

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OF

THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended June 30, 1994 Commission file number 1-4858

INTERNATIONAL FLAVORS & FRAGRANCES INC.

(Exact Name of Registrant as specified in its charter)

New York

13-1432060

(State or other jurisdiction of
incorporation or organization)

(IRS Employer
identification No.)

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

10019-2905

(Address of principal executive offices)

(Zip Code)

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

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

Yes

No

Number of shares outstanding as of August 8, 1994: 111,364,554

PART. I FINANCIAL INFORMATION

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Item 1. Financial Statements

INTERNATIONAL FLAVORS & FRAGRANCES INC.

CONSOLIDATED BALANCE SHEET
(Dollars in thousands)

6/30/94

12/31/93

Assets

Current Assets:

Cash & Cash Equivalents	\$193,391	\$187,205
Short-term Investments	82,989	124,073
Trade Receivables	274,869	203,088
Allowances For Doubtful Accounts	(6,755)	(6,314)
Inventories: Raw Materials	195,551	175,269
Work in Process	24,692	26,902
Finished Goods	107,285	100,755
	-----	-----
Total Inventories	327,528	302,926
Other Current Assets	76,348	68,045
	-----	-----
Total Current Assets	948,370	879,023
	-----	-----
Property, Plant & Equipment, At Cost	680,299	610,629
Accumulated Depreciation	(313,402)	(287,212)
	-----	-----
	366,897	323,417
Other Assets	21,631	22,817
	-----	-----
Total Assets	\$1,336,898	\$1,225,257
	=====	=====
Liabilities and Shareholders' Equity		
Current Liabilities:		
Bank Loans	\$ 14,212	\$ 30,937
Accounts Payable-Trade	60,246	43,771
Dividends Payable	30,058	30,259
Income Taxes	60,244	45,512
Other Current Liabilities	77,767	76,108
	-----	-----
Total Current Liabilities	242,527	226,587
	-----	-----
Other Liabilities:		
Deferred Income Taxes	12,056	11,099
Long-term Debt	15,803	-
Other	100,350	95,702
	-----	-----
Total Other Liabilities	128,209	106,801
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Shareholders' Equity:		
Common Stock(115,761,840 shares issued in '94 and 115,761,240 in '93)	14,470	14,470
Capital in Excess of Par Value	147,735	150,114
Retained Earnings	924,323	860,640
Cumulative Translation Adjustment	40,504	448
	-----	-----
	1,127,032	1,025,672
Treasury Stock, at cost - 4,430,045 shares in '94 and 3,701,259 in '93	(160,870)	(133,803)
	-----	-----
Total Shareholders' Equity	966,162	891,869
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Total Liabilities and Shareholders' Equity	\$1,336,898	\$1,225,257
	=====	=====

See Notes to Consolidated Financial Statements

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

	3 Months Ended 6/30	
	1994	1993
	-----	-----
Net Sales	\$345,210	\$321,262
Cost of Goods Sold	173,607	161,946
Research and Development Expenses	19,923	18,728
Selling and Administrative Expenses	50,116	48,745
Interest Expense	5,379	3,627
Other (Income) Expense, Net	(7,356)	(8,658)
	-----	-----
	241,669	224,388
	-----	-----
Income Before Taxes on Income	103,541	96,874
Taxes on Income	38,625	35,940
	-----	-----
Net income	\$ 64,916	\$ 60,934
	=====	=====
Earnings per share *	\$0.58	\$0.53
Dividends Paid Per Share *	\$0.27	\$0.25
	6 Months Ended 6/30	
	1994	1993
	-----	-----
Net Sales	\$668,747	\$630,406
Cost of Goods Sold	339,227	321,041
Research and Development Expenses	39,276	37,486
Selling and Administrative Expenses	98,961	96,943
Interest Expense	11,544	6,853
Other (Income) Expense, Net	(17,810)	(18,200)
	-----	-----
	471,198	444,123
	-----	-----
Income Before Taxes on Income	197,549	186,283
Taxes on Income	73,692	69,122
	-----	-----
Net income	\$123,857	\$117,161
	=====	=====
Earnings Per Share *	\$1.11	\$1.02
Dividends Paid Per Share *	\$0.54	\$0.50
Average Number of Shares Outstanding (000)	111,642	114,627

* Reflects three-for-one stock split, distributed on January 19, 1994 to shareholders of record on December 28, 1993.

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOW
(Dollars in thousands)

	6 Months Ended 6/30	
	1994	1993
Cash Flows From Operating Activities:		
Net Income	\$123,857	\$117,161
Adjustments to Reconcile to Net Cash Provided by Operations:		
Depreciation	17,790	17,577
Deferred Income Taxes	3,639	575
Changes in Assets and Liabilities:		
Current Receivables	(67,240)	(61,384)
Inventories	(11,411)	(2,754)
Current Payables	29,629	27,877
Other, Net	(3,850)	2
Net Cash Provided by Operations	92,414	99,054
Cash Flows From Investing Activities:		
Proceeds From Sale/Maturities Short Term Investment	92,966	160,237
Purchases of Short Term Investments	(49,664)	(131,019)
Additions to Property, Plant & Equipment, Net of Minor Disposals	(44,169)	(28,151)
Net Cash Provided by (Used in) Investing Activities	(867)	1,067
Cash Flows From Financing Activities:		
Cash Dividends Paid	(60,374)	(57,562)
Increase (Decrease) in Bank Loans	(5,692)	(646)
Proceeds From Issuance of Stock Under Stock Option	2,755	2,550
Purchase of Treasury Stock	(32,433)	(40,848)
Net Cash Used In Financing Activities	(95,744)	(96,506)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	10,383	(17,360)
Net Change in Cash and Cash Equivalents	6,186	(13,745)
Cash and Cash Equivalents at Beginning of Year	187,205	210,798
Cash and Cash Equivalents at End of Period	\$193,391	\$197,053
Interest Paid	\$ 11,673	\$ 7,180
Income Taxes Paid	\$ 54,263	\$ 55,866

See Notes to Consolidated Financial Statements

Notes to Consolidated Financial Statements

These interim statements and 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 and financial condition included in the Company's 1993 Annual Report to Shareholders.

