the 2002-2003 audits. During the fourth quarter of 2012, the Company and the Spanish tax authorities also entered into a multi-year agreement that established the tax basis for our activities in Spain for 2012 through 2014 consistent with the key principles preliminarily agreed upon as part of the overall settlement. The settlement agreement did not address the assessments for the 2002-2003 fiscal years, as these were further along in the Spanish judicial process. The settlement agreement also did not address the 2011 fiscal year as the Spanish subsidiaries' 2011 income tax return was filed in July 2012 and has not yet been audited. Based on the settlement reached for the 2004-2010 fiscal years, we expect that our Spanish subsidiaries will receive an assessment for 2011 on a basis consistent with the 2004-2010 settlement.

The Spanish tax authorities have also alleged claims related to capital tax positions arising from the business structure adopted by our Spanish subsidiaries. The aggregate amount of these claims is Euro 9.5 million (\$12.3 million), including aggregate estimated interest through June 30, 2013. Our settlement with the Spanish tax authorities addressed only the income tax assessments and did not address the capital tax positions. In connection with their ruling on our 2002 income tax assessment, the Appellate Court rejected one of the two bases upon which we based our capital tax position. However, we believe that we still have a strong basis for our capital tax position and intend to continue to defend these claims.

We have also been a party to four dividend withholding tax controversies in Spain, in which the Spanish tax authorities allege that our Spanish subsidiaries underpaid withholding taxes during the 1995-2001 fiscal years. In 2012, the Spanish Supreme Court ruled against us in three of the four pending cases and issued judgments in an aggregate of Euro 14.9 million (\$19.7 million), including aggregate estimated interest. Based on these rulings, we paid Euro 9.8 million (\$12.8 million) for these three cases during 2012. We expect to make payments of remaining amounts due of Euro 4.5 million (\$5.8 million) by the end of 2013, which reflects revised estimated interest and currency rates through June 30, 2013. The remaining dividend withholding tax case, relating to an amount in controversy of Euro 3.2 million (\$4.1 million), including aggregate estimated interest through June 30, 2013, is currently pending.

We do not currently believe that any of our pending tax assessments, even if ultimately resolved against us, would have a material impact on our financial condition.

Environmental

Over the past 20 years, various federal and state authorities and private parties have claimed that we are a Potentially Responsible Party (“PRP”) as a generator of waste materials for alleged pollution at a number of waste sites operated by third parties located principally in New Jersey and have sought to recover costs incurred and to be incurred to clean up the sites.

We have been identified as a PRP at nine facilities operated by third parties at which investigation and/or remediation activities may be ongoing. We analyze our potential liability on at least a quarterly basis. We accrue for environmental liabilities when they are probable and estimable. We estimate our share of the total future cost for these sites to be less than \$5 million.

While joint and several liability is authorized under federal and state environmental laws, we believe the amounts we have paid and anticipate paying in the future for clean-up costs and damages at all sites are not material and will not have a material adverse effect on our financial condition, results of operations or liquidity. This assessment is based upon, among other things, the involvement of other PRPs at most of the sites, the status of the proceedings, including various settlement agreements and consent decrees, and the extended time period over which payments will likely be made. There can be no assurance, however, that future events will not require us to materially increase the amounts we anticipate paying for clean-up costs and damages at these sites, and that such increased amounts will not have a material adverse effect on our financial condition, results of operations or cash flows.

Other

We are also a party to other litigation arising in the ordinary course of our business. We do not expect the outcome of these cases, singly or in the aggregate, to have a material effect on our consolidated financial condition.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(c) Issuer Purchases of Equity Securities

The table below reflects shares of common stock we repurchased during the second quarter of 2013.

<u>Period</u>	<u>Total Number of Shares Repurchased ⁽¹⁾</u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Program</u>	<u>Approximate Dollar Value of Shares That May Yet be Purchased Under the Program</u>
April 1 – 30, 2013	60,349	\$ 74.21	60,349	\$ 231,279,717
May 1 – 31, 2013	—	—	—	231,279,717
June 1 – 30, 2013	6,096	74.51	6,096	230,825,518
Total	<u>66,445</u>	<u>\$ 74.36</u>	<u>66,445</u>	<u>\$ 230,825,518</u>

⁽¹⁾ Shares were repurchased pursuant to the repurchase program announced in December 2012, with repurchases beginning in the first quarter of 2013. Repurchases under the program are limited to \$250 million in total repurchase price, and the expiration date is December 31, 2014. Authorization of the repurchase program may be modified, suspended, or discontinued at any time.

Item 6. Exhibits

10.30	Form of IFF Equity Choice Program Purchased Restricted Stock Agreement – Matching Restricted Stock under International Flavor & Fragrances Inc. 2010 Stock Award and Incentive Plan, as amended
10.31	Form of IFF Equity Choice Program Purchased Restricted Stock Agreement – Matching Restricted Stock Units under International Flavor & Fragrances Inc. 2010 Stock Award and Incentive Plan, as amended.
10.32	Form of IFF Equity Choice Program Restricted Stock Units Agreement under International Flavor & Fragrances Inc. 2010 Stock Award and Incentive Plan, as amended.
10.33	Form of IFF Equity Choice Program Stock-Settled Appreciation Rights Agreement under International Flavor & Fragrances Inc. 2010 Stock Award and Incentive Plan, as amended.
31.1	Certification of Douglas D. Tough pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Kevin C. Berryman pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification of Douglas D. Tough and Kevin C. Berryman pursuant to 18 U.S.C. Section 1350 as adopted pursuant to the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extensions Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

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: August 6, 2013

By: /s/ Douglas D. Tough

Douglas D. Tough

Chairman of the Board and Chief Executive Officer

Dated: August 6, 2013

By: /s/ Kevin C. Berryman

Kevin C. Berryman

Executive Vice President and Chief Financial Officer

EXHIBIT INDEX

<u>Number</u>	<u>Description</u>
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FORM OF
IFF 20[] EQUITY CHOICE PROGRAM
Purchased Restricted Stock Agreement — Matching Restricted Stock
2010 Stock Award and Incentive Plan, as amended (the “Plan”)

This Purchased Restricted Stock Agreement—Matching Restricted Stock (the “Agreement”), which includes the IFF 20[] Equity Choice Confirmation Statement (the “Confirmation Statement”), the Terms and Conditions of Purchased Restricted Stock—Matching Restricted Stock (the “Terms and Conditions”), and the Addendum to the Terms and Conditions of the Purchased Restricted Stock (the “Addendum”), confirms the grant on the Grant Date by INTERNATIONAL FLAVORS & FRAGRANCES INC., a New York corporation (the “Company”), to you (the “Employee”), of the number of shares of Purchased Restricted Stock (the “PRS”), consisting of 50% Escrowed Shares and 50% Restricted (Matched) Shares (“Matched Shares”), set forth in the row labeled “Purchased Restricted Stock (PRS)” under the column labeled “Total Shares/Units/Rights Awarded” in the Confirmation Statement. The Employee is being granted the Purchased Restricted Stock as a consequence of Employee’s commercial relationship with the Company and/or the Company’s subsidiary or affiliate that employs Employee (“Employer”). The “Total Shares” and “Grant Date” are set forth in the Confirmation Statement.

Purchase Price per Share:	Escrowed Shares either are purchased by Employee in cash, at 100% of their fair market value on the Grant Date, or are shares deposited by Employee through the “Purchased Restricted Stock — Stock Tendering Feature.” Matched Shares are granted to Employee as a one-for-one match for each Escrowed Share purchased or tendered, so Matched Shares are deemed to have a purchase price of zero. The purchase price per share of Escrowed Shares purchased for cash equals the amount set forth on the Confirmation Statement in the row labeled “Share Price on Grant Date.”
Aggregate Purchase Price:	For Escrowed Shares purchased for cash, Employee has paid the aggregate purchase price in cash in an amount equal to the number of such purchased Escrowed Shares times the Purchase Price Per Share, as set forth above. If Employee has tendered shares for deposit as Escrowed Shares, the tendered shares became Escrowed Shares on a one-for-one basis. The Company acknowledges receipt, as of the Grant Date, of the Aggregate Purchase Price from Employee in cash and/or satisfaction, as of the Grant Date, of the obligation to pay the Aggregate Purchase Price by Employee’s tender and deposit of shares of the Company’s Common Stock previously acquired by Employee (Note: Employee is permitted to satisfy this requirement through a combination of cash purchase of shares and tender of previously acquired shares).
Risk of Forfeiture/ Vesting of Purchased Restricted Stock:	Escrowed Shares are non-forfeitable. Matched Shares vest 100% on [], 20[] (the “Stated Vesting Date”), except that different vesting provisions may apply upon certain events specified in Section 3 or 5 hereof.

The PRS is an award of shares of the Company’s Common Stock (the “Common Stock”) granted under Section 6(d) of the Plan. The Matched Shares (representing 50% of the award of the PRS) are subject to the risk of forfeiture and other restrictions specified in the Plan and the Agreement, including these Terms and Conditions of PRS attached hereto. The number and kind of shares of PRS and other terms of the PRS are subject to adjustment in accordance with Section 4 hereof and Section 11(c) of the Plan.

Employee acknowledges and agrees that (i) rights under this PRS award and the Matched Shares prior to vesting are nontransferable, except as provided in Section 11(b) of the Plan (ii) the Matched Shares, and certain amounts of income realized upon vesting and delivery of shares in respect of the Matched Shares, are subject to forfeiture in the event Employee fails to meet applicable requirements relating to non-competition, confidentiality, non-solicitation of customers, suppliers, business associates, employees and service providers, non-disparagement and cooperation in litigation with respect to the Company and its subsidiaries and affiliates, and financial reporting, as set forth in Section 7 hereof and Section 10 of the Plan, (iii) the Matched Shares are subject to forfeiture in the event of Employee's Termination of Employment in certain circumstances prior to vesting, as specified in Section 3 hereof, (iv) sales of shares of Common Stock delivered upon vesting of the Matched Shares and release of Escrowed Shares will be subject to the Company's policies regulating trading by employees, and (v) a copy of the Plan and related prospectus have previously been delivered to Employee, are being delivered to Employee or are available as specified in Section 1 hereof. ***In addition, and without limiting the foregoing, Employee consents, acknowledges and agrees that, as a condition to the grant of PRS hereunder, Section 10(d) of the Plan, which relates to forfeitures of Awards (as defined in the Plan) in the event of financial reporting misconduct, will apply to the Matched Shares granted hereunder as well as to any other Awards that may have been granted to Employee prior to the Grant Date set forth above.*** The grant of PRS under the Plan is a one-time benefit and does not create any contractual or other right to receive a grant of restricted stock or stock options or benefits in lieu of restricted stock or stock options in the future. Future grants, if any, will be at the sole discretion of the Company including, but not limited to, the timing of any grant, the form of award, the number of shares of Common Stock covered by the award and the vesting provisions.

BY ELECTRONICALLY ACCEPTING THE AWARD, EMPLOYEE AGREES TO BE BOUND BY THE PROVISIONS OF THE PLAN, THE AGREEMENT, THE TERMS AND CONDITIONS AND THE CONFIRMATION STATEMENT. EMPLOYEE HAS REVIEWED THE PLAN, THE AGREEMENT, THE TERMS AND CONDITIONS AND THE CONFIRMATION STATEMENT IN THEIR ENTIRETY, HAS HAD AN OPPORTUNITY TO OBTAIN THE ADVICE OF COUNSEL PRIOR TO ACCEPTING THE AWARD AND FULLY UNDERSTANDS ALL OF THE PROVISIONS OF THE PLAN, THE AGREEMENT, THE TERMS AND CONDITIONS AND THE CONFIRMATION STATEMENT. EMPLOYEE HAS BEEN PROVIDED WITH A COPY OR ELECTRONIC ACCESS TO A COPY OF THE U.S. PROSPECTUS FOR THE PLAN AND THE TAX SUPPLEMENT TO THE U.S. PROSPECTUS FOR EMPLOYEE'S COUNTRY OF EMPLOYMENT. EMPLOYEE HEREBY AGREES TO ACCEPT AS BINDING, CONCLUSIVE AND FINAL ALL DECISIONS OR INTERPRETATIONS OF THE COMMITTEE UPON ANY QUESTIONS ARISING UNDER THE PLAN, THE AGREEMENT, THE TERMS AND CONDITIONS AND THE CONFIRMATION STATEMENT.

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INTERNATIONAL FLAVORS & FRAGRANCES INC.

2010 Stock Award and Incentive Plan

TERMS AND CONDITIONS OF
PURCHASED RESTRICTED STOCK — MATCHING RESTRICTED STOCK

The following Terms and Conditions apply to the PRS granted to Employee by INTERNATIONAL FLAVORS & FRAGRANCES INC. (the “Company”), as specified in the Purchased Restricted Stock Agreement—Matching Restricted Stock (of which these Terms and Conditions form a part). Employee is being granted the PRS as a consequence of Employee’s commercial relationship with the Company and the Company’s subsidiary or affiliate that employs Employee (“Employer”). Certain terms of the PRS, including the number of Escrowed Shares purchased or tendered for deposit and the number of Matched Shares, Purchase Price per Share of the Escrowed Shares and the Stated Vesting Date of the Matched Shares are set forth on the preceding pages or on the Confirmation Statement.

1. **General.** The award of PRS is granted to Employee under the Company’s 2010 Stock Award and Incentive Plan, as amended (the “Plan”), a copy of which is available for review, along with other documents constituting the “prospectus” for the Plan, on the Company’s intranet site at One IFF/Corporate/Law Department. All of the applicable terms, conditions and other provisions of the Plan are incorporated by reference herein. Capitalized terms used in these Terms and Conditions but not defined herein shall have the same meanings as defined in the Plan. If there is any conflict between the provisions of this document and mandatory provisions of the Plan, the provisions of the Plan govern. By accepting the grant of the PRS, Employee agrees to be bound by all of the terms and provisions of the Plan (as presently in effect or later amended), the rules and regulations under the Plan adopted from time to time, and the decisions and determinations of the Company’s Compensation Committee (the “Committee”) made from time to time, provided that no amendment or other change to the Plan or a current rule, regulation or Committee decision or determination shall materially and adversely affect the rights of the Employee with respect to outstanding Escrowed Shares and Matched Shares without the consent of Employee.

2. **Terms of Escrowed Shares and Matched Shares.**

(a) *Escrowed Shares.* In the case of Escrowed Shares purchased by Employee, the Company will cause Escrowed Shares to be transferred to Employee out of the Company’s treasury shares and registered in the name of Employee (in accordance with Section 8(c) hereof) effective as of the Grant Date. In the case of shares tendered by Employee for deposit as Escrowed Shares, the Company will receive such shares (subject to any change in share registration necessary to give effect to such deposit). Possession of the share certificates or other evidence of ownership of the Escrowed Shares shall be retained by the Company in escrow in an account maintained by the Company’s transfer agent (or such other account as the Company may designate), and shall be subject to the following:

- (i) **Withdrawal and Release of Escrowed Shares; Forfeiture of Corresponding Matched Shares.** Employee shall have the right to withdraw any or all of the Escrowed Shares at any time, by written notice addressed to the Company. Withdrawal of Escrowed Shares will result in forfeiture of a corresponding number of Matched Shares, except Escrowed Shares shall be released (i) upon Employee’s Termination of Employment (as defined below), even if Matched Shares remain outstanding and subject to future vesting, and (ii) upon the vesting of Matched Shares. Upon a withdrawal, the Company will promptly deliver the certificate or other evidence of ownership of the withdrawn Escrowed Shares to Employee, or otherwise deposit the shares in an account for Employee. Employee has no right to a refund of the cash purchase price of the Escrowed Shares previously paid by Employee or other right to cause the Company or any affiliate to repurchase the Escrowed Shares.
- (ii) **Transferability Restrictions.** Escrowed Shares may not be transferred, sold, assigned, pledged or encumbered, hedged or disposed of while remaining in escrow, except for estate-planning arrangements as may be permitted by the Company and subject to the conditions under Section 11(b) of the Plan. Any attempted action of such nature with respect to Escrowed Shares shall be treated as a withdrawal.

- (iii) The Committee may accelerate the release of Escrowed Shares, in its discretion, but such accelerated release shall not result in the forfeiture of corresponding Matched Shares.

(b) *Matched Shares.* The Company will cause Matched Shares to be issued or transferred to and registered in the name of Employee (as provided in Section 8(c) hereof) effective as of the Grant Date. Possession of the share certificates or other evidence of ownership of the Matched Shares shall be retained by the Company (or its designated agent), and shall be subject to the following:

- (i) **No Withdrawal.** Employee shall have no right to withdraw or otherwise receive delivery of the Matched Shares until such time as the Matched Shares have become vested in accordance with the terms of these Terms and Conditions.
- (ii) **Transferability Restrictions.** Until such time as the Matched Shares become vested in accordance with the terms of these Terms and Conditions, Employee may not transfer Matched Shares or any rights hereunder to any third party other than by will or the applicable laws of descent and distribution, except for transfers to a Beneficiary upon death of Employee or otherwise if and to the extent permitted by the Company and subject to the conditions under Section 11(b) of the Plan.
- (iii) This restriction on transfer precludes any sale, assignment, pledge, or other encumbrance, hedge or disposition of the Matched Shares (except for forfeitures to the Company). The Company shall maintain a bookkeeping account for Employee (the "Account") reflecting the number of Matched Shares then credited to Employee hereunder.

