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 September 30, 2020

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	13-1432060
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

521 West 57th Street, New York, NY 10019-2960
(Address of principal executive offices) (Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value 12 1/2¢ per share	IFF	New York Stock Exchange
6.00% Tangible Equity Units	IFFT	New York Stock Exchange
0.500% Senior Notes due 2021	IFF 21	New York Stock Exchange
1.750% Senior Notes due 2024	IFF 24	New York Stock Exchange
1.800% Senior Notes due 2026	IFF 26	New York Stock Exchange

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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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 October 30, 2020: 106,933,358

PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS.
INTERNATIONAL FLAVORS & FRAGRANCES INC.
CONSOLIDATED BALANCE SHEET
(Unaudited)

(DOLLARS IN THOUSANDS)	September 30, 2020	December 31, 2019
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 469,840	$ 606,823
Restricted cash	12,841	17,122
Trade receivables (net of allowances of $22,513 and $16,428, respectively)	928,625	876,197
Inventories: Raw materials	589,775	565,071
Work in process	46,169	44,532
Finished goods	515,337	513,465
Total Inventories	1,151,281	1,123,068
Prepaid expenses and other current assets	383,618	319,334
Total Current Assets	2,946,205	2,942,544
Property, plant and equipment, at cost	2,789,794	2,690,768
Accumulated depreciation	(1,409,371)	(1,303,848)
	1,380,423	1,386,920
Goodwill	5,427,482	5,497,596
Other intangible assets, net	2,675,482	2,851,935
Other assets	655,782	608,416
Total Assets	$ 13,085,374	$ 13,287,411
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Bank borrowings, overdrafts, and current portion of long-term debt	$ 440,962	$ 384,958
Accounts payable	505,259	510,372
Accrued payroll and bonus	107,301	102,704
Dividends payable	82,311	80,038
Other current liabilities	480,426	474,118
Total Current Liabilities	1,616,259	1,552,190
Long-term debt	3,890,762	3,997,438
Retirement liabilities	257,993	265,370
Deferred income taxes	612,744	641,456
Other liabilities	517,296	502,366
Total Other Liabilities	5,278,795	5,406,630
Commitments and Contingencies (Note 14)		
Redeemable noncontrolling interests	100,005	99,043
Shareholders' Equity:		
Common stock 12 1/2¢ par value; 500,000,000 shares authorized; 128,526,137 shares issued as of September 30, 2020 and December 31, 2019; and 106,933,358 and 106,787,299 shares outstanding as of September 30, 2020 and December 31, 2019, respectively	16,066	16,066
Capital in excess of par value	3,847,824	3,823,152
Retained earnings	4,170,894	4,117,804
Accumulated other comprehensive loss	(939,419)	(716,894)
Treasury stock, at cost (21,592,779 and 21,738,838 shares as of September 30, 2020 and December 31, 2019, respectively)	(1,017,158)	(1,022,824)
Total Shareholders' Equity	6,078,207	6,217,304
Noncontrolling interest	12,108	12,244
Total Shareholders' Equity including Noncontrolling interest	6,090,315	6,229,548
Total Liabilities and Shareholders' Equity	$ 13,085,374	$ 13,287,411

See Notes to Consolidated Financial Statements

INTERNATIONAL FLAVORS & FRAGRANCES INC.
CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE INCOME (LOSS)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
(AMOUNTS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)	**2020**	**2019**	**2020**	**2019**
Net sales	$ 1,268,076	$ 1,267,345	$ 3,814,166	$ 3,856,315
Cost of goods sold	743,649	734,257	2,242,030	2,245,729
Gross profit	524,427	533,088	1,572,136	1,610,586
Research and development expenses	89,968	85,077	256,825	260,489
Selling and administrative expenses	234,520	210,829	694,641	634,111
Amortization of acquisition-related intangibles	47,738	48,430	144,922	143,964
Restructuring and other charges, net	1,497	3,716	8,299	22,415
Losses on sales of fixed assets	415	372	1,568	1,136
Operating profit	150,289	184,664	465,881	548,471
Interest expense	34,844	33,497	99,046	102,662
Other expense (income), net	9,945	(5,699)	4,762	(15,114)
Income before taxes	105,500	156,866	362,073	460,923
Taxes on income	19,269	27,059	61,265	81,033
Net income	86,231	129,807	300,808	379,890
Net income attributable to noncontrolling interests	1,403	2,683	5,169	7,560
Net income attributable to IFF stockholders	84,828	127,124	295,639	372,330
Other comprehensive income (loss), net, after tax:				
Foreign currency translation adjustments	79,291	(204,853)	(226,519)	(176,490)
(Losses) gains on derivatives qualifying as hedges	(4,751)	2,939	(6,405)	3,257
Pension and postretirement net liability	3,507	2,721	10,399	7,908
Other comprehensive income (loss), net	78,047	(199,193)	(222,525)	(165,325)
Comprehensive income (loss) attributable to IFF stockholders	$ 162,875	$ (72,069)	$ 73,114	$ 207,005
Net income per share - basic	$ 0.76	$ 1.15	$ 2.68	$ 3.34
Net income per share - diluted	$ 0.75	$ 1.13	$ 2.64	$ 3.30
Average number of shares outstanding - basic	112,183	111,998	112,148	111,953
Average number of shares outstanding - diluted	113,622	113,493	113,631	113,133

See Notes to Consolidated Financial Statements

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

(DOLLARS IN THOUSANDS)	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Cash flows from operating activities:		
Net income	$ 300,808	$ 379,890
Adjustments to reconcile to net cash provided by operating activities		
Depreciation and amortization	243,576	235,429
Deferred income taxes	(37,146)	(35,134)
Losses on sale of assets	1,568	1,136
Stock-based compensation	27,177	26,426
Pension contributions	(18,901)	(16,390)
Changes in assets and liabilities, net of acquisitions:		
Trade receivables	(94,292)	(22,878)
Inventories	(42,771)	(84,140)
Accounts payable	21,593	(39,332)
Accruals for incentive compensation	19,033	(20,726)
Other current payables and accrued expenses	59,962	(12,161)
Other assets	(72,886)	(58,016)
Other liabilities	7,307	28,931
Net cash provided by operating activities	415,028	383,035
Cash flows from investing activities:		
Cash paid for acquisitions, net of cash received	—	(49,065)
Additions to property, plant and equipment	(124,070)	(160,449)
Additions to intangible assets	—	(6,070)
Proceeds from life insurance contracts	1,739	1,890
Maturity of net investment hedges	(14,597)	—
Proceeds from disposal of assets	18,202	34,607
Proceeds from unwinding of cross currency swap derivative instruments	—	25,900
Contingent consideration paid	—	(4,655)
Net cash used in investing activities	(118,726)	(157,842)
Cash flows from financing activities:		
Cash dividends paid to shareholders	(240,273)	(233,477)
(Decrease) increase in revolving credit facility and short term borrowings	(655)	11
Deferred financing costs	(3,205)	—
Repayments on debt	(335,084)	(100,785)
Proceeds from issuance of long-term debt	200,000	—
Contingent consideration paid	(9,562)	(21,791)
Purchases of redeemable noncontrolling interest	(21,566)	—
Proceeds from issuance of stock in connection with stock options	—	200
Employee withholding taxes paid	(7,664)	(9,966)
Net cash used in financing activities	(418,009)	(365,808)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(18,712)	(3,853)
Net change in cash, cash equivalents and restricted cash	(140,419)	(144,468)
Cash, cash equivalents and restricted cash at beginning of year	623,945	648,522
Cash, cash equivalents and restricted cash at end of period	$ 483,526	$ 504,054
Supplemental Disclosures:		
Interest paid, net of amounts capitalized	$ 112,653	$ 122,121
Income taxes paid	101,307	98,819
Accrued capital expenditures	22,523	15,826