Effective January 1, 1994, the Company adopted Statement of Financial Accounting Standards No. 115, Accounting For Certain Debt and Equity Securities, classifying all marketable securities as available for sale. The effect of adopting this standard was not material.

The financial statements at and for the quarter and six month period ended June 30, 1994 include the balances and results of operations of the Company's 80% owned joint venture, International Flavors & Fragrances (Hangzhou) Co., Ltd. The inclusion of these accounts was not material to the Company's financial condition or results of operations.

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

Earnings per share were calculated on the basis of the average number of shares of common stock outstanding during the applicable period. Earnings per share amounts reflect the three-for-one stock split distributed on January 19, 1994 to shareholders of record on December 28, 1993.

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

Operations

Worldwide net sales for the second quarter of 1994 increased 7% over the prior year to \$345,210,000. For the first six months of 1994, net sales increased 6% over the prior year to \$668,747,000. Sales increases in flavor and fragrance products were recorded in both the second quarter and the six month periods. The sales increase for the second quarter and the first six months of 1994, as compared to the same period in 1993, was unfavorably affected by the translation of European currencies into the stronger U.S. dollar. If the dollar exchange rate had remained the same during 1994 and 1993, the sales increase for both the second quarter and the six months ended June 30, 1994 would have been 9%.

Net income for the second quarter was \$64,916,000, an increase of 7% from the second quarter 1993. Net income for the first six months of 1994 was \$123,857,000, an increase of 6% over the comparable 1993 period. This profit growth was primarily the result of the sales increase during these periods.

The percentage relationship of cost of goods sold and other operating expenses to sales for the first half 1994 and 1993 remained fairly constant, especially on an overall basis:

	First Six Months	
	1994	1993
Cost of Goods Sold	50.7%	50.9%
Research and Development Exp.	5.9%	5.9%
Selling and Administrative Exp.	14.8%	15.4%

Interest expense was \$5,379,000 for the second quarter of 1994, compared to \$3,627,000 for the second quarter 1993. For the first six months 1994, interest expense amounted to \$11,544,000, compared to \$6,853,000 in the first six months of 1993. The higher interest expense in 1994 resulted mainly from the higher level of borrowings and higher interest rates in Brazil. In both 1994 and 1993, the borrowing levels in Brazil generated significant offsetting exchange gains which were included in Other Income.

The effective tax rate for the second quarter and first six months of 1994 was 37.3%, as compared to 37.1% for the comparable periods in 1993.

Financial Condition

The financial condition of the Company continued to be strong during the second quarter. Cash, cash equivalents and short-term investments totalled \$276,380,000 at June 30, 1994. At June 30, 1994, working capital was \$705,843,000 compared to \$652,436,000 at December 31, 1993. Gross additions to property, plant and equipment during the first half of 1994 were \$44,904,000. In January 1994, the Company's cash dividend was increased 8% to an annual rate of \$1.08 per share, and \$.27 per share was paid to shareholders in both the first and second quarter. The Company anticipates that its growth, capital expenditure programs and share repurchase program will be funded from internal sources.

The cumulative translation adjustment component of Shareholders' Equity at June 30, 1994 was \$40,504,000 compared to \$448,000 at December 31, 1993. Changes in the component result from translating the net assets of the majority of the Company's foreign subsidiaries into U.S. dollars at current exchange rates as required by the Statement of Financial Accounting Standards No. 52 on accounting for foreign currency translation.

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings

In July 1994, the Company and its three primary liability insurers entered into an agreement settling the action commenced by such insurers in November 1991. That action had sought a declaratory judgment that the insurers were under no duty to defend or indemnify the Company with respect to pending or future waste site claims and recovery of sums previously paid by the carriers in defending the Company against such claims. In the settlement, the Company and the insurers have agreed to share defense and indemnity costs up to an agreed amount. The settlement of the declaratory judgment action is consistent with the Company's previously stated belief that the amounts it will probably have to pay in connection with waste site claims will not be material to the Company's financial condition, results of operations or liquidity, because of the involvement of other large potentially responsible parties at most sites and because payment will be made over an extended time period.

ITEM 4. Submission of Matters to a Vote of Security Holders

At the annual meeting of Registrant's shareholders held Thursday, May 12, 1994, at which 96,679,766 shares or 86.5% of Registrant's Common stock were represented in person or by proxy, the 12 nominees for director of Registrant, as listed in Registrant's proxy statement dated April 5, 1994 previously filed with the Commission, were duly elected to Registrant's Board of Directors. There was no solicitation of proxies in opposition to these nominees.

ITEM 6. Exhibits and Reports on Form 8-K

- (a) Exhibits
None
- (b) Reports on Form 8-K

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

SIGNATURES

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

INTERNATIONAL FLAVORS & FRAGRANCES INC.

Dated: August 10, 1994 By: /s/ THOMAS H. HOPPEL

Thomas H. Hoppel, Vice President & Treasurer

Dated: August 10, 1994 By: /s/ STEPHEN A. BLOCK

Stephen A. Block, Vice-President Law and Secretary