3. **Termination Provisions.** Upon any Termination of Employment, all Escrowed Shares will be released from escrow and delivered as provided in Section 2(a)(i). The following provisions will govern the vesting and forfeiture of Matched Shares in the event of Employee's Termination of Employment (as defined below), provided that the Committee retains its powers to accelerate vesting of Matched Shares or to modify these terms subject to the consent of Employee in the case of a modification materially adverse to Employee:

(a) *Termination by the Employer for Cause or Resignation by the Employee.* In the event of Employee's Termination of Employment due to his or her voluntarily resignation (other than a Normal or Early Retirement governed by clause (b) or (c) below) or Termination of Employment by the Employer for Cause (as defined below), all unvested Matched Shares will be immediately forfeited.

(b) *Disability or Normal Retirement.* In the event of Employee's Termination of Employment due to Disability (as defined below) or Normal Retirement (as defined below), Employee's unvested Matched Units will not be forfeited, but will remain outstanding and will become vested at the applicable date under these Terms and Conditions as though Employee had not had such a Termination of Employment; provided that Employee shall forfeit the unvested Matched Shares if during the period following Termination of Employment up to the date of vesting Employee engages in activity that results in a Forfeiture Event set forth in Section 10 of the Plan. Employee acknowledges that the Committee has relied on the discretion granted to it under Section 10(d) of the Plan in requiring forfeiture of Matched Shares upon occurrence of a Forfeiture Event during the applicable period following Termination of Employment.

(c) *Termination by the Employer Not for Cause or Early Retirement.* In the event of Employee's Termination of Employment by the Employer not for Cause or Employee's Early Retirement, the following rules apply:

- (i) A pro rata portion of Employee's then unvested Matched Shares will not be forfeited, but will remain outstanding and will become vested at the applicable date under these Terms and Conditions as though Employee had not had such a Termination of Employment. This pro rata portion will be determined by multiplying the number of unvested Matched Shares by a fraction the numerator of which is the number of days from the Grant Date to the date of Employee's Termination of Employment and the denominator of which is 1,066; provided that Employee shall forfeit the unvested Matched Shares if during the period following Termination of Employment up to the date of vesting Employee engages in activity that results in a Forfeiture Event set forth in Section 10 of the Plan. Employee acknowledges that the Committee has relied on the discretion granted to it under Section 10(d) of the Plan in requiring forfeiture of the pro rata Matched Shares upon occurrence of a Forfeiture Event during the applicable period following Termination of Employment.
- (ii) Employee's Matched Shares that had not become vested before such Termination of Employment and which are not included in the pro rata portion subject to continued vesting will be immediately forfeited.

(d) *Death.* In the event of Employee's Termination of Employment due to death or the death of Employee following Termination of Employment but prior to vesting of Matched Shares not otherwise forfeited hereunder, Employee's unvested Matched Shares will not be forfeited but will become immediately vested and delivered to the executor of Employee's estate or other person legally entitled to such delivery.

(e) *Certain Definitions.* The following definitions apply for purposes of these Terms and Conditions:

(i) "Cause" has the meaning as defined in the Company's Executive Separation Policy or any successor policy thereto, as in effect at the time of Employee's Termination of Employment.

(ii) "Disability" means a disability entitling Employee to long-term disability benefits under the Employer's or the Company's long-term disability policy as in effect at the date of Employee's Termination of Employment, upon written evidence of such permanent disability from a medical doctor in a form satisfactory to the Employer or the Company.

(iii) "Early Retirement" means Termination of Employment by either the Employer or Employee after Employee has attained age 55 and before he or she has attained age 62 if at the time of Termination of Employment, Employee has ten or more years in the employ of the Employer, the Company or another subsidiary of the Company.

(iv) "Normal Retirement" means Termination of Employment by either the Employer or Employee after Employee has attained age 62.

(v) "Termination of Employment" means the event by which Employee ceases to be employed by the Employer and, immediately thereafter, is not employed by or providing substantial services to the Company or any subsidiary of the Company. If Employee is granted a leave of absence for military or governmental service or other purposes approved by the Committee, he or she shall be considered as continuing in the employ of the Employer, the Company or another subsidiary of the Company for the purpose of this subsection, while on such authorized leave of absence. Notwithstanding anything to the contrary in the Plan or the Agreement, and for purposes of clarity, any Termination of Employment shall be effective as of the date the Employee's active employment ends and shall not be extended by any statutory or common law notice period.

4. *Dividends and Distributions and Adjustments.*

(a) *Dividends and Distributions.* Employee shall be entitled to receive with respect to the Escrowed Shares and the Matched Shares all dividends and distributions payable on shares of Common Stock (including for this purpose any forward stock split) if and to the extent that Employee is the record owner of such shares of Common Stock on any record date for such a dividend or distribution and Employee has not forfeited such Matched Shares on or before the payment date for such dividend or distribution, subject to the following terms and conditions (except as provided in Section 4(b) below):

- (i) In the event of a cash dividend or cash distribution on shares of Common Stock other than [an extraordinary] [a] dividend or distribution [with a per-share value at the payment date exceeding % of the then Fair Market Value of a share] [designated as extraordinary by the Company], such dividend or distribution shall be paid in cash to Employee at the time of payment to shareholders generally and shall be non-forfeitable;
- (ii) In the event of any non-cash dividend or distribution in the form of property other than shares of Common Stock payable on shares of Common Stock, such as shares of a subsidiary of the Company distributed in a spin-off, such property shall be distributed in respect of Employee's Escrowed Shares but the Company shall retain in its custody the property so distributed in respect of Matched Shares, which property thereafter will become vested if and to the same extent as the original Matched Shares with respect to which the property was distributed becomes vested and, to the greatest extent practicable, shall be subject to all other terms and conditions as applied to the original Matched Shares, including in the event of any dividends or distributions paid in respect of such property or with respect to the placement of any legend on certificate(s) or documents representing such property; provided, however, that any dividend or distribution of rights that expire before the applicable vesting date will be unrestricted and exercisable by Employee in accordance with their terms;
- (iii) In the event of a dividend or distribution in the form of shares of Common Stock or split-up of shares, the shares of Common Stock issued or delivered as such dividend or distribution or resulting from such split-up will be deemed to be additional Escrowed Shares or Matched Shares, as the case may be, and in the case of Matched Shares will become vested if and to the same extent as the original Matched Shares with respect to which the dividend or distribution was payable becomes vested, and shall be subject to all other terms and conditions as applied to the original Escrowed Shares or Matched Shares, as the case may be; and
- (iv) In the event of an extraordinary cash dividend or distribution not payable under clause (i) above, the amount of such cash, in the case of Escrowed Shares, shall be paid to Employee and, in respect of Matched Shares, shall be deemed reinvested in additional Matched Shares at the Fair Market Value of shares of Common Stock on the payment date, and the resulting Matched Shares will become vested if and to the same extent as the original Matched Shares with respect to which the dividend or distribution was payable becomes vested, and shall be subject to all other terms and conditions as applied to the original Restricted Stock.

(b) *Adjustments.* The number and kind of Escrowed Shares and Matched Shares credited to Employee's Account and other terms and conditions thereof or otherwise contained in these Terms and Conditions shall be appropriately adjusted, in order to prevent dilution or enlargement of Employee's rights hereunder, to reflect any changes in the number of outstanding shares of Common Stock resulting from any event referred to in Section 11(c) of the Plan, taking into account any cash, additional shares or other amounts paid or credited to Employee in connection with such event under Section 4(a) hereof, in the sole discretion of the Committee. In addition, the Committee may vary the treatment of any dividend or distribution as specified under Section 4(a)(ii), (iii) or (iv) above, in an equitable manner as it may determine in its discretion. The Committee may determine how to treat or settle any fractional share resulting under this Agreement.

5. *Change in Control Provisions.* The provisions of Section 9(a)(ii) of the Plan shall apply to the Matched Shares and, if Employee is a participant under the Executive Separation Policy, the terms of that Policy shall also apply to the Matched Shares, with any vesting of Matched Shares to result in the release of corresponding Escrowed Shares from escrow and delivery to Employee as provided in Section 2(a)(i). If this Section 5 would apply in the case of a Termination of Employment otherwise governed by Section 3(a), (b) or (c) hereof, the provisions of this Section 5 shall govern.

6. **Additional Forfeiture Provisions.** Employee agrees that, by signing these Terms and Conditions and accepting the grant of the PRS, the forfeiture conditions set forth in Section 10 of the Plan shall apply to the Matched Shares and to income realized upon the vesting of the Matched Shares.

7. **Other Terms of the PRS.**

(a) *Voting and Other Shareholder Rights.* Employee shall be entitled to vote Escrowed Shares and Matched Shares on any matter submitted to a vote of holders of shares of Common Stock, and shall have all other rights of a shareholder of the Company except as expressly limited by these Terms and Conditions.

(b) *Employee Representations and Warranties Upon Vesting.* As a condition to the vesting of Matched Shares, the Company or the Employer may require Employee to make any representation or warranty to the Company or the Employer as may be required under any applicable law or regulation, and to make a representation and warranty that no Forfeiture Event has occurred or is contemplated within the meaning of Section 10 of the Plan.

(c) *Certificates/DRS.* Escrowed Shares and Matched Shares shall be evidenced by issuance of one or more certificates or in certificate-less form under the Direct Registration System (“DRS”) established by the Company, in the name of Employee, bearing an appropriate legend referring to the terms, conditions, and restrictions applicable hereunder, and shall remain in the physical custody of the General Counsel of the Company or his designee until such time as such Escrowed Shares shall have been released and the Matched Shares have become vested and the restrictions hereunder have therefore lapsed. In addition, Escrowed Shares and Matched Shares shall be subject to such stop-transfer orders and other restrictive measures as the General Counsel of the Company shall deem advisable under federal or state securities laws, rules and regulations thereunder, and the rules of the New York Stock Exchange, or to implement the terms, conditions and restrictions hereunder, and the General Counsel may cause a legend or legends to be placed on any such certificates or DRS accounts to make appropriate reference to the terms, conditions and restrictions hereunder.

(d) *Stock Powers.* Employee agrees to execute and deliver to the Company one or more stock powers, in such form as may be specified by the General Counsel, authorizing the transfer of the Matched Shares to the Company, upon the request of the Company.

(e) *Mandatory Tax Withholding.* Regardless of any action the Company and the Employer take with respect to any or all income tax (including U.S. federal, state and local taxes and/or non-U.S. taxes), social insurance, payroll tax, payment on account or other tax-related withholding (“Tax-Related Items”), Employee acknowledges that the ultimate liability for all Tax-Related Items legally due by Employee is and remains Employee’s responsibility, and that the Company and the Employer (a) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the PRS, including Employee’s purchase or tendering of Escrowed Shares or the grant to Employee of the Matched Shares, the vesting of the Matched Shares, the subsequent sale of any shares of Common Stock acquired pursuant to the PRS and the receipt of any dividends or dividend equivalents; and (b) do not commit to structure the terms of the grant or any aspect of the PRS to reduce or eliminate Employee’s liability for Tax-Related Items. Unless otherwise determined by the Committee, at the time of vesting of the Matched Shares, the Company will withhold from any shares of Common Stock deliverable to the Employee upon such vesting, in accordance with Section 11(d) of the Plan, the number of whole shares of Common Stock having a value as nearly as possible equal to the amount of Tax-Related Items required to be withheld under applicable local laws and regulations, and pay such amount in cash to the appropriate taxing authorities (share withholding will be rounded to whole shares of Common Stock in accordance with applicable accounting rules). Alternatively, the Company or the Employer may, in its discretion, withhold any amount necessary to pay the Tax-Related Items from Employee’s salary/wages or other amounts payable to Employee, with no withholding in shares of Common Stock, to the fullest

extent permitted by law. In the event the withholding requirements are not satisfied through the withholding of shares of Common Stock or through the Employee's salary/wages or other amounts payable to the Employee, no shares of Common Stock will be delivered upon vesting of the Matched Shares or release of shares from escrow unless and until satisfactory arrangements (as determined by the Company) have been made by Employee with respect to the payment of any Tax-Related Items which the Company and/or the Employer determines, in its sole discretion, must be withheld or collected with respect to such vesting. By accepting this grant of PRS, Employee expressly consents to the withholding of shares of Common Stock and/or cash as provided for hereunder. All other Tax-Related Items related to the PRS and any shares of Common Stock delivered in payment thereof are Employee's sole responsibility. Employee will be responsible for any taxes relating to the PRS and the vesting thereof not satisfied by means of such mandatory withholding.

(f) *Employee Consent.* By signing these Terms and Conditions, Employee voluntarily acknowledges and consents to the collection, use, processing and transfer of personal data as described in this Section 7(f). Employee is not obliged to consent to such collection, use, processing and transfer of personal data; however, failure to provide the consent may affect Employee's ability to participate in the Plan. The Company and its subsidiaries hold, for the purpose of managing and administering the Plan, certain personal information about Employee, including Employee's name, home address and telephone number, date of birth, social security number or other employee identification number, salary, nationality, job title, any shares of Common Stock of stock or directorships held in the Company, and details of all options or any other entitlement to shares of Common Stock of stock awarded, canceled, purchased, vested, unvested or outstanding in Employee's favor ("Data"). The Company and/or its subsidiaries will transfer Data among themselves as necessary for the purpose of implementation, administration and management of Employee's participation in the Plan and the Company and/or any of its subsidiaries may each further transfer Data to any third parties assisting the Company in the implementation, administration and management of the Plan. These recipients may be located in the European Economic Area, or elsewhere throughout the world, such as the United States. Employee authorizes them to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing Employee's participation in the Plan, including any requisite transfer of such Data as may be required for the administration of the Plan and/or the subsequent holding of shares of Common Stock on Employee's behalf to a broker or other third party with whom Employee may elect to deposit any shares of Common Stock acquired pursuant to the Plan. Employee may, at any time, review Data, require any necessary amendments to it or withdraw the consents herein in writing by contacting the Company; however, withdrawing consent may affect Employee's ability to participate in the Plan.

(g) *Voluntary Participation.* Employee's participation in the Plan is voluntary. The value of the PRS is an extraordinary item of compensation. As such, the PRS is not part of normal or expected compensation for purposes of calculating any severance, resignation, redundancy, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments.

(h) *Consent to Electronic Delivery.* EMPLOYEE HEREBY CONSENTS TO ELECTRONIC DELIVERY OF THE PLAN, THE PROSPECTUS FOR THE PLAN AND OTHER DOCUMENTS RELATED TO THE PLAN (COLLECTIVELY, THE "PLAN DOCUMENTS"). THE COMPANY WILL DELIVER THE PLAN DOCUMENTS ELECTRONICALLY TO EMPLOYEE BY E-MAIL, BY POSTING SUCH DOCUMENTS ON ITS INTRANET WEBSITE OR BY ANOTHER MODE OF ELECTRONIC DELIVERY AS DETERMINED BY THE COMPANY IN ITS SOLE DISCRETION. THE COMPANY WILL SEND TO EMPLOYEE AN E-MAIL ANNOUNCEMENT WHEN A NEW PLAN DOCUMENT IS AVAILABLE ELECTRONICALLY FOR EMPLOYEE'S REVIEW, DOWNLOAD OR PRINTING AND WILL PROVIDE INSTRUCTIONS ON WHERE THE PLAN DOCUMENT CAN BE FOUND. UNLESS OTHERWISE SPECIFIED IN WRITING BY THE COMPANY, EMPLOYEE WILL NOT INCUR ANY COSTS FOR RECEIVING THE PLAN DOCUMENTS ELECTRONICALLY THROUGH THE COMPANY'S COMPUTER NETWORK. EMPLOYEE WILL HAVE THE RIGHT TO RECEIVE PAPER COPIES OF ANY PLAN DOCUMENT BY SENDING A WRITTEN REQUEST FOR A PAPER COPY TO THE ADDRESS SPECIFIED IN SECTION 9(i) HEREOF. EMPLOYEE'S CONSENT TO ELECTRONIC DELIVERY OF THE PLAN DOCUMENTS WILL BE VALID AND REMAIN EFFECTIVE UNTIL THE EARLIER OF (I) THE TERMINATION OF EMPLOYEE'S PARTICIPATION IN THE PLAN AND (II) THE WITHDRAWAL OF

EMPLOYEE'S CONSENT TO ELECTRONIC DELIVERY OF THE PLAN DOCUMENTS. THE COMPANY ACKNOWLEDGES AND AGREES THAT EMPLOYEE HAS THE RIGHT AT ANY TIME TO WITHDRAW HIS OR HER CONSENT TO ELECTRONIC DELIVERY OF THE PLAN DOCUMENTS BY SENDING A WRITTEN NOTICE OF WITHDRAWAL TO THE ADDRESS SPECIFIED IN SECTION 9(i) HEREOF. IF EMPLOYEE WITHDRAWS HIS OR HER CONSENT TO ELECTRONIC DELIVERY, THE COMPANY WILL RESUME SENDING PAPER COPIES OF THE PLAN DOCUMENTS WITHIN TEN (10) BUSINESS DAYS OF ITS RECEIPT OF THE WITHDRAWAL NOTICE. EMPLOYEE ACKNOWLEDGES THAT HE OR SHE IS ABLE TO ACCESS, VIEW AND RETAIN AN E-MAIL ANNOUNCEMENT INFORMING EMPLOYEE THAT THE PLAN DOCUMENTS ARE AVAILABLE IN EITHER HTML, PDF OR SUCH OTHER FORMAT AS THE COMPANY DETERMINES IN ITS SOLE DISCRETION.