See Notes to Consolidated Financial Statements

INTERNATIONAL FLAVORS & FRAGRANCES INC.
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(Unaudited)

					Treasury stock			
(DOLLARS IN THOUSANDS)	Common stock	Capital in excess of par value	Retained earnings	Accumulated other comprehensive (loss) income	Shares	Cost	Non-controlling interest	Total
Balance at June 30, 2019	$ 16,066	$ 3,805,883	$ 4,069,211	$ (668,359)	(21,751,837)	$ (1,023,422)	$ 10,608	$ 6,209,987
Net income			127,124				657	127,781
Adoption of ASU 2017-12			(1,962)					(1,962)
Cumulative translation adjustment				(204,853)				(204,853)
Gains on derivatives qualifying as hedges; net of tax of $(348)				2,939				2,939
Pension liability and postretirement adjustment; net of tax of $(1,937)				2,721				2,721
Cash dividends declared ($0.75 per share)			(80,027)					(80,027)
Stock options/SSARs		579			212	9		588
Vested restricted stock units and awards		28			1,410	67		95
Stock-based compensation		8,126						8,126
Redeemable NCI		1,736						1,736
Dividends paid on noncontrolling interest and Other			(47)				(96)	(143)
Balance at September 30, 2019	$ 16,066	$ 3,816,352	$ 4,114,299	$ (867,552)	(21,750,215)	$ (1,023,346)	$ 11,169	$ 6,066,988

					Treasury stock			
(DOLLARS IN THOUSANDS)	Common stock	Capital in excess of par value	Retained earnings	Accumulated other comprehensive (loss) income	Shares	Cost	Non-controlling interest	Total
Balance at June 30, 2020	$ 16,066	$ 3,838,047	$ 4,168,378	$ (1,017,466)	(21,594,097)	$ (1,017,220)	$ 13,111	$ 6,000,916
Net income			84,828				281	85,109
Cumulative translation adjustment				79,291				79,291
Losses on derivatives qualifying as hedges; net of tax of $709				(4,751)				(4,751)
Pension liability and postretirement adjustment; net of tax of $(1,031)				3,507				3,507
Cash dividends declared ($0.77 per share)			(82,311)					(82,311)
Stock options/SSARs		626			424	20		646
Vested restricted stock units and awards		92			894	42		134
Stock-based compensation		8,195						8,195
Redeemable NCI		864						864
Dividends paid on noncontrolling interest and Other			(1)				(1,284)	(1,285)
Balance at September 30, 2020	$ 16,066	$ 3,847,824	$ 4,170,894	$ (939,419)	(21,592,779)	$ (1,017,158)	$ 12,108	$ 6,090,315

See Notes to Consolidated Financial Statements

INTERNATIONAL FLAVORS & FRAGRANCES INC.
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(Unaudited)

(DOLLARS IN THOUSANDS)	Common stock	Capital in excess of par value	Retained earnings	Accumulated other comprehensive (loss) income	Treasury stock		Non-controlling interest	Total
					Shares	Cost		
Balance at January 1, 2019	$ 16,066	$ 3,793,609	$ 3,956,221	$ (702,227)	(21,906,935)	$ (1,030,718)	$ 10,423	$ 6,043,374
Net income			372,330				2,163	374,493
Adoption of ASU 2016-02			23,094					23,094
Adoption of ASU 2017-12			(981)					(981)
Cumulative translation adjustment				(176,490)				(176,490)
Gains on derivatives qualifying as hedges; net of tax of $39				3,257				3,257
Pension liability and postretirement adjustment; net of tax of $(3,038)				7,908				7,908
Cash dividends declared ($2.21 per share)			(235,730)					(235,730)
Stock options/SSARs		5,664			14,214	670		6,334
Vested restricted stock units and awards		(10,940)			142,506	6,702		(4,238)
Stock-based compensation		26,426						26,426
Redeemable NCI		1,593						1,593
Dividends paid on noncontrolling interest and Other			(635)				(1,417)	(2,052)
Balance at September 30, 2019	$ 16,066	$ 3,816,352	$ 4,114,299	$ (867,552)	(21,750,215)	$ (1,023,346)	$ 11,169	$ 6,066,988

(DOLLARS IN THOUSANDS)	Common stock	Capital in excess of par value	Retained earnings	Accumulated other comprehensive (loss) income	Treasury stock		Non-controlling interest	Total
					Shares	Cost		
Balance at January 1, 2020	$ 16,066	$ 3,823,152	$ 4,117,804	$ (716,894)	(21,738,838)	$ (1,022,824)	$ 12,244	$ 6,229,548
Net income			295,639				1,689	297,328
Cumulative translation adjustment				(226,519)				(226,519)
Losses on derivatives qualifying as hedges; net of tax of $1,007				(6,405)				(6,405)
Pension liability and postretirement adjustment; net of tax of $(3,218)				10,399				10,399
Cash dividends declared ($2.27 per share)			(242,546)					(242,546)
Stock options/SSARs		(623)			57,652	2,743		2,120
Vested restricted stock units and awards		(6,846)			88,407	2,923		(3,923)
Stock-based compensation		27,177						27,177
Redeemable NCI		4,964						4,964
Dividends paid on noncontrolling interest and Other			(3)				(1,825)	(1,828)
Balance at September 30, 2020	$ 16,066	$ 3,847,824	$ 4,170,894	$ (939,419)	(21,592,779)	$ (1,017,158)	$ 12,108	$ 6,090,315

See Notes to Consolidated Financial Statements

NOTE 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These interim statements and related management's discussion and analysis should be read in conjunction with the Consolidated Financial Statements and the related notes and management's discussion and analysis of results of operations, liquidity and capital resources included in our 2019 Annual Report on Form 10-K ("2019 Form 10-K"). These interim statements are unaudited. The year-end balance sheet data included in this Form 10-Q 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, September 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 2020 and 2019 quarters, the actual closing dates were October 2 and September 27, 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 "IFF," the "Company," "we," "us" and "our" mean International Flavors & Fragrances Inc. and its consolidated subsidiaries.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("U.S. GAAP") requires management to make estimates and judgments that affect the amounts reported in the Consolidated Financial Statements and accompanying notes. The inputs into our judgments and estimates consider the current economic implications of the novel coronavirus ("COVID-19") on our critical and significant accounting estimates, including estimates associated with future cash flows that are used in assessing the risk of impairment of certain long lived assets. Actual results could differ from those estimates.