8. *Miscellaneous.*

(a) *Binding Agreement; Written Amendments.* This Agreement shall be binding upon the heirs, executors, administrators and successors of the parties. This Agreement constitutes the entire agreement between the parties with respect to the PRS, and supersedes any prior agreements or documents with respect thereto. No amendment or alteration of these Terms and Conditions which may impose any additional obligation upon the Company shall be valid unless expressed in a written instrument duly executed in the name of the Company, and no amendment, alteration, suspension or termination of these Terms and Conditions which may materially impair the rights of Employee with respect to the PRS shall be valid unless expressed in a written instrument executed by Employee.

(b) *No Promise of Employment.* The PRS and the granting thereof shall not constitute or be evidence of any agreement or understanding, express or implied, that Employee has a right to continue as an officer or employee of the Company or the Employer for any period of time, or at any particular rate of compensation. Employee expressly recognizes that (a) the Plan and the benefits Employee may derive from participation in the Plan do not establish any rights between Employee and the Employer or the Company, (b) the Plan and the benefits Employee may derive from participation in the Plan are not part of the employment conditions and/or benefits provided by the Employer, and (c) any modifications or amendments of the Plan by the Company, or a termination of the Plan by the Company, shall not constitute a change or impairment of the terms and conditions of Employee's employment with the Employer. Employee acknowledges and agrees that the Plan is discretionary in nature and limited in duration, and may be amended, cancelled, or terminated by the Company, in its sole discretion, at any time, provided, however that any outstanding PRS shall not be materially and adversely affected without Employee's consent. The grant of Restricted Stock under the Plan is a one-time benefit and does not create any contractual or other right to receive a grant of restricted stock or other equity awards or benefits in lieu of equity awards in the future. Future grants, if any, will be at the sole discretion of the Company, including, but not limited to, the timing of any grant, the form of award, the number of shares of Common Stock covered by the award and the vesting provisions.

(c) *Compliance with Age Discrimination Rules.* If Employee is a local national of and employed in a country that is a member of the European Union, the grant of the PRS and the terms and conditions governing the grant of the PRS are intended to comply with the age discrimination provisions of the EU Equal Treatment Framework Directive, as implemented into local law (the "Age Discrimination Rules"). To the extent a court or tribunal of competent jurisdiction determines that any provision of the grant of the PRS is invalid or unenforceable, in whole or in part, under the Age Discrimination Rules, the Company, in its sole discretion, shall have the power and authority to revise or strike such provision to the minimum extent necessary to make it valid and enforceable to the full extent permitted under local law.

(d) *English Language.* Employee acknowledges and agrees that it is expressly intended that the Plan, the Agreement, these Terms and Conditions and all other documents, notices and legal proceedings entered into, given or instituted pursuant to the PRS, be in English. If Employee has received the Plan, the Agreement, these Terms and Conditions or any other documents related to the PRS translated into a language other than English, and if the meaning of the translated version is different than the English version, the English version shall control.

(e) *Addendum*. Notwithstanding any provisions of these Terms and Conditions to the contrary, the PRS shall be subject to any special terms and conditions for Employee's country of residence (and country of employment, if different) set forth in an addendum to these Terms and Conditions (an "Addendum"). Further, if Employee transfers Employee's residence and/or employment to another country reflected in an Addendum to these Terms and Conditions at the time of transfer, the special terms and conditions for such country will apply to Employee to the extent the Company determines, in its sole discretion, that the application of such terms and conditions is necessary or advisable in order to comply with local laws, rules and regulations or to facilitate the operation and administration of the PRS and the Plan (or the Company may establish alternative terms and conditions as may be necessary or advisable to accommodate Employee's transfer). In all circumstances, any applicable Addendum shall constitute part of these Terms and Conditions.

(f) *Additional Requirements*. The Company reserves the right to impose other requirements on the PRS, any shares of Common Stock acquired pursuant to the PRS, and Employee's participation in the Plan, to the extent the Company determines, in its sole discretion, that such other requirements are necessary or advisable in order to comply with local law or to facilitate the administration of the Plan. Such requirements may include (but are not limited to) requiring Employee to sign any agreements or undertakings that may be necessary to accomplish the foregoing.

(g) *Private Placement*. The grant of PRS is not intended to be a public offering of securities in Employee's country of residence (and country of employment, if different). The Company has not submitted any registration statement, prospectus or other filings with the local securities authorities (unless otherwise required under local law), and the grant of the PRS is not subject to the supervision of the local securities authorities. **No employee of the Company or any subsidiary of the Company is permitted to advise Employee on whether Employee should acquire, hold and/or sell shares of Common Stock under the Plan. The acquisition and/or disposition of shares of Common Stock involves a degree of risk, and Employee should carefully consider all risk factors relevant to Employee's personal situation. In addition, Employee should carefully review all of the materials related to the PRS and the Plan, and Employee should consult with his or her personal advisor for professional investment advice.**

(h) *Governing Law*. The validity, construction, and effect of this agreement shall be determined in accordance with the laws (including those governing contracts) of the State of New York, without giving effect to principles of conflicts of laws, and applicable U.S. Federal law. The PRS and the granting thereof are subject to the Employee's compliance with the applicable law of the jurisdiction of Employee's employment.

(i) *Notices*. Any notice to be given the Company under these Terms and Conditions shall be addressed to the Company at 521 West 57th Street, New York, NY 10019, attention: Corporate Secretary, and any notice to the Employee shall be addressed to the Employee at Employee's address as then appearing in the records of the Company.

(j) *Repatriation; Compliance with Laws*. Employee agrees, as a condition of the grant of the PRS, to repatriate all payments attributable to the PRS and/or cash acquired under the Plan (including, but not limited to, dividends, dividend equivalents, and any proceeds derived from the sale of the shares of Common Stock acquired pursuant to the PRS) in accordance with all foreign exchange rules and regulations applicable to Employee. In addition, Employee also agrees to take any and all actions, and consents to any and all actions taken by the Company and the Employer, as may be required to allow the Company and the Employer to comply with all laws, rules and regulations applicable to Employee. Finally, Employee agrees to take any and all actions as may be required to comply with Employee's personal legal and tax obligations under all laws, rules and regulations applicable to Employee.

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FORM OF
IFF 20[] EQUITY CHOICE PROGRAM
Purchased Restricted Stock Agreement – Matching Restricted Stock Units
2010 Stock Award and Incentive Plan, as amended (the “Plan”)

This Purchased Restricted Stock Agreement—Matching Restricted Stock Units (the “Agreement”), which includes the IFF 20[] Equity Choice Confirmation Statement (the “Confirmation Statement”), the Terms and Conditions of Purchased Restricted Stock—Matching Restricted Stock Units (the “Terms and Conditions”), and the Addendum to the Terms and Conditions of the Purchased Restricted Stock (the “Addendum”), confirms the grant on the Grant Date by INTERNATIONAL FLAVORS & FRAGRANCES INC., a New York corporation (the “Company”), to you (the “Employee”), of the number of shares of Purchased Restricted Stock (the “PRS”), consisting of 50% Escrowed Shares and 50% Restricted (Matched) Stock Units (“Matched Units”), set forth in the row labeled “Purchased Restricted Stock (PRS)” under the column labeled “Total Shares/Units/Rights Awarded” in the Confirmation Statement. The Employee is being granted the Purchased Restricted Stock as a consequence of Employee’s commercial relationship with the Company and/or the Company’s subsidiary or affiliate that employs Employee (“Employer”). The “Total Shares/Units” and “Grant Date” are set forth in the Confirmation Statement.

Purchase Price per Share:	Escrowed Shares either are purchased by Employee in cash, at 100% of their fair market value on the Grant Date, or are shares deposited by Employee through the “Purchased Restricted Stock — Stock Tendering Feature.” Matched Units are granted to Employee as a one-for-one match for each Escrowed Share purchased or tendered, so Matched Units are deemed to have a purchase price of zero. The purchase price per share of Escrowed Shares purchased for cash equals the amount set forth on the Confirmation Statement in the row labeled “Share Price on Grant Date.”
Aggregate Purchase Price:	For Escrowed Shares purchased for cash, Employee has paid the aggregate purchase price in cash in an amount equal to the number of such purchased Escrowed Shares times the Purchase Price Per Share, as set forth above. If Employee has tendered shares for deposit as Escrowed Shares, the tendered shares became Escrowed Shares on a one-for-one basis. The Company acknowledges receipt, as of the Grant Date, of the Aggregate Purchase Price from Employee in cash and/or satisfaction, as of the Grant Date, of the obligation to pay the Aggregate Purchase Price by Employee’s tender and deposit of shares of the Company’s Common Stock previously acquired by Employee (Note: Employee is permitted to satisfy this requirement through a combination of cash purchase of shares and tender of previously acquired shares).
Risk of Forfeiture/ Vesting of Purchased Restricted Stock:	Escrowed Shares are non-forfeitable. Matched Units vest 100% on [], 20[] (the “Stated Vesting Date”), except that different vesting provisions may apply upon certain events specified in Section 3 or 5 hereof.

The PRS is an award of shares of the Company’s Common Stock (the “Common Stock”) and deferred stock granted under Sections 6(e) of the Plan. The Matched Units (representing 50% of the award of the PRS) are subject to the risk of forfeiture and other restrictions specified in the Plan and this Agreement, including the Terms and Conditions of Purchased Restricted Stock attached hereto. Except as otherwise provided in the Terms and Conditions, the Matched Units granted hereunder will be settled by delivery of one share of Common Stock for each Matched Unit being settled. Such settlement shall occur promptly

on or following the vesting of each Matched Unit as specified above, subject to Section of the Terms and Conditions. Any reference in this Agreement to settlement "promptly" upon a [Vesting Date] requires that shares of Common Stock be delivered no more than 60 days after the Vesting Date. The number of Matched Units and the kind of shares deliverable in settlement of the Matched Units, and other terms of the PRS, are subject to adjustment in accordance with Section 4 hereof and Section 11(c) of the Plan.

Employee acknowledges and agrees that (i) rights under this PRS award and the Matched Units prior to vesting are nontransferable, except as provided in Section 11(b) of the Plan (ii) the Matched Units, and certain amounts of gain realized upon vesting and settlement of the Matched Units, are subject to forfeiture in the event Employee fails to meet applicable requirements relating to non-competition, confidentiality, non-solicitation of customers, suppliers, business associates, employees and service providers, non-disparagement and cooperation in litigation with respect to the Company and its subsidiaries and affiliates, and financial reporting, as set forth in Section 7 hereof and Section 10 of the Plan, (iii) the Matched Units are subject to forfeiture in the event of Employee's Termination of Employment in certain circumstances prior to vesting, as specified in Section 3 hereof, (iv) sales of shares of Common Stock delivered upon vesting and settlement of the Matched Units and release of Escrowed Shares will be subject to the Company's policies regulating trading by employees, and (v) a copy of the Plan and related prospectus have previously been delivered to Employee, are being delivered to Employee or are available as specified in Section 1 hereof. ***In addition, and without limiting the foregoing, Employee consents, acknowledges and agrees that, as a condition to the grant of PRS hereunder, Section 10(d) of the Plan, which relates to forfeitures of Awards (as defined in the Plan) in the event of financial reporting misconduct, will apply to the Matched Units granted hereunder as well as to any other Awards that may have been granted to Employee prior to the Grant Date set forth above.*** The grant of PRS under the Plan is a one-time benefit and does not create any contractual or other right to receive a grant of restricted stock units, stock options or benefits in lieu of restricted stock units or stock options in the future. Future grants, if any, will be at the sole discretion of the Company including, but not limited to, the timing of any grant, the form of award, the number of shares of Common Stock covered by the award and the vesting provisions.

BY ELECTRONICALLY ACCEPTING THE AWARD, EMPLOYEE AGREES TO BE BOUND BY THE PROVISIONS OF THE PLAN, THE AGREEMENT, THE TERMS AND CONDITIONS AND THE CONFIRMATION STATEMENT. EMPLOYEE HAS REVIEWED THE PLAN, THE AGREEMENT, THE TERMS AND CONDITIONS AND THE CONFIRMATION STATEMENT IN THEIR ENTIRETY, HAS HAD AN OPPORTUNITY TO OBTAIN THE ADVICE OF COUNSEL PRIOR TO ACCEPTING THE AWARD AND FULLY UNDERSTANDS ALL OF THE PROVISIONS OF THE PLAN, THE AGREEMENT, THE TERMS AND CONDITIONS AND THE CONFIRMATION STATEMENT. EMPLOYEE HAS BEEN PROVIDED WITH A COPY OR ELECTRONIC ACCESS TO A COPY OF THE U.S. PROSPECTUS FOR THE PLAN AND THE TAX SUPPLEMENT TO THE U.S. PROSPECTUS FOR EMPLOYEE'S COUNTRY OF EMPLOYMENT. EMPLOYEE HEREBY AGREES TO ACCEPT AS BINDING, CONCLUSIVE AND FINAL ALL DECISIONS OR INTERPRETATIONS OF THE COMMITTEE UPON ANY QUESTIONS ARISING UNDER THE PLAN, THE AGREEMENT, THE TERMS AND CONDITIONS AND THE CONFIRMATION STATEMENT.

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INTERNATIONAL FLAVORS & FRAGRANCES INC.

2010 Stock Award and Incentive Plan

TERMS AND CONDITIONS OF
PURCHASED RESTRICTED STOCK — MATCHING RESTRICTED STOCK UNITS

The following Terms and Conditions apply to the PRS granted to Employee by INTERNATIONAL FLAVORS & FRAGRANCES INC. (the “Company”), as specified in the Purchased Restricted Stock Agreement—Matching Restricted Stock Units (of which these Terms and Conditions form a part). Employee is being granted the PRS as a consequence of Employee’s commercial relationship with the Company and the Company’s subsidiary or affiliate that employs Employee (“Employer”). Certain terms of the PRS, including the number of Escrowed Shares purchased and the number of Matched Units, Purchase Price per Share of the Escrowed Shares and the Stated Vesting Date of the Matched Units are set forth on the preceding pages or on the Confirmation Statement.

1. **General.** The award of PRS is granted to Employee under the Company’s 2010 Stock Award and Incentive Plan, as amended (the “Plan”), a copy of which is available for review, along with other documents constituting the “prospectus” for the Plan, on the Company’s intranet site at One IFF/Corporate/Law Department. All of the applicable terms, conditions and other provisions of the Plan are incorporated by reference herein. Capitalized terms used in these Terms and Conditions but not defined herein shall have the same meanings as defined in the Plan. If there is any conflict between the provisions of this document and mandatory provisions of the Plan, the provisions of the Plan govern. By accepting the grant of the PRS, Employee agrees to be bound by all of the terms and provisions of the Plan (as presently in effect or later amended), the rules and regulations under the Plan adopted from time to time, and the decisions and determinations of the Company’s Compensation Committee (the “Committee”) made from time to time, provided that no amendment or other change to the Plan or a current rule, regulation or Committee decision or determination shall materially and adversely affect the rights of the Employee with respect to outstanding Escrowed Shares and Matched Units without the consent of Employee.

2. **Terms of Escrowed Shares and Matched Units.**

(a) **Escrowed Shares.** In the case of Escrowed Shares purchased by Employee, the Company will cause Escrowed Shares to be transferred to Employee out of the Company’s treasury shares and registered in the name of Employee (in accordance with Section 8(c) hereof) effective as of the Grant Date. In the case of shares tendered by Employee for deposit as Escrowed Shares, the Company will receive such shares (subject to any change in share registration necessary to give effect to such deposit). Possession of the share certificates or other evidence of ownership of the Escrowed Shares shall be retained by the Company in escrow in an account maintained by the Company’s transfer agent (or such other account as the Company may designate), and shall be subject to the following:

- (i) **Withdrawal and Release of Escrowed Shares; Forfeiture of Corresponding Matched Units.** Employee shall have the right to withdraw any or all of the Escrowed Shares at any time, by written notice addressed to the Company. Withdrawal of Escrowed Shares will result in forfeiture of a corresponding number of Matched Units, except Escrowed Shares shall be released (i) upon Employee’s Termination of Employment (as defined below), even if Matched Units remain outstanding and subject to future vesting, and (ii) upon the vesting of Matched Units. Upon a withdrawal, the Company will promptly deliver the certificate or other evidence of ownership of the withdrawn Escrowed Shares to Employee, or otherwise deposit the shares in an account for Employee. Employee has no right to a refund of the cash purchase price of the Escrowed Shares previously paid by Employee or other right to cause the Company or any affiliate to repurchase the Escrowed Shares.

- (ii) **Transferability Restrictions.** Escrowed Shares may not be transferred, sold, assigned, pledged or encumbered, hedged or disposed of while remaining in escrow, except for estate-planning arrangements as may be permitted by the Company and subject to the conditions under Section 11(b) of the Plan. Any attempted action of such nature with respect to Escrowed Shares shall be treated as a withdrawal.
 - (iii) The Committee may accelerate the release of Escrowed Shares, in its discretion, but such accelerated release shall not result in the forfeiture of corresponding Matched Units.
- (b) *Matched Units.* The Company has granted the Matched Units to Employee effective as of the Grant Date, subject to the following:
- (i) **No Elective Settlement.** Employee shall have no right to elect the time of settlement of Matched Units; the Matched Units will be settled only at the times specified in these Terms and Conditions.
 - (ii) **Transferability Restrictions.** Until such time as the Matched Units become vested and are settled in accordance with the terms of these Terms and Conditions, Employee may not transfer Matched Units or any rights hereunder to any third party other than by will or the applicable laws of descent and distribution, except for transfers to a Beneficiary upon death of Employee or otherwise if and to the extent permitted by the Company and subject to the conditions under Section 11(b) of the Plan.
 - (iii) This restriction on transfer precludes any sale, assignment, pledge, or other encumbrance, hedge or disposition of the Matched Units (except for forfeitures to the Company). The Company shall maintain a bookkeeping account for Employee (the “Account”) reflecting the number of Matched Units then credited to Employee hereunder.

3. Termination Provisions. Upon any Termination of Employment, all Escrowed Shares will be released from escrow and delivered as provided in Section 2(a)(i). The following provisions will govern the vesting and forfeiture of Matched Units in the event of Employee’s Termination of Employment (as defined below), provided that the Committee retains its powers to accelerate vesting of Matched Units or to modify these terms subject to the consent of Employee in the case of a modification materially adverse to Employee:

(a) *Termination by the Employer for Cause or Resignation by the Employee.* In the event of Employee’s Termination of Employment due to his or her voluntarily resignation (other than a Normal or Early Retirement governed by clause (b) or (c) below) or Termination of Employment by the Employer for Cause (as defined below), all unvested Matched Units will be immediately forfeited.

(b) *Disability or Normal Retirement.* In the event of Employee’s Termination of Employment due to Disability (as defined below) or Normal Retirement (as defined below), Employee’s unvested Matched Units will not be forfeited, but will remain outstanding and will become vested at the applicable date under these Terms and Conditions as though Employee had not had such a Termination of Employment; provided that Employee shall forfeit the unvested Matched Units if during the period following Termination of Employment up to the date of vesting Employee engages in activity that results in a Forfeiture Event set forth in Section 10 of the Plan. Employee acknowledges that the Committee has relied on the discretion granted to it under Section 10(d) of the Plan in requiring forfeiture of Matched Units upon occurrence of a Forfeiture Event during the applicable period following Termination of Employment.

(c) *Termination by the Employer Not for Cause or Early Retirement.* In the event of Employee’s Termination of Employment by the Employer not for Cause or Employee’s Early Retirement, the following rules apply:

- (i) A pro rata portion of Employee’s then unvested Matched Units will not be forfeited, but will remain outstanding and will become vested at the applicable date under these Terms and Conditions as though Employee had not had such a Termination of Employment.

This pro rata portion will be determined by multiplying the number of unvested Matched Units by a fraction the numerator of which is the number of days from the Grant Date to the date of Employee's Termination of Employment and the denominator of which is 1,066; provided that Employee shall forfeit the unvested Matched Units if during the period following Termination of Employment up to the date of vesting Employee engages in activity that results in a Forfeiture Event set forth in Section 10 of the Plan. Employee acknowledges that the Committee has relied on the discretion granted to it under Section 10(d) of the Plan in requiring forfeiture of the pro rata Matched Units upon occurrence of a Forfeiture Event during the applicable period following Termination of Employment.

(ii) Employee's Matched Units that had not become vested before such Termination of Employment and which are not included in the pro rata portion subject to continued vesting will be immediately forfeited.

(d) *Death*. In the event of Employee's Termination of Employment due to death or the death of Employee following Termination of Employment but prior to vesting of Matched Units not otherwise forfeited hereunder, Employee's unvested Matched Units will not be forfeited but will become immediately vested and settled by delivery of shares to the executor of Employee's estate or other person legally entitled to such delivery.

(e) *Certain Definitions*. The following definitions apply for purposes of these Terms and Conditions:

(i) "Cause" has the meaning as defined in the Company's Executive Separation Policy or any successor policy thereto, as in effect at the time of Employee's Termination of Employment.

(ii) "Disability" means a disability entitling Employee to long-term disability benefits under the Employer's or the Company's long-term disability policy as in effect at the date of Employee's Termination of Employment, upon written evidence of such permanent disability from a medical doctor in a form satisfactory to the Employer or the Company.

(iii) "Early Retirement" means Termination of Employment by either the Employer or Employee after Employee has attained age 55 and before he or she has attained age 62 if at the time of Termination of Employment, Employee has ten or more years in the employ of the Employer, the Company or another subsidiary of the Company.

(iv) "Normal Retirement" means Termination of Employment by either the Employer or Employee after Employee has attained age 62.

(v) "Termination of Employment" means the event by which Employee ceases to be employed by the Employer and, immediately thereafter, is not employed by or providing substantial services to the Company or any subsidiary of the Company. If Employee is granted a leave of absence for military or governmental service or other purposes approved by the Committee, he or she shall be considered as continuing in the employ of the Employer, the Company or another subsidiary of the Company for the purpose of this subsection, while on such authorized leave of absence. Notwithstanding anything to the contrary in the Plan or the Agreement, and for purposes of clarity, any Termination of Employment shall be effective as of the date the Employee's active employment ends and shall not be extended by any statutory or common law notice period.

4. ***Dividends and Distributions and Adjustments***.

(a) *Dividends and Distributions*. Employee shall be entitled to receive with respect to the Escrowed Shares all dividends and distributions payable on shares of Common Stock (including for this purpose any forward stock split) if and to the extent that Employee is the record owner of such shares of Common Stock on any record date for such a dividend or distribution. Matched Units that are outstanding

at the relevant dividend record date that occurs before the issuance of shares of Common Stock in settlement of such Matched Units (whether or not such Matched Units are then vested) shall be entitled to payments or credits equivalent to dividends that would have been paid if the Matched Units had been outstanding shares of Common Stock at such record date. Cash will be credited as dividend equivalents in the case of any cash dividend, and form and amount of any dividend equivalent in the case of any non-cash dividend will be determined by the Committee in an equitable manner in its discretion. Amounts credited as dividend equivalents in respect of Matched Units are not forfeitable, and will be distributed to Employee at the time of settlement or forfeiture of the related Matched Units.

(b) *Adjustments.* The number and kind of Escrowed Shares and Matched Units credited to Employee's Account and other terms and conditions thereof or otherwise contained in these Terms and Conditions shall be appropriately adjusted, in order to prevent dilution or enlargement of Employee's rights hereunder, to reflect any changes in the number of outstanding shares of Common Stock resulting from any event referred to in Section 11(c) of the Plan, taking into account any cash, or other amounts paid or credited to Employee in connection with such event under Section 4(a) hereof, in the sole discretion of the Committee. The Committee may determine how to treat or settle any fractional share resulting under this Agreement.

5. **Change in Control Provisions.** The provisions of Section 9(a)(ii) of the Plan shall apply to the Matched Units and, if Employee is a participant under the Executive Separation Policy, the terms of that Policy shall also apply to the Matched Units, with any vesting of Matched Units to result in the release of corresponding Escrowed Shares from escrow and delivery to Employee as provided in Section 2(a)(i). If this Section 5 would apply in the case of a Termination of Employment otherwise governed by Section 3(a), (b) or (c) hereof, the provisions of this Section 5 shall govern.

6. **Code Section 409A Compliance.** Employee was not subject to taxation under United States Federal income tax laws at the time of grant of the PRS award. Therefore, the grant of Matched Units and related terms are not necessarily compliant with requirements under Section 409A of the U.S. Internal Revenue Code (the "Code"). If, prior to settlement of Matched Units, Employee becomes subject to such U.S. Federal income taxes, Employee and the Company agree that, if possible, the terms of the PRS award shall be modified to meet then applicable requirements under Section 409A.

7. **Additional Forfeiture Provisions.** Employee agrees that, by signing these Terms and Conditions and accepting the grant of the Matched Units, the forfeiture conditions set forth in Section 10 of the Plan shall apply to the Matched Units and to gains realized upon the vesting of the Matched Units.

8. **Other Terms of the PRS.**

(a) *Voting and Other Shareholder Rights.* Employee shall be entitled to vote Escrowed Shares on any matter submitted to a vote of holders of shares of Common Stock, and shall have all other rights of a shareholder of the Company relating to Escrowed Shares, except as expressly limited by these Terms and Conditions. Employee shall have no right to vote or other shareholder rights relating to the Matched Units until such time as shares of Common Stock have been delivered to Employee in settlement of such Matched Units.

(b) *Employee Representations and Warranties Upon Vesting.* As a condition to the vesting of Matched Units, the Company or the Employer may require Employee to make any representation or warranty to the Company of the Employer as may be required under any applicable law or regulation, and to make a representation and warranty that no Forfeiture Event has occurred or is contemplated within the meaning of Section 10 of the Plan.

(c) *Certificates/DRS.* Escrowed Shares shall be evidenced by issuance of one or more certificates or in certificate-less form under the Direct Registration System ("DRS") established by the Company, in the name of Employee, bearing an appropriate legend referring to the terms, conditions, and restrictions applicable hereunder, and shall remain in the physical custody of the General Counsel of the Company or his designee until such time as such Escrowed Shares shall have been released and the Matched Units have become vested and the restrictions hereunder have therefore lapsed. In addition,

Escrowed Shares and Matched Units shall be subject to such stop-transfer orders and other restrictive measures as the General Counsel of the Company shall deem advisable under federal or state securities laws, rules and regulations thereunder, and the rules of the New York Stock Exchange, or to implement the terms, conditions and restrictions hereunder, and the General Counsel may cause a legend or legends to be placed on any such certificates or DRS accounts to make appropriate reference to the terms, conditions and restrictions hereunder.

(d) *Fractional Matched Units and shares of Commons Stock.* The number of Matched Units credited to Employee's Account shall include fractional Matched Units, if any, calculated to at least three decimal places, unless otherwise determined by the Committee. Unless settlement is effected through a third-party broker or agent that can accommodate fractional shares of Common Stock (without requiring issuance of a fractional share by the Company), upon settlement of the Matched Units Employee shall be paid, in cash, an amount equal to the value of any fractional share of Common Stock that would have otherwise been deliverable in settlement of such Matched Units. Notwithstanding the foregoing, the Company may, in its sole discretion, settle the Matched Units in the form of: (1) a cash payment to the extent settlement in shares of Common Stock (A) is prohibited under local law, (B) would require Employee, the Company or the Employer to obtain the approval of any governmental and/or regulatory body in Employee's country of residence (and country of employment, if different), or (C) is administratively burdensome; or (2) shares of Common Stock, but require Employee to immediately sell such shares of Common Stock (in which case, these Terms and Conditions shall provide the Company with the authority to issue sales instructions in relation to such shares of Common Stock on Employee's behalf).

(e) *Mandatory Tax Withholding.* Regardless of any action the Company and the Employer take with respect to any or all income tax (including U.S. federal, state and local taxes and/or non-U.S. taxes), social insurance, payroll tax, payment on account or other tax-related withholding ("Tax-Related Items"), Employee acknowledges that the ultimate liability for all Tax-Related Items legally due by Employee is and remains Employee's responsibility, and that the Company and the Employer: (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the PRS, including Employee's purchase or tendering of Escrowed Shares or the grant to Employee of the Matched Units, the vesting of the Matched Units, the subsequent sale of any shares of Common Stock acquired pursuant to the PRS and the receipt of any dividends or dividend equivalents; and (2) do not commit to structure the terms of the grant or any aspect of the PRS to reduce or eliminate Employee's liability for Tax-Related Items. Unless otherwise determined by the Committee, at the time of settlement, the Company will withhold from any shares of Common Stock deliverable in settlement of the Matched Units, in accordance with Section 11(d) of the Plan, the number of whole shares of Common Stock having a value as nearly as possible equal to the amount of Tax-Related Items required to be withheld under applicable local laws and regulations, and pay such amount in cash to the appropriate taxing authorities (share withholding will be rounded to whole shares of Common Stock in accordance with applicable accounting rules). Alternatively, the Company or the Employer may, in its discretion, withhold any amount necessary to pay the Tax-Related Items from Employee's salary/wages or other amounts payable to Employee, with no withholding in shares of Common Stock, to the fullest extent permitted by law. In the event the withholding requirements are not satisfied through the withholding of shares of Common Stock or through the Employee's salary/wages or other amounts payable to the Employee, no shares of Common Stock will be issued upon vesting of the Matched Units or release of shares from escrow unless and until satisfactory arrangements (as determined by the Company) have been made by Employee with respect to the payment of any Tax-Related Items which the Company and/or the Employer determines, in its sole discretion, must be withheld or collected with respect to such vesting. By accepting this grant of PRS, Employee expressly consents to the withholding of shares of Common Stock and/or cash as provided for hereunder. All other Tax-Related Items related to the PRS and any shares of Common Stock delivered in payment thereof are Employee's sole responsibility. Employee will be responsible for any taxes relating to the PRS and the vesting thereof not satisfied by means of such mandatory withholding.

(f) *Employee Consent.* By signing these Terms and Conditions, Employee voluntarily acknowledges and consents to the collection, use, processing and transfer of personal data as described in this Section 8(f). Employee is not obliged to consent to such collection, use, processing and transfer of

personal data; however, failure to provide the consent may affect Employee's ability to participate in the Plan. The Company and its subsidiaries hold, for the purpose of managing and administering the Plan, certain personal information about Employee, including Employee's name, home address and telephone number, date of birth, social security number or other employee identification number, salary, nationality, job title, any shares of Common Stock of stock or directorships held in the Company, and details of all options or any other entitlement to shares of Common Stock of stock awarded, canceled, purchased, vested, unvested or outstanding in Employee's favor ("Data"). The Company and/or its subsidiaries will transfer Data among themselves as necessary for the purpose of implementation, administration and management of Employee's participation in the Plan and the Company and/or any of its subsidiaries may each further transfer Data to any third parties assisting the Company in the implementation, administration and management of the Plan. These recipients may be located in the European Economic Area, or elsewhere throughout the world, such as the United States. Employee authorizes them to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing Employee's participation in the Plan, including any requisite transfer of such Data as may be required for the administration of the Plan and/or the subsequent holding of shares of Common Stock on Employee's behalf to a broker or other third party with whom Employee may elect to deposit any shares of Common Stock acquired pursuant to the Plan. Employee may, at any time, review Data, require any necessary amendments to it or withdraw the consents herein in writing by contacting the Company; however, withdrawing consent may affect Employee's ability to participate in the Plan.

(g) *Voluntary Participation.* Employee's participation in the Plan is voluntary. The value of the Matched Units is an extraordinary item of compensation. As such, the Matched Units is not part of normal or expected compensation for purposes of calculating any severance, resignation, redundancy, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments.