Cash, Cash Equivalents and Restricted Cash

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported in the Company's statement of cash flows periods ended September 30, 2020 and September 30, 2019 to the amounts reported in the Company's balance sheet as at September 30, 2020, December 31, 2019, September 30, 2019 and December 31, 2018.

(DOLLARS IN THOUSANDS)	September 30, 2020	December 31, 2019	September 30, 2019	December 31, 2018
Current assets				
Cash and cash equivalents	$ 469,840	$ 606,823	$ 494,897	$ 634,897
Restricted cash	12,841	17,122	9,157	13,625
Noncurrent assets				
Restricted cash included in Other assets	845	—	—	—
Cash, cash equivalents and restricted cash	$ 483,526	$ 623,945	$ 504,054	$ 648,522

Accounts Receivable

The Company has various factoring agreements in the U.S. and The Netherlands under which it can factor up to approximately $100 million in receivables. In addition, the Company has factoring agreements sponsored by certain customers. Under all of the arrangements, the Company sells the receivables on a non-recourse basis to unrelated financial institutions and accounts for the transactions as a sale of receivables. The applicable receivables are removed from the Company's Consolidated Balance Sheet when the cash proceeds are received by the Company.

Through these factoring programs, the Company removed $209.3 million and $205.7 million of receivables from its balance sheets as of September 30, 2020 and December 31, 2019, respectively, which are primarily related to the factoring agreements sponsored by certain customers.

The impact on cash provided by operations from participating in these programs was an increase of $3.6 million for the nine months ended September 30, 2020 and an increase of $36.8 million for the nine months ended September 30, 2019.

The cost of participating in these programs was $1.1 million and $1.7 million for the three months ended September 30, 2020 and 2019, respectively, and was $3.1 million and $4.7 million for the nine months ended September 30, 2020 and 2019, respectively.

Revenue Recognition

The Company recognizes revenue when control of the promised goods is transferred to its customers in an amount that reflects the consideration it expects to be entitled to in exchange for those goods. Sales, value added, and other taxes the Company collects are excluded from revenues. The Company receives payment in accordance with standard customer terms.

The following table presents the Company's revenues disaggregated by product categories:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(DOLLARS IN THOUSANDS)	**2020**	**2019**	**2020**	**2019**
Taste				
Flavor compounds	$ 674,240	$ 697,787	$ 2,062,718	$ 2,112,801
Flavor ingredients	90,998	84,641	281,166	285,748
Total Taste	765,238	782,428	2,343,884	2,398,549
Scent				
Fragrance compounds	404,524	389,949	1,170,860	1,155,127
Fragrance ingredients	98,314	94,968	299,422	302,639
Total Scent	502,838	484,917	1,470,282	1,457,766
Total revenues	$ 1,268,076	$ 1,267,345	$ 3,814,166	$ 3,856,315

Contract Assets

With respect to a small number of contracts for the sale of compounds, the Company has an “enforceable right to payment for performance to date” and as the products do not have an alternative use, the Company recognizes revenue for these contracts over time and records a contract asset using the output method. The output method recognizes revenue on the basis of direct measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract.

The following table reflects the balances in the Company's accounts receivable, contract assets, and contract liabilities for the periods ended September 30, 2020 and December 31, 2019:

(DOLLARS IN THOUSANDS)	**September 30, 2020**	**December 31, 2019**
Receivables (included in Trade receivables)	$ 951,138	$ 892,625
Contract asset - Short term	960	2,736
Contract liabilities - Short term	4,648	11,107

Recent Accounting Pronouncements

In March 2020, the FASB issued Accounting Standards Update ("ASU") 2020-04, “Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting.” The ASU is intended to simplify various aspects related to the cessation of reference rates in certain financial markets that would otherwise create modification accounting or changes in estimate. This guidance is effective for the period from March 12, 2020 to December 31, 2022. The Company has not adopted any of the optional expedients or exceptions through September 30, 2020 but will continue to evaluate the possible adoption of any such expedients or exceptions during the effective period as circumstances evolve.

In December 2019, the FASB issued ASU 2019-12, “Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes.” The ASU is intended to simplify various aspects related to accounting for income taxes. This guidance is effective for fiscal years beginning after December 15, 2020, and for interim periods within those fiscal years, with early adoption permitted. The Company is currently evaluating the impact this guidance may have on its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-15, “Intangibles - Goodwill and Other - Internal - Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract (a consensus of the FASB Emerging Issues Task Force).” The ASU aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). This guidance is effective for fiscal years beginning after December 15, 2019, and for interim periods within those fiscal years, with early adoption permitted. The Company adopted the guidance effective the first day of its 2020 fiscal year. The adoption did not have an impact on its consolidated financial statements but may impact the Company in the future as and when it enters into cloud computing arrangements.

In August 2018, the FASB issued ASU 2018-14, "Compensation - Retirement Benefits - Defined Benefit Plans (Subtopic 715-20)", which modifies the disclosure requirements on company-sponsored defined benefit plans. The ASU is effective for fiscal years beginning after December 15, 2020 on a retrospective basis to all periods presented. Early adoption is permitted. The Company adopted the guidance effective the first day of its 2020 fiscal year. The adoption did not have an impact on its Consolidated Financial Statements and will have a minimal impact on its disclosures in future periods.

Adoption of Standard Related to Expected Credit Losses

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments", with subsequent amendments, which requires issuers to measure expected credit losses for financial assets based on historical experience, current conditions and reasonable and supportable forecasts. As such, an entity will use forward-looking information to estimate credit losses, which may result in earlier recognition of losses.

The Company adopted the guidance effective the first day of its 2020 fiscal year and performed an evaluation of the applicable criteria, including the aging of its trade receivables, recent write-off history and other factors related to future macroeconomic conditions. As a result of the evaluation, the Company determined that no adjustment would be required to the level of its allowances for bad debts or to the carrying value of any other financial asset.

The Company is exposed to credit losses primarily through its sales of products. To determine the appropriate allowance for expected credit losses, the Company considers certain credit quality indicators, such as aging, collection history, and creditworthiness of debtors. Regional and Global Credit committees review and approve specific customer allowance reserves. The allowance for expected credit losses is primarily based on two primary factors: i) the aging of the different categories of trade receivables, and ii) a specific reserve for accounts identified as uncollectable.

The Company also considers current and future economic conditions in the determination of the allowance. At September 30, 2020, the Company reported $928.6 million of trade receivables, net of allowances of $22.5 million. Based on the aging analysis as of September 30, 2020, approximately 87% of our accounts receivable were current based on the payment terms of the invoice. Receivables that are past due by over 365 days account for approximately 1% of our accounts receivable.