(h) *Consent to Electronic Delivery.* EMPLOYEE HEREBY CONSENTS TO ELECTRONIC DELIVERY OF THE PLAN, THE PROSPECTUS FOR THE PLAN AND OTHER DOCUMENTS RELATED TO THE PLAN (COLLECTIVELY, THE "PLAN DOCUMENTS"). THE COMPANY WILL DELIVER THE PLAN DOCUMENTS ELECTRONICALLY TO EMPLOYEE BY E-MAIL, BY POSTING SUCH DOCUMENTS ON ITS INTRANET WEBSITE OR BY ANOTHER MODE OF ELECTRONIC DELIVERY AS DETERMINED BY THE COMPANY IN ITS SOLE DISCRETION. THE COMPANY WILL SEND TO EMPLOYEE AN E-MAIL ANNOUNCEMENT WHEN A NEW PLAN DOCUMENT IS AVAILABLE ELECTRONICALLY FOR EMPLOYEE'S REVIEW, DOWNLOAD OR PRINTING AND WILL PROVIDE INSTRUCTIONS ON WHERE THE PLAN DOCUMENT CAN BE FOUND. UNLESS OTHERWISE SPECIFIED IN WRITING BY THE COMPANY, EMPLOYEE WILL NOT INCUR ANY COSTS FOR RECEIVING THE PLAN DOCUMENTS ELECTRONICALLY THROUGH THE COMPANY'S COMPUTER NETWORK. EMPLOYEE WILL HAVE THE RIGHT TO RECEIVE PAPER COPIES OF ANY PLAN DOCUMENT BY SENDING A WRITTEN REQUEST FOR A PAPER COPY TO THE ADDRESS SPECIFIED IN SECTION 9(i) HEREOF. EMPLOYEE'S CONSENT TO ELECTRONIC DELIVERY OF THE PLAN DOCUMENTS WILL BE VALID AND REMAIN EFFECTIVE UNTIL THE EARLIER OF (1) THE TERMINATION OF EMPLOYEE'S PARTICIPATION IN THE PLAN AND (2) THE WITHDRAWAL OF EMPLOYEE'S CONSENT TO ELECTRONIC DELIVERY OF THE PLAN DOCUMENTS. THE COMPANY ACKNOWLEDGES AND AGREES THAT EMPLOYEE HAS THE RIGHT AT ANY TIME TO WITHDRAW HIS OR HER CONSENT TO ELECTRONIC DELIVERY OF THE PLAN DOCUMENTS BY SENDING A WRITTEN NOTICE OF WITHDRAWAL TO THE ADDRESS SPECIFIED IN SECTION 9(i) HEREOF. IF EMPLOYEE WITHDRAWS HIS OR HER CONSENT TO ELECTRONIC DELIVERY, THE COMPANY WILL RESUME SENDING PAPER COPIES OF THE PLAN DOCUMENTS WITHIN TEN (10) BUSINESS DAYS OF ITS RECEIPT OF THE WITHDRAWAL NOTICE. EMPLOYEE ACKNOWLEDGES THAT HE OR SHE IS ABLE TO ACCESS, VIEW AND RETAIN AN E-MAIL ANNOUNCEMENT INFORMING EMPLOYEE THAT THE PLAN DOCUMENTS ARE AVAILABLE IN EITHER HTML, PDF OR SUCH OTHER FORMAT AS THE COMPANY DETERMINES IN ITS SOLE DISCRETION.

(i) *Statements.* An individual statement of each Employee's Account may be issued to each Employee at such times as may be determined by the Company. Such a statement shall reflect the number of Matched Units credited to Employee's Account, transactions therein during the period covered by the statement, and other information deemed relevant by the Committee. Such a statement may be combined with or include information regarding other plans and compensatory arrangements for employees. Any statement containing an error shall not, however, represent a binding obligation to the extent of such error.

9. *Miscellaneous.*

(a) *Binding Agreement; Written Amendments.* This Agreement shall be binding upon the heirs, executors, administrators and successors of the parties. This Agreement constitutes the entire agreement between the parties with respect to the PRS, and supersedes any prior agreements or documents with respect thereto. No amendment or alteration of these Terms and Conditions which may impose any additional obligation upon the Company shall be valid unless expressed in a written instrument duly executed in the name of the Company, and no amendment, alteration, suspension or termination of these Terms and Conditions which may materially impair the rights of Employee with respect to the PRS shall be valid unless expressed in a written instrument executed by Employee.

(b) *No Promise of Employment.* The PRS and the granting thereof shall not constitute or be evidence of any agreement or understanding, express or implied, that Employee has a right to continue as an officer or employee of the Company or the Employer for any period of time, or at any particular rate of compensation. Employee expressly recognizes that (a) the Plan and the benefits Employee may derive from participation in the Plan do not establish any rights between Employee and the Employer or the Company, (b) the Plan and the benefits Employee may derive from participation in the Plan are not part of the employment conditions and/or benefits provided by the Employer, and (c) any modifications or amendments of the Plan by the Company, or a termination of the Plan by the Company, shall not constitute a change or impairment of the terms and conditions of Employee's employment with the Employer. Employee acknowledges and agrees that the Plan is discretionary in nature and limited in duration, and may be amended, cancelled, or terminated by the Company, in its sole discretion, at any time, provided, however that any outstanding PRS shall not be materially and adversely affected without Employee's consent. The grant of restricted stock units under the Plan is a one-time benefit and does not create any contractual or other right to receive a grant of restricted stock units or other equity awards or benefits in lieu of equity awards in the future. Future grants, if any, will be at the sole discretion of the Company, including, but not limited to, the timing of any grant, the form of award, the number of shares of Common Stock covered by the award and the vesting provisions.

(c) *Compliance with Age Discrimination Rules.* If Employee is a local national of and employed in a country that is a member of the European Union, the grant of the PRS and the terms and conditions governing the grant of the PRS are intended to comply with the age discrimination provisions of the EU Equal Treatment Framework Directive, as implemented into local law (the "Age Discrimination Rules"). To the extent a court or tribunal of competent jurisdiction determines that any provision of the grant of the PRS is invalid or unenforceable, in whole or in part, under the Age Discrimination Rules, the Company, in its sole discretion, shall have the power and authority to revise or strike such provision to the minimum extent necessary to make it valid and enforceable to the full extent permitted under local law.

(d) *English Language.* Employee acknowledges and agrees that it is expressly intended that the Plan, the Agreement, these Terms and Conditions and all other documents, notices and legal proceedings entered into, given or instituted pursuant to the PRS, be in English. If Employee has received the Plan, the Agreement, these Terms and Conditions or any other documents related to the PRS translated into a language other than English, and if the meaning of the translated version is different than the English version, the English version shall control.

(e) *Addendum.* Notwithstanding any provisions of these Terms and Conditions to the contrary, the PRS shall be subject to any special terms and conditions for Employee's country of residence (and country of employment, if different) set forth in an addendum to these Terms and Conditions (an "Addendum"). Further, if Employee transfers Employee's residence and/or employment to another country reflected in an Addendum to these Terms and Conditions at the time of transfer, the special terms and conditions for such country will apply to Employee to the extent the Company determines, in its sole discretion, that the application of such terms and conditions is necessary or

advisable in order to comply with local laws, rules and regulations or to facilitate the operation and administration of the PRS and the Plan (or the Company may establish alternative terms and conditions as may be necessary or advisable to accommodate Employee's transfer). In all circumstances, any applicable Addendum shall constitute part of these Terms and Conditions.

(f) *Additional Requirements.* The Company reserves the right to impose other requirements on the PRS, any shares of Common Stock acquired pursuant to the PRS, and Employee's participation in the Plan, to the extent the Company determines, in its sole discretion, that such other requirements are necessary or advisable in order to comply with local law or to facilitate the administration of the Plan. Such requirements may include (but are not limited to) requiring Employee to sign any agreements or undertakings that may be necessary to accomplish the foregoing.

(g) *Private Placement.* The grant of PRS is not intended to be a public offering of securities in Employee's country of residence (and country of employment, if different). The Company has not submitted any registration statement, prospectus or other filings with the local securities authorities (unless otherwise required under local law), and the grant of the PRS is not subject to the supervision of the local securities authorities. **No employee of the Company or any subsidiary of the Company is permitted to advise Employee on whether Employee should acquire, hold and/or sell shares of Common Stock under the Plan. The acquisition and/or disposition of shares of Common Stock involves a degree of risk, and Employee should carefully consider all risk factors relevant to Employee's personal situation. In addition, Employee should carefully review all of the materials related to the PRS and the Plan, and Employee should consult with his or her personal advisor for professional investment advice.**

(h) *Governing Law.* The validity, construction, and effect of this agreement shall be determined in accordance with the laws (including those governing contracts) of the State of New York, without giving effect to principles of conflicts of laws, and applicable U.S. Federal law. The PRS and the granting thereof are subject to the Employee's compliance with the applicable law of the jurisdiction of Employee's employment.

(i) *Notices.* Any notice to be given the Company under these Terms and Conditions shall be addressed to the Company at 521 West 57th Street, New York, NY 10019, attention: Corporate Secretary, and any notice to the Employee shall be addressed to the Employee at Employee's address as then appearing in the records of the Company.

(j) *Repatriation; Compliance with Laws.* Employee agrees, as a condition of the grant of the PRS, to repatriate all payments attributable to the PRS and/or cash acquired under the Plan (including, but not limited to, dividends, dividend equivalents, and any proceeds derived from the sale of the shares of Common Stock acquired pursuant to the PRS) in accordance with all foreign exchange rules and regulations applicable to Employee. In addition, Employee also agrees to take any and all actions, and consents to any and all actions taken by the Company and the Employer, as may be required to allow the Company and the Employer to comply with all laws, rules and regulations applicable to Employee. Finally, Employee agrees to take any and all actions as may be required to comply with Employee's personal legal and tax obligations under all laws, rules and regulations applicable to Employee.

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**Form of
IFF 20[] EQUITY CHOICE PROGRAM
Restricted Stock Units Agreement**

2010 Stock Award and Incentive Plan, as amended (the "Plan")

This Restricted Stock Units Agreement (the "Agreement"), which includes the IFF 20[] Equity Choice Confirmation Statement (the "Confirmation Statement"), the Terms and Conditions of Restricted Stock Units (the "Terms and Conditions") and the Addendum to the Terms and Conditions of the Restricted Stock Units (the "Addendum"), confirms the grant on the Grant Date by INTERNATIONAL FLAVORS & FRAGRANCES INC., a New York corporation (the "Company"), to you (the "Employee") of the number of Restricted Stock Units (the "Units") set forth in the row labeled "Restricted Stock Units (RSUs)" under the column labeled "Total Shares/Units/Rights Awarded" in the Confirmation Statement. Employee is being granted the Units as a consequence of the commercial relationship between the Company and the Company's subsidiary or affiliate that employs Employee ("Employer"). The "Total Units" and "Grant Date" are set forth in the Confirmation Statement.

All Units will vest on [], 20[] (the "Vesting Date"), if not previously forfeited. In addition, the Units will become immediately vested upon a Change in Control or upon the occurrence of certain events relating to Employee's Termination of Employment in accordance with Section 4 of the Terms and Conditions.

Except as otherwise provided in the Terms and Conditions, the Units granted hereunder will be settled by delivery of one share of the Company's Common Stock for each Unit being settled. Such settlement shall occur promptly on or following the vesting (the lapse of the risk of forfeiture) of each Unit as specified above, subject to Section 6. Any reference in this Agreement to settlement "promptly" upon a [Vesting Date] requires that shares of Common Stock be delivered no more than 60 days after the Vesting Date (or within fourteen days following certain vesting events, as specified below).

* * * * *

The Units are granted under Section 6(e) of the 2010 Stock Award and Incentive Plan (the "Plan"), and are subject to the terms and conditions of the Plan and this Agreement, including the Terms and Conditions of Restricted Stock Units attached hereto. The number of Units and the kind of shares of Common Stock deliverable in settlement of Units are subject to adjustment in accordance with Section 5 hereof and Section 11(c) of the Plan.

Employee acknowledges and agrees that (i) the Units are nontransferable, except as provided in Section 3 hereof and Section 11(b) of the Plan, (ii) the Units, and certain amounts of income realized upon settlement of Units, are subject to forfeiture in the event Employee fails to meet applicable requirements relating to non-competition, confidentiality, non-solicitation of customers, suppliers, business associates, employees and service providers, non-disparagement and cooperation in litigation with respect to the Company and its subsidiaries and affiliates, and financial reporting, as set forth in Section 7 hereof and Section 10 of the Plan, (iii) the Units are subject to forfeiture in the event of Employee's Termination of Employment in certain circumstances prior to vesting, as specified in Section 4 hereof, (iv) sales of shares of Common Stock delivered in settlement of the Units will be subject to the Company's policies regulating trading by employees, and (v) a copy of the Plan and related prospectus have previously been delivered to Employee, are being delivered to Employee or are available as specified in Section 1 hereof. ***In addition, and without limiting the foregoing, Employee consents, acknowledges and agrees that, as a condition to the grant of Units hereunder, Section 10(d) of the Plan, which relates to forfeitures of Awards (as defined in the Plan) in the event of financial reporting misconduct, will apply to the Units granted hereunder as well as to any other Awards that may have been granted to Employee prior to the Grant Date set forth above.*** The grant of Units under the Plan is a one-time

benefit and does not create any contractual or other right to receive a grant of restricted stock units, stock options or benefits in lieu of restricted stock units or stock options in the future. Future grants, if any, will be at the sole discretion of the Company, including, but not limited to, the timing of any grant, the form of award, the number of shares of Common Stock covered by the award and the vesting provisions.

BY ELECTRONICALLY ACCEPTING THE AWARD, EMPLOYEE AGREES TO BE BOUND BY THE PROVISIONS OF THE PLAN, THE AGREEMENT, THE TERMS AND CONDITIONS AND THE CONFIRMATION STATEMENT. EMPLOYEE HAS REVIEWED THE PLAN, THE AGREEMENT, THE TERMS AND CONDITIONS AND THE CONFIRMATION STATEMENT IN THEIR ENTIRETY, HAS HAD AN OPPORTUNITY TO OBTAIN THE ADVICE OF COUNSEL PRIOR TO ACCEPTING THE AWARD AND FULLY UNDERSTANDS ALL OF THE PROVISIONS OF THE PLAN, THE AGREEMENT, THE TERMS AND CONDITIONS AND THE CONFIRMATION STATEMENT. EMPLOYEE HAS BEEN PROVIDED WITH A COPY OR ELECTRONIC ACCESS TO A COPY OF THE U.S. PROSPECTUS FOR THE PLAN AND THE TAX SUPPLEMENT TO THE U.S. PROSPECTUS FOR EMPLOYEE'S COUNTRY OF EMPLOYMENT. EMPLOYEE HEREBY AGREES TO ACCEPT AS BINDING, CONCLUSIVE AND FINAL ALL DECISIONS OR INTERPRETATIONS OF THE COMMITTEE UPON ANY QUESTIONS ARISING UNDER THE PLAN, THE AGREEMENT, THE TERMS AND CONDITIONS AND THE CONFIRMATION STATEMENT.

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INTERNATIONAL FLAVORS & FRAGRANCES INC.

2010 Stock Award and Incentive Plan

TERMS AND CONDITIONS OF RESTRICTED STOCK UNITS

The following Terms and Conditions apply to the Units granted to Employee by INTERNATIONAL FLAVORS & FRAGRANCES INC. (the "Company"), as specified in the Restricted Stock Units Agreement (of which these Terms and Conditions form a part). Employee is being granted the Units as a consequence of the commercial relationship between the Company and the Company's subsidiary or affiliate that employs Employee ("Employer"). Certain terms of the Units, including the number of Units granted, vesting date(s) and settlement date, are set forth on the preceding pages.

1. **General.** The Units are granted to Employee under the Company's 2010 Stock Award and Incentive Plan, as amended (the "Plan"), a copy of which is available for review, along with other documents constituting the "prospectus" for the Plan, on the Company's intranet site at One IFF/Corporate/Law Department. All of the applicable terms, conditions and other provisions of the Plan are incorporated by reference herein. Capitalized terms used in these Terms and Conditions but not defined herein shall have the same meanings as defined in the Plan. If there is any conflict between the provisions of this document and mandatory provisions of the Plan, the provisions of the Plan govern. By accepting the grant of the Units, Employee agrees to be bound by all of the terms and provisions of the Plan (as presently in effect or later amended), the rules and regulations under the Plan adopted from time to time, and the decisions and determinations of the Company's Compensation Committee (the "Committee") made from time to time, provided that no amendment or other change to the Plan or a current rule, regulation or Committee decision or determination shall materially and adversely affect the rights of the Employee with respect to outstanding Units without the consent of Employee.

2. **Account for Employee.** The Company shall maintain a bookkeeping account for Employee (the "Account") reflecting the number of Units then credited to Employee hereunder as a result of such grant of Units.

3. **Nontransferability.** Until Units are settled in accordance with the terms of these Terms and Conditions, Employee may not transfer Units or any rights hereunder to any third party other than by will or the applicable laws of descent and distribution, except for transfers to a Beneficiary upon death of Employee or otherwise if and to the extent permitted by the Company and subject to the conditions under Section 11(b) of the Plan.

4. **Termination Provisions.** The following provisions will govern the vesting and forfeiture of the Units in the event of Employee's Termination of Employment (as defined below), provided that the Committee retains its powers to accelerate vesting or modify these terms, subject to the consent of Employee in the case of a modification materially adverse to Employee and subject to Section 10(a) hereof:

(a) **Termination by the Employer for Cause or Resignation by the Employee.** In the event of Employee's Termination of Employment due to his or her voluntarily resignation (other than a Normal or Early Retirement governed by clause (b) or (c) below) or Termination of Employment by the Employer for Cause (as defined below), all unvested Units will be immediately forfeited.

(b) **Disability or Normal Retirement.** In the event of Employee's Termination of Employment due to Disability (as defined below) or Normal Retirement (as defined below), Employee's unvested Units will not be forfeited, but will remain outstanding and will become vested at the Applicable Vesting Date (as defined below) as though Employee had not had such a Termination of Employment; provided that Employee shall forfeit the unvested Units if during the period following Termination of Employment up to the date of vesting Employee engages in activity that results in a Forfeiture Event set forth in Section 10 of the Plan. Upon vesting, such

Units will be settled promptly, provided that if vesting occurs at an Applicable Vesting Date earlier than the Vesting Date, settlement will occur within fourteen (14) days after the vesting date. Employee acknowledges that the Committee has relied on the discretion granted to it under Section 10(d) of the Plan in requiring forfeiture upon occurrence of a Forfeiture Event during the applicable period following Termination of Employment.

(c) *Termination by the Employer Not for Cause or Early Retirement.* In the event of Employee's Termination of Employment by the Employer not for Cause or Employee's Early Retirement, the following rules apply:

- A pro rata portion of Employee's then unvested Units will not be forfeited, but will remain outstanding and will become vested at the Applicable Vesting Date as though Employee had not had such a Termination of Employment. This pro rata portion will be determined by multiplying the number of unvested Units by a fraction the numerator of which is the number of days from the Grant Date to the date of Employee's Termination of Employment and the denominator of which is 1,066; provided that Employee shall forfeit such unvested Units if before the date of vesting Employee engages in activity that results in a Forfeiture Event set forth in Section 10 of the Plan. Employee acknowledges that the Committee has relied on the discretion granted to it under Section 10(d) of the Plan in requiring forfeiture upon occurrence of a Forfeiture Event during the applicable period following Termination of Employment.
- Employee's Units that had not become vested before such Termination of Employment and which are not included in the pro rata portion subject to continued vesting will be immediately forfeited.
- Upon vesting of the Units included in the pro rata portion subject to continued vesting, such Units will be settled promptly, provided that if vesting occurs at an Applicable Vesting Date earlier than the Vesting Date, settlement will occur within fourteen (14) days after the vesting date.

(d) *Death.* In the event of Employee's Termination of Employment due to death or the death of Employee following Termination of Employment but prior to vesting of Units not otherwise forfeited hereunder, Employee's unvested Units will not be forfeited but will become immediately vested and settled by delivery of shares to the executor of Employee's estate or other person legally entitled to such delivery.

(e) *Certain Definitions.* The following definitions apply for purposes of this Agreement:

(i) "Applicable Vesting Date" means March 1 of the year following the year in which Termination of Employment governed by Section 4(b) or (c) above occurred or, if earlier, the Vesting Date.

(ii) "Cause" has the meaning as defined in the Company's Executive Separation Policy or any successor policy thereto, as in effect at the time of Employee's Termination of Employment.

(iii) "Disability" means a disability entitling Employee to long-term disability benefits under the Employer's or the Company's long-term disability policy as in effect at the date of Employee's Termination of Employment, upon written evidence of such total disability from a medical doctor in a form satisfactory to the Company or the Employer.

(iv) "Early Retirement" means Termination of Employment by either the Company or Employee after Employee has attained age 55 and before he or she has attained age 62 if at the time of such earlier retirement the Employee has ten or more years in the employ of the Employer, the Company or another subsidiary of the Company.

(v) "Normal Retirement" means Termination of Employment by either the Company or Employee after Employee has attained age 62.

(vi) "Termination of Employment" means the event by which Employee ceases to be employed by the Employer, the Company or another subsidiary of the Company and, immediately thereafter, is not employed by or providing substantial services to any of the Company or a subsidiary of the Company. If Employee is granted a leave of absence for military or governmental service or other purposes approved by the Board, he or she shall be considered as continuing in the employ of the Employer, the Company, or another subsidiary of the Company, for the purpose of this subsection, while on such authorized leave of absence.

Notwithstanding anything to the contrary in the Plan or the Agreement, and for purposes of clarity, any Termination of Employment shall be effective as of the date the Employee's active employment ends and shall not be extended by any statutory or common law notice period.

(f) *Certain Terminations Following a Change in Control.* The provisions of Section 9(a)(ii) of the Plan shall apply to the Units and, if Employee is a participant under the Executive Separation Policy, the terms of that Policy shall also apply to the Units. If this Section 4(f) would apply in the case of a Termination of Employment otherwise governed by Section 4(a), (b) or (c) above, the provisions of this Section 4(f) shall govern.

5. Dividends and Adjustments.

(a) *Dividends.* No dividends or dividend equivalents will be credited or paid on any unvested Units. Units that, at the relevant dividend record date that occurs before the issuance of shares of Common Stock in settlement of Units, previously have been vested, shall be entitled to payments or credits equivalent to dividends that would have been paid if the Units had been outstanding shares of Common Stock at such record date. The form and timing of such payments will be in the discretion of the Committee.

(b) *Adjustments.* The number of Units credited to Employee's Account and/or the property deliverable upon settlement of Units shall be appropriately adjusted, in order to prevent dilution or enlargement of Employee's rights with respect to Units in connection with, or to reflect any changes in the number and kind of outstanding shares of Common Stock resulting from, any corporate transaction or event referred to in the first sentence of Section 11(c) of the Plan (this provision takes precedence over Section 5(a) in the case of a large and non-recurring cash dividend or any non-cash dividend).

(c) *Risk of Forfeiture and Settlement of Units Resulting from Adjustments.* Units (and other property deliverable in settlement of Units) which directly or indirectly result from adjustments to a Unit granted hereunder shall be subject to the same risk of forfeiture (including additional forfeiture terms of Section 10 of the Plan) as applies to the granted Unit and will be settled at the same time as the granted Unit.

6. Code Section 409A Compliance. The Units are intended to constitute "short-term deferrals" within the meaning of Treasury Regulation § 1.409A-1(b) under Section 409A of the Internal Revenue Code (the "Code"). If, however, any Units constitute a "deferral of compensation" under Code Section 409A, then, other provisions of this Agreement notwithstanding (i) a distribution in settlement of such Units to Employee triggered by a Termination of Employment will occur only if the Termination constitutes a "separation from service" within the meaning of Code Section 409A(a)(2)(A)(i) and, if at the time of such separation from service Employee is a "specified employee" under Code Section 409A(a)(2)(B)(i) and a delay in distribution is required in order that Employee will not be subject to a tax penalty under Code Section 409A, such distribution in settlement of Units will occur at the date six months after Termination of Employment); and (ii) any rights of Employee or retained authority of the Company with respect to such Units hereunder shall be automatically modified and limited to the extent necessary so that Employee will not be deemed to be in constructive receipt of income relating to the Units prior to the distribution and so that Employee shall not be subject to any penalty under Code Section 409A. In this regard, the Company shall have no retained discretion to accelerate the settlement of such Units beyond that permitted under Code Section 409A without triggering any tax penalty.

7. Additional Forfeiture Provisions. Employee agrees that by signing these Terms and Conditions and accepting the grant of the Units, the forfeiture conditions set forth in Section 10 of the Plan shall apply to all Units hereunder and to gains realized upon the vesting of the Units.

8. Employee Representations and Warranties Upon Settlement. As a condition to the settlement of the Units, the Company or the Employer may require Employee to make any representation or warranty to the Company or the Employer as may be required under any applicable law or regulation, and to make a representation and warranty that no Forfeiture Event has occurred or is contemplated within the meaning of Section 10 of the Plan.

9. Other Terms Relating to Units.

(a) *Fractional Units and shares of Common Stock.* The number of Units credited to Employee's Account shall include fractional Units, if any, calculated to at least three decimal places, unless otherwise determined by the Committee. Unless settlement is effected through a third-party broker or agent that can accommodate fractional shares of Common Stock (without requiring issuance of a fractional share by the Company), upon settlement of the Units Employee shall be paid, in cash, an amount equal to the value of any fractional share that would have otherwise been deliverable in settlement of such Units. Notwithstanding the foregoing, the Company may, in its sole discretion, settle the Units in the form of: (1) a cash payment to the extent settlement in shares of Common Stock (A) is prohibited under local law, (B) would require Employee, the Company or the Employer to obtain the approval of any governmental and/or regulatory body in Employee's country of residence (and country of employment, if different), or (C) is administratively burdensome; or (2) shares of Common Stock, but require Employee to immediately sell such shares of Common Stock (in which case, these Terms and Conditions shall provide the Company with the authority to issue sales instructions in relation to such shares of Common Stock on Employee's behalf).

(b) *Mandatory Tax Withholding.* Regardless of any action the Company and the Employer take with respect to any or all income tax (including U.S. federal, state and local taxes and/or non-U.S. taxes), social insurance, payroll tax, payment on account or other tax-related withholding ("Tax-Related Items"), Employee acknowledges that the ultimate liability for all Tax-Related Items legally due by Employee is and remains Employee's responsibility, and that the Company and the Employer: (a) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Units, including the grant of the Units, the vesting of the Units, the subsequent sale of any shares of Common Stock acquired pursuant to the Units and the receipt of any dividends or dividend equivalents; and (b) do not commit to structure the terms of the grant or any aspect of the Units to reduce or eliminate Employee's liability for Tax-Related Items. Unless otherwise determined by the Committee, at the time of settlement, the Company will withhold from any shares of Common Stock deliverable in settlement of the Units, in accordance with Section 11(d) of the Plan, the number of whole shares of Common Stock having a value as nearly as possible equal to the amount of Tax-Related Items required to be withheld under applicable local laws and regulations, and pay such amount in cash to the appropriate taxing authorities (share withholding will be rounded to whole shares of Common Stock in accordance with applicable accounting rules). Alternatively, the Company or the Employer may, in its discretion, withhold any amount necessary to pay the Tax-Related Items from Employee's salary/wages or other amounts payable to Employee, with no withholding in shares of Common Stock. In the event the withholding requirements are not satisfied through the withholding of shares of Common Stock or through the Employee's salary/wages or other amounts payable to the Employee, no shares of Common Stock will be issued upon vesting of the Units unless and until satisfactory arrangements (as determined by the Company) have been made by Employee with respect to the payment of any Tax-Related Items which the Company and/or the Employer determines, in its sole discretion, must be withheld or collected with respect to such Units. By accepting this grant of Units, Employee expressly consents to the withholding of shares of Common Stock and/or cash as provided for hereunder. All other Tax-Related Items related to the Units and any shares of Common Stock delivered in payment thereof are Employee's sole responsibility.

(c) *Statements.* An individual statement of each Employee's Account may be issued to each Employee at such times as may be determined by the Company. Such a statement shall reflect the number of Units credited to Employee's Account, transactions therein during the period covered by the statement, and other information deemed relevant by the Committee. Such a statement may be combined with or include information regarding other plans and compensatory arrangements for employees. Any statement containing an error shall not, however, represent a binding obligation to the extent of such error.

(d) *Employee Consent.* By signing these Terms and Conditions, Employee voluntarily acknowledges and consents to the collection, use processing and transfer of personal data as described in this Section 9(d). Employee is not obliged to consent to such collection, use, processing and transfer of personal data; however, failure to provide the consent may affect Employee's ability to participate in the Plan. The Company and its subsidiaries hold, for the purpose of managing and administering the Plan, certain personal information about Employee, including Employee's name, home address and telephone number, date of birth, social security number or other employee identification number, salary, nationality, job title, any shares of Common Stock of stock or directorships held in the Company, and details of all options or any other entitlement to shares of Common Stock of stock awarded, canceled, purchased, vested, unvested or outstanding in Employee's favor ("Data"). The Company and/or its subsidiaries will transfer Data among themselves as necessary for the purpose of implementation, administration and management of Employee's participation in the Plan and the Company and/or any of its subsidiaries may each further transfer Data to any third parties assisting the Company in the implementation, administration and management of the Plan. These recipients may be located in the European Economic Area, or elsewhere throughout the world, such as the United States. Employee authorizes them to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing Employee's participation in the Plan, including any requisite transfer of such Data as may be required for the administration of the Plan and/or the subsequent holding of shares of Common Stock on Employee's behalf to a broker or other third party with whom Employee may elect to deposit any shares of Common Stock acquired pursuant to the Plan. Employee may, at any time, review Data, require any necessary amendments to it or withdraw the consents herein in writing by contacting the Company; however, withdrawing consent may affect Employee's ability to participate in the Plan.

(e) *Voluntary Participation.* Employee's participation in the Plan is voluntary. The value of the Units is an extraordinary item of compensation. As such, the Units are not part of normal or expected compensation for purposes of calculating any severance, resignation, redundancy, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments.

(f) *Consent to Electronic Delivery.* EMPLOYEE HEREBY CONSENTS TO ELECTRONIC DELIVERY OF THE PLAN, THE PROSPECTUS FOR THE PLAN AND OTHER DOCUMENTS RELATED TO THE PLAN (COLLECTIVELY, THE "PLAN DOCUMENTS"). THE COMPANY WILL DELIVER THE PLAN DOCUMENTS ELECTRONICALLY TO EMPLOYEE BY E-MAIL, BY POSTING SUCH DOCUMENTS ON ITS INTRANET WEBSITE OR BY ANOTHER MODE OF ELECTRONIC DELIVERY AS DETERMINED BY THE COMPANY IN ITS SOLE DISCRETION. THE COMPANY WILL SEND TO EMPLOYEE AN E-MAIL ANNOUNCEMENT WHEN A NEW PLAN DOCUMENT IS AVAILABLE ELECTRONICALLY FOR EMPLOYEE'S REVIEW, DOWNLOAD OR PRINTING AND WILL PROVIDE INSTRUCTIONS ON WHERE THE PLAN DOCUMENT CAN BE FOUND. UNLESS OTHERWISE SPECIFIED IN WRITING BY THE COMPANY, EMPLOYEE WILL NOT INCUR ANY COSTS FOR RECEIVING THE PLAN DOCUMENTS ELECTRONICALLY THROUGH THE COMPANY'S COMPUTER NETWORK. EMPLOYEE WILL HAVE THE RIGHT TO RECEIVE PAPER COPIES OF ANY PLAN DOCUMENT BY SENDING A WRITTEN REQUEST FOR A PAPER COPY TO THE ADDRESS SPECIFIED IN SECTION 10(j) HEREOF. EMPLOYEE'S CONSENT TO ELECTRONIC DELIVERY OF THE PLAN DOCUMENTS WILL BE VALID AND REMAIN EFFECTIVE UNTIL THE EARLIER OF (I) THE TERMINATION OF EMPLOYEE'S PARTICIPATION IN THE PLAN AND (II) THE WITHDRAWAL OF EMPLOYEE'S CONSENT TO ELECTRONIC DELIVERY OF THE PLAN DOCUMENTS. THE COMPANY ACKNOWLEDGES AND AGREES THAT EMPLOYEE HAS THE RIGHT AT ANY TIME TO WITHDRAW HIS OR HER CONSENT TO ELECTRONIC DELIVERY OF THE PLAN DOCUMENTS BY SENDING A WRITTEN NOTICE OF

WITHDRAWAL TO THE ADDRESS SPECIFIED IN SECTION 10(j) HEREOF. IF EMPLOYEE WITHDRAWS HIS OR HER CONSENT TO ELECTRONIC DELIVERY, THE COMPANY WILL RESUME SENDING PAPER COPIES OF THE PLAN DOCUMENTS WITHIN TEN (10) BUSINESS DAYS OF ITS RECEIPT OF THE WITHDRAWAL NOTICE. EMPLOYEE ACKNOWLEDGES THAT HE OR SHE IS ABLE TO ACCESS, VIEW AND RETAIN AN E-MAIL ANNOUNCEMENT INFORMING EMPLOYEE THAT THE PLAN DOCUMENTS ARE AVAILABLE IN EITHER HTML, PDF OR SUCH OTHER FORMAT AS THE COMPANY DETERMINES IN ITS SOLE DISCRETION.

10. Miscellaneous.

(a) *Binding Agreement; Written Amendments.* This Agreement shall be binding upon the heirs, executors, administrators and successors of the parties. This Agreement constitutes the entire agreement between the parties with respect to the Units, and supersedes any prior agreements or documents with respect thereto. No amendment or alteration of these Terms and Conditions which may impose any additional obligation upon the Company shall be valid unless expressed in a written instrument duly executed in the name of the Company, and no amendment, alteration, suspension or termination of these Terms and Conditions which may materially impair the rights of Employee with respect to the Units shall be valid unless expressed in a written instrument executed by Employee.

(b) *No Promise of Employment.* The Units and the granting thereof shall not constitute or be evidence of any agreement or understanding, express or implied, that Employee has a right to continue as an officer or employee of the Company or Employer for any period of time, or at any particular rate of compensation. Employee expressly recognizes that (a) the Plan and the benefits Employee may derive from participation in the Plan do not establish any rights between Employee and the Employer or the Company, (b) the Plan and the benefits Employee may derive from participation in the Plan are not part of the employment conditions and/or benefits provided by the Employer, and (c) any modifications or amendments of the Plan by the Company, or a termination of the Plan by the Company, shall not constitute a change or impairment of the terms and conditions of Employee's employment with the Employer. Employee acknowledges and agrees that the Plan is discretionary in nature and limited in duration, and may be amended, cancelled, or terminated by the Company, in its sole discretion, at any time, provided, however that any outstanding Units shall not be materially and adversely affected. The grant of Units under the Plan is a one-time benefit and does not create any contractual or other right to receive a grant of restricted stock units, stock options or benefits in lieu of restricted stock units or stock options in the future. Future grants, if any, will be at the sole discretion of the Company, including, but not limited to, the timing of any grant, the form of award, the number of shares of Common Stock covered by the award and the vesting provisions.