The following is a rollforward of the Company's allowances for bad debts for the nine months ended September 30, 2020:

(DOLLARS IN THOUSANDS)		**Allowances for Bad Debts**
Balance at December 31, 2019	$	16,428
Bad debt expense		7,443
Write-offs		(587)
Foreign exchange		(771)
Balance at September 30, 2020	$	22,513

The Company adjusted the amount of the allowances for bad debts as of December 31, 2019 to reflect the correct classification of amounts between the allowances for bad debts and Trade Receivables. The adjustment was for $8.2 million and had the effect of increasing both the allowances for bad debts and Trade Receivables.

During the first quarter of 2020, the Company increased its allowances for bad debts by approximately $3.0 million to reflect higher expected future write-offs of receivables due to the impact of the COVID-19 pandemic and its impact on the liquidity of certain customers. The Company has not made any additional increases to its allowances for bad debts, as a result of COVID-19, in the second and third quarters of 2020.

NOTE 2. NET INCOME PER SHARE

A reconciliation of the shares used in the computation of basic and diluted net income per share is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(AMOUNTS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)	2020	2019	2020	2019
Net Income				
Net income attributable to IFF stockholders	$ 84,828	$ 127,124	$ 295,639	$ 372,330
Adjustment related to decrease in redemption value of redeemable noncontrolling interests in excess of earnings allocated	864	1,736	4,964	1,593
Net income available to IFF stockholders	$ 85,692	$ 128,860	$ 300,603	$ 373,923
Shares				
Weighted average common shares outstanding (basic)(1)	112,183	111,998	112,148	111,953
Adjustment for assumed dilution(2):				
Stock options and restricted stock awards	276	332	320	372
SPC portion of TEUs	1,163	1,163	1,163	808
Weighted average shares assuming dilution (diluted)	113,622	113,493	113,631	113,133
Net Income per Share				
Net income per share - basic	$ 0.76	$ 1.15	$ 2.68	$ 3.34
Net income per share - diluted	0.75	1.13	2.64	3.30

(1) For the three and nine months ended September 30, 2020 and 2019, the tangible equity units (“TEUs”) were assumed to be outstanding at the minimum settlement amount for basic earnings per share. See below for details.

(2) Effect of dilutive securities includes dilution under stock plans and incremental impact of TEUs. See below for details.

The Company declared a quarterly dividend to its shareholders of $0.77 and $0.75 per share for the three months ended September 30, 2020 and 2019, respectively. For the nine months ended September 30, 2020 and 2019, the Company declared quarterly dividends to its shareholders totaling $2.27 and $2.21 per share, respectively.

There were no stock options or stock-settled appreciation rights (“SSARs”) excluded from the computation of diluted net income per share for the three and nine months ended September 30, 2020 and 2019.

The Company issued 16,500,000 TEUs, consisting of a prepaid stock purchase contract ("SPC") and a senior amortizing note, for net proceeds of $800.2 million on September 17, 2018. For purposes of calculating basic net income per share, the SPCs were assumed to be settled at the minimum settlement amount of 0.3134 shares per SPC on September 30, 2020 and 2019. For purposes of calculating diluted earnings per share, the SPCs were assumed to be settled at a conversion factor not to exceed 0.3839 on September 30, 2020 and 2019. The SPC conversion factor is based on the 20 day volume-weighted average price (“VWAP”) per share of the Company’s common stock. Per the TEU agreement, the maximum settlement amount is 0.3839 shares per SPC.

The Company has issued shares of purchased restricted common stock and purchased restricted common stock units (collectively “PRSUs”) which contain rights to nonforfeitable dividends while these shares are outstanding and thus are considered participating securities. Such securities 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 PRSU shareholders was less than $0.01 per share for each period presented, except for the nine months ended September 30, 2020 where the difference was less than $0.03 per share, and the number of PRSUs outstanding as of September 30, 2020 and 2019 was immaterial. Net income allocated to such PRSUs was $0.1 million and $0.2 million for the three months ended September 30, 2020 and 2019, respectively, and $0.5 million for both the nine months ended September 30, 2020 and 2019.

NOTE 3. ACQUISITIONS

Pending Transaction with Nutrition & Biosciences, Inc.

On December 15, 2019, the Company entered into definitive agreements with DuPont de Nemours, Inc. ("DuPont"), including an Agreement and Plan of Merger (the "Merger Agreement"), pursuant to which DuPont will transfer its nutrition and biosciences business to Nutrition & Biosciences, Inc., a Delaware corporation and wholly owned subsidiary of DuPont ("N&B"), and N&B will merge with and into a wholly owned subsidiary of IFF in exchange for a number of shares of IFF common stock, par value $0.125 per share ("IFF Common Stock") (collectively, the "DuPont N&B Transaction"). In connection with the transaction, DuPont will receive a one-time $7.3 billion special cash payment (the "Special Cash Payment"), subject to certain adjustments. As a result of the DuPont N&B Transaction, holders of DuPont's common stock will own approximately 55.4% of the outstanding shares of IFF on a fully diluted basis.

Completion of the DuPont N&B Transaction is subject to various closing conditions, including, among other things, (1) approval by IFF's shareholders of the issuance of IFF Common Stock in connection with the transaction (which approval has been obtained); (2) the effectiveness of the registration statements to be filed with the Securities and Exchange Commission pursuant to the Merger Agreement; and (3) the expiration of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (which waiting period has expired), and obtaining certain other consents, authorizations, orders or approvals from governmental authorities. We expect that the transaction will close in early 2021.

On December 15, 2019, IFF and N&B entered into a commitment letter which provides $7.5 billion in an aggregate principal amount of senior unsecured bridge term loans (the "Bridge Loans"). On January 17, 2020, N&B entered into a term loan credit agreement, as amended on August 25. 2020, providing for unsecured term loan facilities in an aggregate principal amount of $1.25 billion (the "Term Loan Facilities"), which reduced the commitments under the Bridge Loans commitment letter by a corresponding amount. On September 16, 2020, N&B issued $6.25 billion of senior unsecured notes (the "N&B Notes"), which reduced the remaining commitments under the Bridge Loans commitment letter in their entirety. The Bridge Loans commitment letter was also terminated as of such date. The N&B Notes, together with the Term Loan Facilities, will be used to finance the Special Cash Payment and to pay related fees and expenses. Following the consummation of the merger, all obligations of N&B with respect to the Term Loan Facilities and the N&B Notes will be guaranteed by IFF (or at the election of N&B and IFF, assumed by IFF).

On August 27, 2020, a special shareholder meeting was held and IFF shareholders voted to approve the issuance of shares of IFF Common Stock in connection with the DuPont N&B Transaction pursuant to the Merger Agreement.

2019 Acquisition Activity

During the second quarter of 2019, the Company acquired the remaining 50% interest in an equity method investee located in Canada. The purchase of the additional interest increased the Company's ownership of the investee to 100%. The purchase price for the remaining 50% was approximately $37 million, including cash and an accrual for the amount expected to be paid in contingent consideration. The Company began to consolidate the results of the acquired entity from the date on which it acquired the remaining 50% interest during the second quarter of 2019. Goodwill of approximately $30 million and intangible assets of $20 million were recorded in connection with the acquisition.

During the first quarter of 2019, the Company acquired 70% of a company in Europe and increased its ownership of an Asian company from 49% to 60%. The total purchase price for the two acquisitions made in the first quarter of 2019 was $52 million, excluding cash acquired and including $19 million of contingent consideration and deferred payments. The purchase price allocations have been performed and resulted in goodwill of approximately $47 million and intangible assets of $28 million.

During the first quarter of 2020, the Company completed the purchase price allocations for all three of the transactions that were made during 2019. As a result of finalizing the purchase price allocations, adjustments were recorded to increase fixed assets by $13 million, customer relationships and other intangible assets by $5 million and approximately $3 million related to deferred tax liabilities and to decrease goodwill by $15 million. The income statement impact of the finalization of purchase accounting was not material.

Pro forma information has not been presented as the entities acquired in 2019 were not material.

NOTE 4. RESTRUCTURING AND OTHER CHARGES, NET

Restructuring and other charges primarily consist of separation costs for employees including severance, outplacement and other employee benefit costs ("Severance"), charges related to the write-down of fixed assets of plants to be closed ("Fixed asset write-down") and all other related restructuring ("Other") costs. All restructuring and other charges, net are separately stated on the Consolidated Statement of Comprehensive Income (Loss).

Frutarom Integration Initiative

In connection with the acquisition of Frutarom, the Company began to execute an integration plan that, among other initiatives, seeks to optimize its manufacturing network. As part of the Frutarom Integration Initiative, the Company expects to close approximately 35 manufacturing sites with most of the closures targeted to occur by the end of 2021. During 2019, the Company announced the closure of ten sites, of which six sites were in Europe, Africa and Middle East, two sites in Latin America, and one site in each North America and Greater Asia regions. During the nine months ended September 30, 2020, the Company announced the closure of six sites, of which three sites are in Europe, Africa and Middle East, one site in Latin America, and two sites in North America. Since the inception of the initiative through September 30, 2020, the Company has closed sixteen sites and expensed total costs of $18.3 million. Total costs for the program are expected to be approximately $40 million to $50 million including cash and non-cash items.

2019 Severance Program

During the year ended December 31, 2019, the Company incurred severance charges related to approximately 190 headcount reductions, excluding those previously mentioned under the Frutarom Integration Initiative. The headcount reductions primarily related to the Scent business unit with additional amounts related to headcount reductions in all business units associated with the establishment of a new shared service center in Europe. Since the inception of the program, the Company has expensed $21.7 million to date. Total costs for the program are expected to be approximately $25 million.

2017 Productivity Program

In connection with the 2017 Productivity Program, the Company recorded $24.5 million of charges related to personnel costs and lease termination costs since the program's inception to date. As of September 30, 2020, the program is largely completed. Total costs for the program are expected to be approximately $25 million.

Changes in Restructuring Liabilities

Changes in restructuring liabilities by program during the nine months ended September 30, 2020 were as follows:

(DOLLARS IN THOUSANDS)	Balance at December 31, 2019	Additional Charges (Reversals), Net	Non-Cash Charges	Cash Payments	Balance at September 30, 2020
2017 Productivity Program					
Severance	$ 1,106	$ —	$ —	$ (277)	$ 829
Other(1)	88	—	—	—	88
Frutarom Integration Initiative					
Severance	4,038	2,003	—	(3,221)	2,820
Fixed asset write down	—	4,647	(4,647)	—	—
Other(1)	2,485	1,291	371	(812)	3,335
2019 Severance Plan					
Severance	12,897	358	—	(4,905)	8,350
Other(1)	471	—	—	—	471
Total restructuring	$ 21,085	$ 8,299	$ (4,276)	$ (9,215)	$ 15,893

(1) Other includes supplier contract termination costs, consulting and advisory fees.

Charges by Segment

The following table summarizes the total amount of costs incurred in connection with these restructuring programs by segment:

(DOLLARS IN THOUSANDS)	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Taste	$ 1,139	$ 2,541	$ 7,941	$ 7,618
Scent	358	803	358	11,703
Shared IT & Corporate Costs	—	372	—	3,094
Total Restructuring and other charges, net	$ 1,497	$ 3,716	$ 8,299	$ 22,415

NOTE 5. GOODWILL AND OTHER INTANGIBLE ASSETS, NET

Goodwill

Movements in goodwill during 2020 were as follows:

(DOLLARS IN THOUSANDS)	Goodwill
Balance at December 31, 2019	$ 5,497,596
Measurement period adjustments[1]	(15,283)
Foreign exchange	(54,831)
Balance at September 30, 2020	$ 5,427,482

(1) Measurement period adjustments relate to adjustments recorded in connection with completing the purchase price allocation related to the 2019 Acquisition Activity. See Note 3 for details.

Reallocation of goodwill

In the first quarter of 2020, in connection with the reorganization of the Company's reporting structure, certain entities were moved between reporting units. As a result of the movements, Goodwill was reallocated between reporting units as follows:

(DOLLARS IN THOUSANDS)	Increase (decrease) to Goodwill
Cosmetic Active Ingredients	$ 85,235
Natural Product Solutions	(57,102)
Fine Ingredients	(25,256)
Taste	(2,877)
Total	$ —

See Note 10 for further information on the reorganization.

Other Intangible Assets

Other intangible assets, net consisted of the following amounts:

(DOLLARS IN THOUSANDS)	September 30, 2020	December 31, 2019
Asset Type		
Customer relationships	$ 2,639,670	$ 2,653,446
Trade names & patents	180,173	178,968
Technological know-how	466,154	468,256
Other	2,489	40,362
Total carrying value	3,288,486	3,341,032
Accumulated Amortization		
Customer relationships	(422,395)	(302,047)
Trade names & patents	(35,015)	(27,213)
Technological know-how	(155,893)	(135,269)
Other	299	(24,568)
Total accumulated amortization	(613,004)	(489,097)
Other intangible assets, net	$ 2,675,482	$ 2,851,935

Amortization

Amortization expense was $47.7 million and $48.4 million for the three months ended September 30, 2020 and 2019, respectively and $144.9 million and $144.0 million for the nine months ended September 30, 2020 and 2019, respectively.

Amortization expense for the next five years is expected to be as follows:

(DOLLARS IN THOUSANDS)	2020	2021	2022	2023	2024
Estimated future intangible amortization expense	$ 48,270	$ 190,415	$ 186,485	$ 186,368	$ 186,368

Potential COVID-19 Impact

Although IFF does not currently anticipate any impairment charges related to COVID-19, the continuing effects of a prolonged pandemic could result in increased risk of asset write-downs and impairments to goodwill and intangibles. Either of these events could potentially result in a material adverse impact on IFF's business and results of operations.