(c) *Compliance with Age Discrimination Rules.* If Employee is a local national of and employed in a country that is a member of the European Union, the grant of the Units and the terms and conditions governing the grant of the Units are intended to comply with the age discrimination provisions of the EU Equal Treatment Framework Directive, as implemented into local law (the "Age Discrimination Rules"). To the extent a court or tribunal of competent jurisdiction determines that any provision of the grant of the Units is invalid or unenforceable, in whole or in part, under the Age Discrimination Rules, the Company, in its sole discretion, shall have the power and authority to revise or strike such provision to the minimum extent necessary to make it valid and enforceable to the full extent permitted under local law.

(d) *Unfunded Plan.* Any provision for distribution in settlement of Employee's Account hereunder shall be by means of bookkeeping entries on the books of the Company and shall not create in Employee any right to, or claim against any, specific assets of the Company, nor result in the creation of any trust or escrow account for Employee. With respect to Employee's entitlement to any distribution hereunder, Employee shall be a general creditor of the Company.

(e) *English Language.* Employee acknowledges and agrees that it is expressly intended that the Plan, the Agreement, these Terms and Conditions and all other documents, notices and legal proceedings entered into, given or instituted pursuant to the Units, be in English. If Employee has received the Plan, the Agreement, these Terms and Conditions or any other documents related to the Units translated into a language other than English, and if the meaning of the translated version is different than the English version, the English version shall control.

(f) *Addendum.* Notwithstanding any provisions of these Terms and Conditions to the contrary, the Units shall be subject to any special terms and conditions for Employee's country of residence (and country of employment, if different) set forth in an addendum to these Terms and Conditions (an "Addendum"). Further, if Employee transfers Employee's residence and/or employment to another country reflected in an Addendum to these Terms and Conditions at the time of transfer, the special terms and conditions for such country will apply to Employee to the extent the Company determines, in its sole discretion, that the application of such terms and conditions is necessary or advisable in order to comply with local laws, rules and regulations or to facilitate the operation and administration of the Units and the Plan (or the Company may establish alternative terms and conditions as may be necessary or advisable to accommodate Employee's transfer). In all circumstances, any applicable Addendum shall constitute part of these Terms and Conditions.

(g) *Additional Requirements.* The Company reserves the right to impose other requirements on the Units, any shares of Common Stock acquired pursuant to the Units, and Employee's participation in the Plan, to the extent the Company determines, in its sole discretion, that such other requirements are necessary or advisable in order to comply with local law or to facilitate the administration of the Plan. Such requirements may include (but are not limited to) requiring Employee to sign any agreements or undertakings that may be necessary to accomplish the foregoing.

(h) *Private Placement.* The grant of Units is not intended to be a public offering of securities in Employee's country of residence (and country of employment, if different). The Company has not submitted any registration statement, prospectus or other filings with the local securities authorities (unless otherwise required under local law), and the grant of the Units is not subject to the supervision of the local securities authorities.

(i) *Governing Law.* THE VALIDITY, CONSTRUCTION, AND EFFECT OF THIS AGREEMENT SHALL BE DETERMINED IN ACCORDANCE WITH THE LAWS (INCLUDING THOSE GOVERNING CONTRACTS) OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO PRINCIPLES OF CONFLICTS OF LAWS, AND APPLICABLE FEDERAL LAW. The Units and the granting thereof are subject to the Employee's compliance with the applicable law of the jurisdiction of Employee's employment.

(j) *Notices.* Any notice to be given the Company under these Terms and Conditions shall be addressed to the Company at 521 West 57th Street, New York, NY 10019, attention: Corporate Secretary, and any notice to the Employee shall be addressed to the Employee at Employee's address as then appearing in the records of the Company.

(k) *Repatriation; Compliance with Laws.* Employee agrees, as a condition of the grant of the Units, to repatriate all payments attributable to the Units and/or cash acquired under the Plan (including, but not limited to, dividends, dividend equivalents, and any proceeds derived from the sale of the shares of Common Stock acquired pursuant to the Units) in accordance with all foreign exchange rules and regulations applicable to Employee. In addition, Employee also agrees to take any and all actions, and consents to any and all actions taken by the Company and the Employer, as may be required to allow the Company and the Employer to comply with all laws, rules and regulations applicable to Employee. Finally, Employee agrees to take any and all actions as may be required to comply with Employee's personal legal and tax obligations under all laws, rules and regulations applicable to Employee.

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**IFF 20[] EQUITY CHOICE PROGRAM
2010 Stock Award and Incentive Plan, as amended (the "Plan")**

Stock-Settled Appreciation Rights Agreement

This Stock-Settled Appreciation Rights Agreement (the "Agreement"), which includes the IFF 20[] Equity Choice Confirmation Statement (the "Confirmation Statement"), the Terms and Conditions of Stock-Settled Appreciation Rights (the "Terms and Conditions") and the Addendum to the Terms and Conditions of the Stock-Settled Appreciation Rights (the "Addendum"), confirms the grant on the Grant Date by INTERNATIONAL FLAVORS & FRAGRANCES INC., a New York corporation (the "Company"), to you (the "Employee") of the number of stock-settled appreciation rights (the "SSARs") covering shares of the Company's Common Stock ("Shares"), pursuant to Section 6(c) of the Plan, as set forth in the row labeled "Stock-Settled Appreciation Rights (SSARs)" under the column labeled "Total Shares/Units/Rights Awarded" on the Confirmation Statement. Employee is being granted the SSARs as a consequence of Employee's commercial relationship with the Company and the Company's subsidiary or affiliate that employs Employee ("Employer"). The "Total SSARs" and "Grant Date" are set forth in the Confirmation Statement.

Base Price (akin to exercise price):	Share Price on Grant Date, as set forth on the Confirmation Statement, being the fair market value thereof on the Grant Date.
SSARs vest and become exercisable:	As to 100% of the Shares covered by the SSARs on [], 20[], except that different vesting and exercisability provisions may apply upon the occurrence of certain events specified in Section 5 or 6 hereof.
Expiration Date:	The seventh anniversary of the Grant Date (at the close of business) (the "Stated Expiration Date") or, in the event Employee's employment by the Company or its subsidiaries earlier terminates, then at the date the SSARs expire or cease to be exercisable as provided under Section 5 hereof, or, in the event of a Change in Control, as provided in Section 6 hereof.
Payment to Employee Upon Exercise:	<p>Upon exercise of SSARs, Employee shall be entitled to receive payment in Shares determined by the following formula:</p> $\text{Shares} = ((\text{FMV} - \text{Base Price}) * \text{SSARs Exercised}) / \text{FMV}$ <p>Where: "Shares" is the number of Shares to be delivered</p> <p>"FMV" is the Fair Market Value of a Share at the exercise date</p> <p>"Base Price" is as set forth above</p> <p>"SSARs Exercised" is the number of Shares covered by the SSARs then being exercised</p> <p>"*" means "multiplied by"</p> <p>"/" means "divided by"</p>
Other Exercise Conditions	SSARs may only be exercised at a date that the Fair Market Value of a Share exceeds the Base Price, and only if the SSARs are otherwise exercisable at such date. If, on the date the SSARs expire or terminate, both conditions in the preceding sentence have been met, the SSARs shall be automatically exercised.

The SSARs are subject to the terms and conditions of the Plan and the Agreement, including these Terms and Conditions attached hereto. The number and kind of shares purchasable and the Base Price are subject to adjustment in accordance with Section 11(c) of the Plan.

Employee acknowledges and agrees that (i) the SSARs are nontransferable, except as provided in Section 4 hereof and Section 11(b) of the Plan, (ii) the SSARs, and certain amounts of income realized upon exercise of the SSARs, are subject to forfeiture in the event Employee fails to meet applicable requirements relating to non-competition, confidentiality, non-solicitation of customers, suppliers, business associates, employees and service providers, non-disparagement and cooperation in litigation with respect to the Company and its subsidiaries and affiliates, and financial reporting as set forth in Section 7 hereof and Section 10 of the Plan, (iii) the SSARs are subject to forfeiture in the event of Employee's termination of employment in certain circumstances, as provided in Section 10 of the Plan and Section 5 hereof, (iv) sales of Shares will be subject to the Company's policies regulating securities trading by employees and the securities laws of the United States, and (v) a copy of the Plan and related prospectus have previously been delivered to Employee, are being delivered to Employee or are available as specified in Section 1 hereof. ***In addition, and without limiting the foregoing, Employee consents, acknowledges and agrees that, as a condition to the grant of SSARs hereunder, Section 10(d) of the Plan, which relates to forfeitures of Awards (as defined in the Plan) in the event of financial reporting misconduct, will apply to the SSARs granted hereunder as well as to any other Awards that may have been granted to Employee prior to the Grant Date set forth above.***

The grant of SSARs under the Plan is a one-time benefit and does not create any contractual or other right to receive a grant of SSARs or stock options or benefits in lieu of SSARs or stock options in the future. Future grants, if any, will be at the sole discretion of the Company, including, but not limited to, the timing of any grant, the form of award, the number of Shares covered by the award and vesting provisions.

BY ELECTRONICALLY ACCEPTING THE AWARD, EMPLOYEE AGREES TO BE BOUND BY THE PROVISIONS OF THE PLAN, THE AGREEMENT, THE TERMS AND CONDITIONS AND THE CONFIRMATION STATEMENT. EMPLOYEE HAS REVIEWED THE PLAN, THE AGREEMENT, THE TERMS AND CONDITIONS AND THE CONFIRMATION STATEMENT IN THEIR ENTIRETY, HAS HAD AN OPPORTUNITY TO OBTAIN THE ADVICE OF COUNSEL PRIOR TO ACCEPTING THE AWARD AND FULLY UNDERSTANDS ALL OF THE PROVISIONS OF THE PLAN, THE AGREEMENT, THE TERMS AND CONDITIONS AND THE CONFIRMATION STATEMENT. EMPLOYEE HAS BEEN PROVIDED WITH A COPY OR ELECTRONIC ACCESS TO A COPY OF THE U.S. PROSPECTUS FOR THE PLAN AND THE TAX SUPPLEMENT TO THE U.S. PROSPECTUS FOR EMPLOYEE'S COUNTRY OF EMPLOYMENT. EMPLOYEE HEREBY AGREES TO ACCEPT AS BINDING, CONCLUSIVE AND FINAL ALL DECISIONS OR INTERPRETATIONS OF THE COMMITTEE UPON ANY QUESTIONS ARISING UNDER THE PLAN, THE AGREEMENT, THE TERMS AND CONDITIONS AND THE CONFIRMATION STATEMENT.

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INTERNATIONAL FLAVORS & FRAGRANCES INC.

2010 Stock Award and Incentive Plan

TERMS AND CONDITIONS OF STOCK-SETTLED APPRECIATION RIGHTS

The following Terms and Conditions apply to the SSARs granted to Employee by INTERNATIONAL FLAVORS & FRAGRANCES INC. (the "Company"), as specified in the Stock-Settled Appreciation Rights Agreement (of which these Terms and Conditions are a part of). Employee is being granted the SSARs as a consequence of Employee's commercial relationship with the Company and the Company's subsidiary or affiliate that employs Employee ("Employer"). Certain specific terms of the SSARs, including the number of shares purchasable, vesting date(s), expiration date, and the Base Price, are set forth on the preceding pages or on the Confirmation Statement.

1. **General.** The award of SSARs is granted to Employee under the Company's 2010 Stock Award and Incentive Plan (the "Plan"), a copy of which is available for review, along with other documents constituting the "prospectus" for the Plan, on the Company's intranet site at One IFF/Corporate/Law Department. All of the terms, conditions and other provisions of the Plan are incorporated by reference herein. Capitalized terms used in these Terms and Conditions but not defined herein (or in the preceding pages) shall have the same meanings as defined in the Plan. If there is any conflict between the provisions of this document and mandatory provisions of the Plan, the provisions of the Plan govern. By accepting the grant of the SSARs, Employee agrees to be bound by all of the terms and provisions of the Plan (as presently in effect or later amended), rules and regulations under the Plan adopted from time to time, and decisions and determinations of the Company's Compensation Committee (the "Committee") made from time to time, provided that no amendment or other change to the Plan or a current rule, regulation or Committee decision or determination shall materially and adversely affect the rights of the Employee with respect to the SSARs without Employee's consent.

2. **Right to Exercise SSARs.** Subject to all applicable laws, rules, regulations and the terms of the Plan and these Terms and Conditions (including Section 5 below), Employee may exercise the SSARs if and to the extent the SSARs have become vested and exercisable but not after the Stated Expiration Date of the SSARs.

3. **Method of Exercise.** To exercise the SSARs, unless otherwise permitted by the Company, Employee must give written notice to the Company or its agent, which notice shall specifically refer to these Terms and Conditions, state the number of Shares as to which the SSARs are being exercised, the name in which he or she wishes the Shares to be issued, and be signed by Employee. Once Employee gives a valid notice of exercise, such notice may not be revoked. When Employee exercises the SSARs, or part thereof, the Company will transfer Shares (or make a certificate-less credit) to Employee's brokerage account at a designated securities brokerage firm or otherwise deliver Shares to Employee. No Employee or Beneficiary shall have at any time any rights with respect to shares covered by these Terms and Conditions prior to issuance of certificates (or certificate-less credit) therefor following exercise of the SSARs as provided above. No adjustment shall be made for dividends or other rights for which the record date is prior to the date of issue of such stock certificates (or credit). If any fractional Share would be deliverable upon exercise, after taking into account withholding for mandatory taxes in accordance with Section 9(a), the Company will pay cash in lieu of delivery of such fractional Share or will use such cash to apply towards withholding for taxes.

4. **Transferability.** Except to the extent permitted under and subject to the conditions of Section 11(b) of the Plan, the SSARs may not be assigned or transferred in any way by the Employee, except at the Employee's death, by his or her will or pursuant to the applicable laws of descent and distribution or to his or her designated Beneficiary, and in the event of his or her death the SSARs shall be exercisable as provided in Section 5 hereof. If Employee shall attempt to make such prohibited assignment or transfer, the unexercised portion of the SSARs shall be null and void and the Company shall have no further liability hereunder.

5. Termination Provisions. The following provisions will govern the vesting, exercisability and expiration of the SSARs in the event of Employee's Termination of Employment (as defined below); provided that the Committee retains its powers to accelerate vesting or modify these terms subject to the consent of Employee in the case of a modification materially adverse to Employee:

(a) *Exercise While Employed; Resignation by the Employee and Termination by the Employer for Cause.* Except as provided in this Section 5, Employee shall have the right to exercise the SSARs only so long as he or she remains in the employ of the Company, Employer or a subsidiary of the Company, including a subsidiary which becomes such after the date of these Terms and Conditions. Accordingly, in the event of Employee's Termination of Employment due to his or her voluntarily resignation (other than a Normal or Early Retirement governed by clause (b) or (c) below) or Termination of Employment by the Employer for Cause (as defined below), all unvested SSARs will be immediately forfeited, and all vested SSARs (i) will cease to be exercisable and will terminate on the date three months after Termination of Employment due to such Resignation by the Employee (but in no event after the Stated Expiration Date) and (ii) will cease to be exercisable and will terminate immediately in the case of a Termination by the Employer for Cause.

(b) *Disability or Normal Retirement.* In the event of Employee's Termination of Employment due to Disability (as defined below) or Normal Retirement (as defined below), the following rules will apply:

- Employee's unvested SSARs will not be forfeited, but will remain outstanding and will become exercisable at the applicable date under these Terms and Conditions as though Employee had not had such a Termination of Employment; provided that, in the case of Termination of Employment due to Disability or Normal Retirement, Employee shall forfeit the unvested SSARs if before the date of vesting Employee engages in activity that results in a Forfeiture Event set forth in Section 10 of the Plan. Employee acknowledges that the Committee has relied on the discretion granted to it under Section 10(d) of the Plan in requiring forfeiture upon occurrence of a Forfeiture Event during the applicable post-Termination period.
- Unless forfeited, Employee's SSARs shall remain outstanding and exercisable until the Stated Expiration Date, at which date the SSARs will cease to be exercisable and will terminate, except as otherwise provided herein.

(c) *Termination by the Employer Not for Cause or Early Retirement.* In the event of Employee's Termination of Employment by the Employer not for Cause or Employee's Early Retirement, the following rules apply:

- A pro rata portion of Employee's then unvested SSARs will not be forfeited, but will remain outstanding and will become exercisable at the applicable date under these Terms and Conditions as though Employee had not had such a Termination of Employment. This pro rata portion will be determined by multiplying the number of such unvested SSARs by a fraction the numerator of which is the number of days from the Grant Date to the date of Employee's Termination of Employment and the denominator of which is 1,066; provided that Employee shall forfeit the unvested SSARs if before the date of vesting Employee engages in activity that results in a Forfeiture Event set forth in Section 10 of the Plan. Employee acknowledges that the Committee has relied on the discretion granted to it under Section 10(d) of the Plan in requiring forfeiture upon occurrence of a Forfeiture Event during the applicable post-Termination period.
- Employee's SSARs that had not become vested before such Termination of Employment and are not included in the pro rata portion subject to continued vesting will be immediately forfeited.
- Employee's SSARs that were vested at the time of such Termination of Employment and those that thereafter become vested under this Section 5(c) shall remain outstanding and exercisable until the Stated Expiration Date, at which date the SSARs will cease to be exercisable and will terminate.