NOTE 6. OTHER ASSETS

Other assets consisted of the following amounts:

(DOLLARS IN THOUSANDS)	September 30, 2020	December 31, 2019
Operating lease right-of-use assets	$ 298,455	$ 287,870
Deferred income taxes	154,504	125,552
Overfunded pension plans	99,212	85,657
Cash surrender value of life insurance contracts	47,417	47,578
Other[(a)]	56,194	61,759
Total	$ 655,782	$ 608,416

(a) Includes finance lease right-of-use assets, restricted cash, land usage rights in China and long term deposits.

NOTE 7. DEBT

Debt consisted of the following:

(DOLLARS IN THOUSANDS)	Effective Interest Rate	September 30, 2020	December 31, 2019
2020 Notes[1]	3.69 %	$ —	$ 299,381
2021 Euro Notes[1]	0.82 %	350,646	334,561
2023 Notes[1]	3.30 %	299,234	299,004
2024 Euro Notes[1]	1.88 %	584,429	558,124
2026 Euro Notes[1]	1.93 %	931,723	890,183
2028 Notes[1]	4.57 %	396,925	396,688
2047 Notes[1]	4.44 %	493,887	493,571
2048 Notes[1]	5.12 %	786,160	785,996
Term Loan[1]	3.65 %	239,766	239,621
2022 Term Loan [1]	1.73 %	199,261	—
Amortizing Notes[1]	6.09 %	47,970	82,079
Bank overdrafts and other		1,666	3,131
Deferred realized gains on interest rate swaps		57	57
Total debt		4,331,724	4,382,396
Less: Short-term borrowings[2]		(440,962)	(384,958)
Total Long-term debt		$ 3,890,762	$ 3,997,438

(1) Amount is net of unamortized discount and debt issuance costs.

(2) Includes bank borrowings, overdrafts and current portion of long-term debt.

2022 Term Loan

On May 15, 2020, the Company entered into a Term Loan Agreement (the "2022 Term Loan Agreement") with China Construction Bank Corporation, New York Branch, as administrative agent, and the lenders party thereto.

The lenders party to the 2022 Term Loan Agreement have committed to provide a senior unsecured two year term loan facility in an aggregate principal amount of up to $200 million. The loans under the 2022 Term Loan Agreement bear interest, at the Company's option, at a per annum rate equal to either (x) an adjusted LIBOR rate plus an applicable margin varying from 1.225% to 2.475% or (y) a base rate plus an applicable margin varying from 0.225% to 1.475%, in each case depending on the public debt ratings for non-credit enhanced long-term senior unsecured debt issued by the Company. The Company may voluntarily prepay the term loans without premium or penalty, with the balance payable on the second anniversary of the funding date. There is no required amortization under the 2022 Term Loan Agreement.

As of September 30, 2020, the Company had $200 million outstanding in borrowings under the 2022 Term Loan Agreement. The 2022 Term Loan Agreement contains various covenants, limitations and events of default customary for similar facilities for similarly rated borrowers, including a maximum ratio of net debt to EBITDA of 4.0x with step-downs over time.

2020 Notes

During the third quarter of 2020, the Company repaid the 2020 Notes resulting in a payment of $300 million of which approximately $200 million was from the net proceeds received under the 2022 Term Loan Agreement.

Amended Debt Agreements

On August 25, 2020, the Company entered into (i) the Second Amended and Restated Revolving Credit Agreement (the "Revolving Credit Agreement"), which amended and restated the Credit Agreement dated as of November 9, 2011, as previously amended and restated as of December 2, 2016, and further amended as of May 21, 2018, June 6, 2018, July 13, 2018 and January 17, 2020 among the Company, certain of its subsidiaries, the lenders party thereto and Citibank, N.A. as administrative agent, (ii) an amendment to the Term Loan Credit Agreement, dated as of June 6, 2018, as previously amended as of July 13, 2018 and as of January 17, 2020, among the Company, the lenders party thereto, and Morgan Stanley Senior Funding, Inc. as administrative agent (as amended, the "Frutarom Term Loan Agreement") and (iii) an amendment to the 2022 Term Loan Agreement (as amended, and collectively with the Revolving Credit Agreement and Frutarom Term Loan Agreement, the "Amended Debt Agreements").

Under the amended terms of the Revolver Credit Agreement, the senior unsecured revolving loan credit facility maturing June 6, 2023 (the "Revolving Credit Facility") will increase from $1 billion to $2 billion upon completion of the DuPont N&B Transaction.

Additionally, under the Amended Debt Agreements, upon the completion of the DuPont N&B Transaction, the Company's maximum permitted ratio of net debt to Consolidated EBITDA will increase to 4.75x with step-downs over time.

NOTE 8. LEASES

The Company has operating leases for corporate offices, manufacturing facilities, research and development facilities, and certain transportation and office equipment, all of which are operating leases. The Company's leases have remaining lease terms of up to 40 years, some of which include options to extend the leases for up to 5 years.

The components of lease expense were as follows:

(DOLLARS IN THOUSANDS)	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Operating lease cost	$ 12,971	$ 12,422	$ 36,978	$ 38,228
Finance lease cost	1,292	—	2,846	—

Supplemental cash flow information related to leases was as follows:

(DOLLARS IN THOUSANDS)	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$ 39,429	$ 36,932
Operating cash flows for finance leases	96	—
Financing cash flows for finance leases	2,445	—
Right-of-use assets obtained in exchange for lease obligations		
Operating leases	36,782	26,710
Finance leases	3,964	2,316

NOTE 9. 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 PRSUs, restricted stock units ("RSUs"), SSARs 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:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(DOLLARS IN THOUSANDS)	2020	2019	2020	2019
Equity-based awards	$ 8,195	$ 8,126	$ 27,177	$ 26,426
Liability-based awards	850	39	3,347	2,830
Total stock-based compensation expense	9,045	8,165	30,524	29,256
Less: Tax benefit	(1,803)	(1,143)	(5,765)	(4,666)
Total stock-based compensation expense, after tax	$ 7,242	$ 7,022	$ 24,759	$ 24,590

NOTE 10. SEGMENT INFORMATION

During the first quarter of 2020, the Company reorganized its reporting structure and combined substantially all of the components of the former Frutarom reportable operating segment into the former Taste reportable operating segment. Prior year amounts have been recast to conform to the current year reporting structure. As a result of the reorganization, the Company is now organized into two reportable operating segments, Taste and Scent; these segments align with the internal structure used to manage these businesses.

Taste is comprised of a diversified portfolio across flavor compounds, savory solutions, inclusions and nutrition and specialty ingredients. Flavor compounds provide unique flavors that are ultimately used by IFF's customers in savory products, beverages, sweets, and dairy products. Savory solutions include marinades or powder blends of flavors, natural colors, seasonings, functional ingredients and natural anti-oxidants that are primarily designed for the meat and fish industry. Inclusions provide taste and texture by, among other things, combining flavorings with fruit, vegetables, and other natural ingredients for a wide range of food products, such as health snacks, baked goods, cereals, pastries, ice cream and other dairy products. Nutrition and specialty ingredients primarily consist of natural health ingredients, natural food protection, natural colors and flavor ingredients. The flavor ingredients market includes natural flavor extracts, specialty botanical extracts, distillates, essential oils, citrus products, aroma chemicals, and natural gums and resins. Such ingredients are used for food, beverage, and flavors and are often sold directly to food and beverage manufacturers who use them in producing consumer products.

Scent is comprised of (1) Fragrance Compounds, which are ultimately used by our customers in two broad categories: Fine Fragrances, including perfumes and colognes, and Consumer Fragrances, including fragrance compounds for personal care (e.g., soaps), household products (e.g., detergents and cleaning agents) and beauty care, including toiletries; (2) Fragrance Ingredients, consisting of synthetic and natural ingredients that can be combined with other materials to create unique fine fragrance and consumer compounds; and (3) Cosmetic Active Ingredients, consisting of active and functional ingredients, botanicals and delivery systems to support our customers' cosmetic and personal care product lines. Major fragrance customers include the cosmetics industry, including perfume and toiletries manufacturers, and the household products industry, including manufacturers of soaps, detergents, fabric care, household cleaners and air fresheners.

The Company's Chief Operating Decision Maker evaluates the performance of these reportable operating segments based on segment profit which is defined as operating profit before restructuring, global expenses (as discussed below) and certain non-recurring items, Interest expense, Other income (expense), net and Taxes on income.

The Global expenses caption represents corporate and headquarter-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 reportable operating segments.

Reportable segment information was as follows:

(DOLLARS IN THOUSANDS)	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Net sales:				
Taste	$ 765,238	$ 782,428	$ 2,343,884	$ 2,398,549
Scent	502,838	484,917	1,470,282	1,457,766
Consolidated	$ 1,268,076	$ 1,267,345	$ 3,814,166	$ 3,856,315
Segment profit:				
Taste	$ 101,600	$ 121,425	$ 346,223	$ 383,450
Scent	101,388	87,894	277,156	272,061
Global expenses	(9,608)	(8,385)	(49,550)	(35,957)
Operational Improvement Initiatives (a)	—	(712)	—	(1,652)
Frutarom Integration Related Costs (b)	(1,883)	(10,511)	(8,816)	(36,825)
Restructuring and Other Charges, net (c)	(1,497)	(3,716)	(8,299)	(22,415)
Losses on sale of assets	(415)	(372)	(1,568)	(1,136)
FDA Mandated Product Recall (d)	—	(250)	—	(250)
Frutarom Acquisition Related Costs (e)	(808)	2,914	(1,382)	(5,182)
Compliance Review & Legal Defense Costs (f)	(1,000)	(3,623)	(1,624)	(3,623)
N&B Transaction Related Costs (g)	(8,247)	—	(24,372)	—
N&B Integration Related Costs (h)	(29,241)	—	(61,887)	—
Operating profit	150,289	184,664	465,881	548,471
Interest expense	(34,844)	(33,497)	(99,046)	(102,662)
Other (expense) income, net	(9,945)	5,699	(4,762)	15,114
Income before taxes	$ 105,500	$ 156,866	$ 362,073	$ 460,923

(a) Represents accelerated depreciation related to a plant relocation in India and China.

(b) Represents costs related to the integration of the Frutarom acquisition. For 2020, costs primarily related to advisory services, retention bonuses and performance stock awards. For 2019, costs principally related to advisory services.

(c) For 2020, represents costs primarily related to the Frutarom Integration Initiative. For 2019, represents costs primarily related to the Frutarom Integration Initiative and 2019 Severance Program.

(d) Represents additional claims that management paid to co-packers.

(e) Represents transaction-related costs and expenses related to the acquisition of Frutarom. For 2020, amount primarily includes earn-out payments, net of adjustments, amortization for inventory "step-up" costs and transaction costs principally related to the 2019 Acquisition Activity, including an adjustment to reverse an earnout liability and another adjustment to record an earnout liability in the third quarter of 2020. For 2019, amount primarily includes amortization for inventory "step-up" costs and transaction costs, along with a measurement period adjustment to the amount of the inventory "step-up" recorded.

(f) Costs related to reviewing the nature of inappropriate payments and review of compliance in certain other countries. In addition, includes legal costs for related shareholder lawsuits.

(g) Represents transaction costs and expenses related to the pending transaction with N&B, principally related to legal and professional fees for capital raising activities.

(h) Represents costs primarily related to advisory services for the integration of the pending transaction with N&B, principally consulting fees.

Net sales, which are attributed to individual regions based upon the destination of product delivery, were as follows:

(DOLLARS IN THOUSANDS)	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Europe, Africa and Middle East	$ 481,088	$ 512,715	$ 1,487,538	$ 1,570,415
Greater Asia	283,204	281,461	868,025	862,680
North America	320,753	286,741	924,661	881,718
Latin America	183,031	186,428	533,942	541,502
Consolidated	$ 1,268,076	$ 1,267,345	$ 3,814,166	$ 3,856,315

(DOLLARS IN THOUSANDS)	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Net sales related to the U.S.	$ 286,394	$ 254,438	$ 824,836	$ 796,488
Net sales attributed to all foreign countries	981,682	1,012,907	2,989,330	3,059,827

No non-U.S. country had net sales greater than 6% of total consolidated net sales for the three months ended September 30, 2020 and nine months ended September 30, 2020.

NOTE 11. EMPLOYEE BENEFITS

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

U.S. Plans	Three Months Ended September 30,		Nine Months Ended September 30,	
(DOLLARS IN THOUSANDS)	2020	2019	2020	2019
Service cost for benefits earned(1)	$ 399	$ 474	$ 1,199	$ 1,422
Interest cost on projected benefit obligation(2)	4,263	5,453	12,789	16,359
Expected return on plan assets(2)	(7,082)	(6,983)	(21,248)	(20,949)
Net amortization and deferrals(2)	1,857	1,276	5,573	3,827
Net periodic benefit (income) cost	$ (563)	$ 220	$ (1,687)	$ 659

Non-U.S. Plans	Three Months Ended September 30,		Nine Months Ended September 30,	
(DOLLARS IN THOUSANDS)	2020	2019	2020	2019
Service cost for benefits earned(1)	$ 5,940	$ 4,873	$ 17,820	$ 14,619
Interest cost on projected benefit obligation(2)	3,245	4,435	9,736	13,305
Expected return on plan assets(2)	(11,614)	(10,904)	(34,842)	(32,712)
Net amortization and deferrals(2)	3,834	2,922	11,502	8,766
Net periodic benefit (income) cost	$ 1,405	$ 1,326	$ 4,216	$ 3,978

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(1) Included as a component of Operating profit.

(2) Included as a component of Other expense (income), net.