(d) *Death.* In the event of Employee's Termination of Employment due to death or death of Employee following Termination but prior to vesting of SSARs not otherwise forfeited hereunder, Employee's unvested SSARs will not be forfeited but will become immediately vested and exercisable, and all vested SSARs shall remain outstanding and exercisable until the Stated Expiration Date, at which date the SSARs will cease to be exercisable and will terminate, except as otherwise provided herein. Any SSARs exercisable under this Section 5(d) following Employee's death may be exercised by Employee's legal representative, distributee, legatee or designated Beneficiary, as the case may be.

(e) *Certain Definitions.* The following definitions apply for purposes of this Agreement:

(i) "Cause" has the meaning as defined in the Company's Executive Separation Policy or any successor policy thereto, as in effect at the time of Employee's Termination of Employment.

(ii) "Disability" means a disability entitling Employee to long-term disability benefits under the Company's or the Employer's long-term disability policy as in effect at the date of Employee's Termination of Employment, upon written evidence of such permanent disability from a medical doctor in a form satisfactory to the Company or the Employer.

(iii) "Early Retirement" means Termination of Employment by either the Employer or Employee after Employee has attained age 55 and before he or she has attained age 62 if at the time of Termination Employee has ten or more years in the employ of the Employer or the Company and its subsidiaries.

(iv) "Normal Retirement" means Termination of Employment by either the Employer or Employee after Employee has attained age 62.

(v) "Termination of Employment" means the event by which Employee ceases to be employed by the Employer, the Company, or another subsidiary of the Company and, immediately thereafter, is not employed by or providing substantial services to any of the Company or a subsidiary of the Company. If Employee is granted a leave of absence for military or governmental service or other purposes approved by the Board, he or she shall be considered as continuing in the employ of the Employer, the Company, or another subsidiary of the Company, for the purpose of this subsection, while on such authorized leave of absence. Notwithstanding anything to the contrary in the Plan or the Agreement, and for purposes of clarity, any Termination of Employment shall be effective as of the date the Employee's active employment ends and shall not be extended by any statutory or common law notice period.

6. Change in Control Provisions. The provisions of Section 9(a)(ii) of the Plan shall apply to the SSARs, and, if Employee is a participant under the Executive Separation Policy, the terms of that Policy shall also apply to the SSARs. If this Section 6 would apply in the case of a Termination of Employment otherwise governed by Section 5(a), (b) or (c) above, the provisions of this Section 6 shall govern.

7. Forfeiture Provisions. Employee agrees that, by signing these Terms and Conditions and accepting the grant of the SSARs, the forfeiture conditions set forth in Section 5(b) hereof and in Section 10 of the Plan shall apply to the SSARs and to income realized upon the exercise of the SSARs (in addition to the requirements of Section 5(b) and (c) applicable during any period of continued vesting following Termination of Employment).

8. Employee Representations and Warranties, Consents and Acknowledgements.

(a) As a condition to the exercise of the SSARs, the Company or the Employer may require Employee to make any representation or warranty to the Company or the Employer as may be required under any applicable law or regulation, and to make a representation and warranty that no Forfeiture Event has occurred or is contemplated within the meaning of Section 5(b) hereof and Section 10 of the Plan.

(b) By signing these Terms and Conditions, Employee voluntarily acknowledges and consents to the collection, use processing and transfer of personal data as described in this clause (b). Employee is not obliged to consent to such collection, use, processing and transfer of personal data; however, failure to provide the consent may affect Employee's ability to participate in the Plan. The Company and its subsidiaries hold, for the purpose of managing and administering the Plan, certain personal information about Employee, including Employee's name, home address and telephone number, date of birth, social security number or other employee identification number, salary, nationality, job title, any Shares of stock or directorships held in the Company, details of all options and SSARs or any other entitlement to Shares of stock awarded, canceled, purchased, vested, unvested or outstanding in Employee's favor ("Data"). The Company and its subsidiaries will transfer Data among themselves as necessary for the purpose of implementation, administration and management of Employee's participation in the Plan and the Company and any of its subsidiaries may each further transfer Data to any third parties assisting the Company in the implementation, administration and management of the Plan. These recipients may be located in the European Economic Area, or elsewhere throughout the world, such as the United States. Employee authorizes them to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing Employee's participation in the Plan, including any requisite transfer of such Data as may be required for the administration of the Plan and/or the subsequent holding of Shares on Employee's behalf to a broker or other third party with whom Employee may elect to deposit any Shares acquired pursuant to the Plan. Employee may, at any time, review Data, require any necessary amendments to it or withdraw the consents herein in writing by contacting the Company; however, withdrawing consent may affect Employee's ability to participate in the Plan.

(c) Employee's participation in the Plan is voluntary. The value of the SSARs is an extraordinary item of compensation. As such, the SSARs are not part of normal or expected compensation for purposes of calculating any severance, resignation, redundancy, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments.

(d) EMPLOYEE HEREBY CONSENTS TO ELECTRONIC DELIVERY OF THE PLAN, THE PROSPECTUS FOR THE PLAN AND OTHER DOCUMENTS RELATED TO THE PLAN (COLLECTIVELY, THE "PLAN DOCUMENTS"). THE COMPANY WILL DELIVER THE PLAN DOCUMENTS ELECTRONICALLY TO EMPLOYEE BY E-MAIL, BY POSTING SUCH DOCUMENTS ON ITS INTRANET WEBSITE OR BY ANOTHER MODE OF ELECTRONIC DELIVERY AS DETERMINED BY THE COMPANY IN ITS SOLE DISCRETION. THE COMPANY WILL SEND TO EMPLOYEE AN E-MAIL ANNOUNCEMENT WHEN A NEW PLAN DOCUMENT IS AVAILABLE ELECTRONICALLY FOR EMPLOYEE'S REVIEW, DOWNLOAD OR PRINTING AND WILL PROVIDE INSTRUCTIONS ON WHERE THE PLAN DOCUMENT CAN BE FOUND. UNLESS OTHERWISE SPECIFIED IN WRITING BY THE COMPANY, EMPLOYEE WILL NOT INCUR ANY COSTS FOR RECEIVING THE PLAN DOCUMENTS ELECTRONICALLY THROUGH THE COMPANY'S COMPUTER NETWORK. EMPLOYEE WILL HAVE THE RIGHT TO RECEIVE PAPER COPIES OF ANY PLAN DOCUMENT BY SENDING A WRITTEN REQUEST FOR A PAPER COPY TO THE ADDRESS SPECIFIED IN SECTION 9(j) HEREOF. EMPLOYEE'S CONSENT TO ELECTRONIC DELIVERY OF THE PLAN DOCUMENTS WILL BE VALID AND REMAIN EFFECTIVE UNTIL THE EARLIER OF (I) THE TERMINATION OF EMPLOYEE'S PARTICIPATION IN THE PLAN AND (II) THE WITHDRAWAL OF EMPLOYEE'S CONSENT TO ELECTRONIC DELIVERY OF THE PLAN DOCUMENTS. THE COMPANY ACKNOWLEDGES AND AGREES THAT EMPLOYEE HAS THE RIGHT AT ANY TIME TO WITHDRAW HIS OR HER CONSENT TO ELECTRONIC DELIVERY OF THE PLAN DOCUMENTS BY SENDING A WRITTEN NOTICE OF WITHDRAWAL TO THE ADDRESS SPECIFIED IN SECTION 9(j) HEREOF. IF EMPLOYEE WITHDRAWS HIS OR HER CONSENT TO ELECTRONIC DELIVERY, THE COMPANY WILL RESUME SENDING PAPER COPIES OF THE PLAN DOCUMENTS WITHIN TEN (10) BUSINESS DAYS OF ITS RECEIPT OF THE WITHDRAWAL NOTICE. EMPLOYEE ACKNOWLEDGES THAT HE OR SHE IS ABLE TO ACCESS, VIEW AND RETAIN AN E-MAIL ANNOUNCEMENT INFORMING EMPLOYEE THAT THE PLAN DOCUMENTS ARE AVAILABLE IN EITHER HTML, PDF OR SUCH OTHER FORMAT AS THE COMPANY DETERMINES IN ITS SOLE DISCRETION.

9. *Miscellaneous.*

(a) *Mandatory Tax Withholding.* Regardless of any action the Company and the Employer take with respect to any or all income tax (including U.S. federal, state and local taxes and/or non-U.S. taxes), social insurance, payroll tax, payment on account or other tax-related withholding (“Tax-Related Items”), Employee acknowledges that the ultimate liability for all Tax-Related Items legally due by Employee is and remains Employee’s responsibility, and that the Company and the Employer (a) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the SSARs, including the grant of the SSARs, the vesting of the SSARs, the subsequent sale of any Shares acquired pursuant to the SSARs and the receipt of any dividends or dividend equivalents; and (b) do not commit to structure the terms of the grant or any aspect of the SSARs to reduce or eliminate Employee’s liability for Tax-Related Items. Unless otherwise determined by the Committee, at the time of exercise the Company will withhold from any shares deliverable upon exercise, in accordance with Section 11(d) of the Plan, the number of shares having a value as nearly as possible equal to the amount of income taxes, employment taxes or other withholding amounts required to be withheld under applicable local laws and regulations, and pay the amount of such withholding taxes in cash to the appropriate taxing authorities (share withholding will be rounded to whole Shares in accordance with applicable accounting rules). Alternatively, the Company or the Employer may, in its discretion, withhold any amount necessary to pay the Tax-Related Items from Employee’s salary/wages or other amounts payable to Employee, with no withholding in Shares. In the event the withholding requirements are not satisfied through the withholding of Shares or through the Employee’s salary/wages or other amounts payable to the Employee, no shares will be issued upon vesting of the SSARs unless and until satisfactory arrangements (as determined by the Company) have been made by Employee with respect to the payment of any Tax-Related Items which the Company and/or the Employer determines, in its sole discretion, must be withheld or collected with respect to such SSARs. By accepting this grant of SSARs, Employee expressly consents to the withholding of Shares and/or cash as provided for hereunder. All other Tax-Related Items related to the SSARs and any shares delivered in payment thereof are Employee’s sole responsibility. Employee will be responsible for any taxes relating to the SSARs and the exercise thereof not satisfied by means of such mandatory withholding.

(b) *Binding Agreement; Written Amendments.* This Agreement shall be binding upon the heirs, executors, administrators and successors of the parties. This Agreement constitutes the entire agreement between the parties with respect to the SSARs, and supersedes any prior agreements or documents with respect to the SSARs. No amendment or alteration of these Terms and Conditions which may impose any additional obligation upon the Company shall be valid unless expressed in a written instrument duly executed in the name of the Company, and no amendment, alteration, suspension or termination of these Terms and Conditions which may materially and adversely affect the rights of Employee under the SSARs shall be valid unless expressed in a written instrument executed by Employee.

(c) *No Promise of Employment.* The SSARs and the granting thereof shall not constitute or be evidence of any agreement or understanding, express or implied, that Employee has a right to continue as an employee of the Company for any period of time, or at any particular rate of compensation. Employee expressly recognizes that the Plan and the benefits Employee may derive from participation in the Plan do not establish any rights between Employee and the Employer or the Company, (b) the Plan and the benefits Employee may derive from participation in the Plan are not part of the employment conditions and/or benefits provided by the Employer, and (c) any modifications or amendments of the Plan by the Company, or a termination of the Plan by the Company, shall not constitute a change or impairment of the terms and conditions of Employee’s employment with the Employer. Employee acknowledges and agrees that the Plan is discretionary in nature and limited in duration, and may be amended, cancelled, or terminated by the Company, in its sole discretion, at any time, provided, however that any outstanding SSARs shall not be affected without Employee’s consent. The grant of SSARs under the Plan is a one-time benefit and does not create any contractual or other right to receive a grant of SSARs or benefits in lieu of SSARs in the future. Future grants, if any, will be at the sole discretion of the Company, including, but not limited to, the timing of any grant, the form of award, the number of Shares covered by the award, the vesting provisions and the exercise or base price.

(d) *Compliance with Age Discrimination Rules.* If Employee is a local national of and employed in a country that is a member of the European Union, the grant of the SSARs and the terms and conditions governing the grant of the SSARs are intended to comply with the age discrimination provisions of the EU Equal Treatment Framework Directive, as implemented into local law (the “Age Discrimination Rules”). To the extent a court or tribunal of competent jurisdiction determines that any provision of the grant of the SSARs is invalid or unenforceable, in whole or in part, under the Age Discrimination Rules, the Company, in its sole discretion, shall have the power and authority to revise or strike such provision to the minimum extent necessary to make it valid and enforceable to the full extent permitted under local law.

(e) *English Language.* Employee acknowledges and agrees that it is expressly intended that the Plan, the Agreement, these Terms and Conditions and all other documents, notices and legal proceedings entered into, given or instituted pursuant to the SSARs, be in English. If Employee has received the Plan, the Agreement, these Terms and Conditions or any other documents related to the SSARs translated into a language other than English, and if the meaning of the translated version is different than the English version, the English version shall control.

(f) *Addendum.* Notwithstanding any provisions of these Terms and Conditions to the contrary, the SSARs shall be subject to any special terms and conditions for Employee’s country of residence (and country of employment, if different) set forth in an addendum to these Terms and Conditions (an “Addendum”). Further, if Employee transfers Employee’s residence and/or employment to another country reflected in an Addendum to these Terms and Conditions at the time of transfer, the special terms and conditions for such country will apply to Employee to the extent the Company determines, in its sole discretion, that the application of such terms and conditions is necessary or advisable in order to comply with local laws, rules and regulations or to facilitate the operation and administration of the SSARs and the Plan (or the Company may establish alternative terms and conditions as may be necessary or advisable to accommodate Employee’s transfer). In all circumstances, any applicable Addendum shall constitute part of these Terms and Conditions.

(g) *Additional Requirements.* The Company reserves the right to impose other requirements on the SSARs, any Shares acquired pursuant to the SSARs, and Employee’s participation in the Plan, to the extent the Company determines, in its sole discretion, that such other requirements are necessary or advisable in order to comply with local law or to facilitate the administration of the Plan. Such requirements may include (but are not limited to) requiring Employee to sign any agreements or undertakings that may be necessary to accomplish the foregoing.

(h) *Private Placement.* The grant of SSARs is not intended to be a public offering of securities in Employee’s country of residence (and country of employment, if different). The Company has not submitted any registration statement, prospectus or other filings with the local securities authorities (unless otherwise required under local law), and the grant of the SSARs is not subject to the supervision of the local securities authorities.

(i) *Governing Law.* The validity, construction, and effect of this Agreement shall be determined in accordance with the laws (including those governing contracts) of the State of New York, without giving effect to principles of conflicts of laws, and applicable U.S. federal law. The SSARs and the granting thereof are subject to the Company’s compliance with the applicable law of the jurisdiction of Employee’s employment.

(j) *Notices.* Any notice to be given the Company under these Terms and Conditions shall be addressed to the Company at 521 West 57th Street, New York, NY 10019, attention: Corporate Secretary, and any notice to the Employee shall be addressed to the Employee at Employee’s address as then appearing in the records of the Company.

(k) *Repatriation; Compliance with Laws.* Employee agrees, as a condition of the grant of the SSARs, to repatriate all payments attributable to the SSARs and/or cash acquired under the Plan (including, but not limited to, dividends, dividend equivalents, and any proceeds derived from the sale of the Shares acquired pursuant to the SSARs) in accordance with all foreign exchange rules and regulations applicable to Employee. In addition, Employee also agrees to take any and all actions, and consents to any and all actions taken by the Company and the Employer, as may be required to allow the Company and the Employer to comply with all laws, rules and regulations applicable to Employee. Finally, Employee agrees to take any and all actions as may be required to comply with Employee’s personal legal and tax obligations under all laws, rules and regulations applicable to Employee.

* * * * *

CERTIFICATION

I, Douglas D. Tough, certify that:

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

Dated: August 6, 2013

By: /s/ Douglas D. Tough

Name: Douglas D. Tough

Title: Chairman of the Board and Chief Executive Officer

CERTIFICATION

I, Kevin C. Berryman, certify that:

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

Dated: August 6, 2013

By: /s/ Kevin C. Berryman

Name: Kevin C. Berryman

Title: Executive Vice President and Chief Financial Officer

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

In connection with the Quarterly Report on Form 10-Q of International Flavors & Fragrances Inc. (the "Company") for the quarterly period ended June 30, 2013 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Douglas D. Tough, as Chief Executive Officer, and Kevin C. Berryman, as Chief Financial Officer, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Douglas D. Tough
Name: Douglas D. Tough
Title: Chairman of the Board and Chief Executive Officer
Dated: August 6, 2013

By: /s/ Kevin C. Berryman
Name: Kevin C. Berryman
Title: Executive Vice President and Chief Financial Officer
Dated: August 6, 2013