The Company expects to contribute a total of $4.4 million to its U.S. pension plans and a total of $20.9 million to its Non-U.S. Plans during 2020. During the nine months ended September 30, 2020, no contributions were made to the qualified U.S. pension plans, $15.6 million of contributions were made to the non-U.S. pension plans, and $3.3 million of benefit payments were made with respect to the Company's non-qualified U.S. pension plan.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(DOLLARS IN THOUSANDS)	**2020**	**2019**	**2020**	**2019**
Service cost for benefits earned	$ 142	$ 148	$ 428	$ 444
Interest cost on projected benefit obligation	474	578	1,423	1,734
Net amortization and deferrals	(1,153)	(1,195)	(3,458)	(3,584)
Total postretirement benefit income	$ (537)	$ (469)	$ (1,607)	$ (1,406)

The Company expects to contribute $3.8 million to its postretirement benefits other than pension plans during 2020. In the nine months ended September 30, 2020, $2.0 million of contributions were made.

NOTE 12. 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 the Company's 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 the Company to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value. The Company determines 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. The Company does not have any instruments classified as Level 3, other than those included in pension asset trusts as discussed in Note 16 of our 2019 Form 10-K.

These valuations take into consideration the Company's credit risk and its counterparties’ credit risk. The estimated change in the fair value of these instruments due to such changes in its own credit risk (or instrument-specific credit risk) was immaterial as of September 30, 2020.

The carrying values and the estimated fair values of financial instruments at September 30, 2020 and December 31, 2019 consisted of the following:

	September 30, 2020		December 31, 2019	
(DOLLARS IN THOUSANDS)	**Carrying Value**	**Fair Value**	**Carrying Value**	**Fair Value**
LEVEL 1				
Cash and cash equivalents[1]	$ 469,840	$ 469,840	$ 606,823	$ 606,823
LEVEL 2				
Credit facilities and bank overdrafts[2]	1,666	1,666	3,131	3,131
Derivatives				
Derivative assets[3]	2,534	2,534	3,575	3,575
Derivative liabilities[3]	16,021	16,021	7,415	7,415
Long-term debt:[4]				
2020 Notes	—	—	299,381	302,700
2021 Euro Notes	350,646	352,520	334,561	338,244
2023 Notes	299,234	316,527	299,004	305,580
2024 Euro Notes	584,429	611,473	558,124	586,825
2026 Euro Notes	931,723	983,308	890,183	945,306
2028 Notes	396,925	469,184	396,688	441,500
2047 Notes	493,887	570,413	493,571	526,106
2048 Notes	786,160	994,157	785,996	919,040
Term Loan[2]	239,766	240,000	239,621	240,000
2022 Term Loan[2]	199,261	200,000	—	—
Amortizing Notes[5]	47,970	48,734	82,079	84,430

(1) The carrying amount of cash and cash equivalents approximates fair value due to the short maturity of those instruments.

(2) The carrying amount 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 carrying amount approximates fair value as the instruments are marked-to-market and held at fair value on the Consolidated Balance Sheet.

(4) The fair value of the Company's long-term debt was calculated using discounted cash flows applying current interest rates and current credit spreads based on its own credit risk.

(5) The fair value of the Amortizing Notes of the TEUs is based on the most recently quoted price for the outstanding securities, adjusted for any known significant deviation in value. The estimated fair value of these long-term obligations is not necessarily indicative of the amount that would be realized in a current market exchange.

Derivatives

Foreign Currency Forward Contracts

The Company periodically enters into foreign currency forward contracts with the objective of reducing exposure to cash flow volatility associated with its 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.

Cash Flow Hedges

The Company maintains 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) gains on derivatives qualifying as hedges in the accompanying Consolidated Statement of Income and Comprehensive Income (Loss). 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 Income and Comprehensive Income (Loss) in the same period as the related costs are recognized.

Hedges Related to Issuances of Debt

Subsequent to the issuance of the 2021 Euro Notes and 2026 Euro Notes during the third quarter of 2018, the Company designated the debt as a hedge of a portion of its net European investments. Accordingly, the change in the value of the debt that is attributable to foreign exchange movements is recorded in OCI as a component of foreign currency translation adjustments in the accompanying Consolidated Statement of Income and Comprehensive Income (Loss).

Subsequent to the issuance of the 2024 Euro Notes during the first quarter of 2016, the Company designated the debt as a hedge of a portion of its net European investments. Accordingly, the change in the value of the debt that is attributable to foreign exchange movements is recorded in OCI as a component of foreign currency translation adjustments in the accompanying Consolidated Statement of Income and Comprehensive Income (Loss).

Cross Currency Swaps

During the third quarter of 2019, the Company entered into four EUR/USD cross currency swaps that mature through May 2023. The swaps all qualified as net investment hedges in order to mitigate a portion of the Company's net European investments from foreign currency risk. During the third quarter of 2020, the Company entered into a transaction to unwind two of the swaps issued in the third quarter of 2019 and paid proceeds of $14.6 million, net of accrued interest receivable of $2.2 million. The loss arising from the termination of the swaps has been included as a component of accumulated other comprehensive loss. As of September 30, 2020, the two remaining swaps were in a net liability position with an aggregate fair value of $8.5 million which was classified as other current liabilities. Changes in fair value related to cross currency swaps are recorded in OCI.

The following table shows the notional amount of the Company’s derivative instruments outstanding as of September 30, 2020 and December 31, 2019:

(DOLLARS IN THOUSANDS)	September 30, 2020	December 31, 2019
Foreign currency contracts	$ 392,199	$ 473,600
Cross currency swaps	300,000	600,000

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 Sheet as of September 30, 2020 and December 31, 2019:

	September 30, 2020		
(DOLLARS IN THOUSANDS)	Fair Value of Derivatives Designated as Hedging Instruments	Fair Value of Derivatives Not Designated as Hedging Instruments	Total Fair Value
Derivative assets[(a)]			
Foreign currency contracts	$ 909	$ 1,625	$ 2,534
Derivative liabilities[(b)]			
Foreign currency contract	$ 5,117	$ 2,446	$ 7,563
Cross currency swaps	8,458	—	8,458
Total derivative liabilities	$ 13,575	$ 2,446	$ 16,021

	December 31, 2019		
(DOLLARS IN THOUSANDS)	Fair Value of Derivatives Designated as Hedging Instruments	Fair Value of Derivatives Not Designated as Hedging Instruments	Total Fair Value
Derivative assets[(a)]			
Foreign currency contracts	$ 1,310	$ 2,265	$ 3,575
Derivative liabilities[(b)]			
Foreign currency contracts	$ 797	$ 2,431	$ 3,228
Interest rate swaps	4,187	—	4,187
Total derivative liabilities	$ 4,984	$ 2,431	$ 7,415

(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 Income and Comprehensive Income (Loss) for the three and nine months ended September 30, 2020 and 2019 (in thousands):

	Amount of Gain (Loss) Three Months Ended September 30,		
(DOLLARS IN THOUSANDS)	2020	2019	Location of Gain (Loss) Recognized in Income on Derivative
Foreign currency contracts[(1)]	$ 4,460	$ (4,392)	Other expense (income), net

	Amount of Gain (Loss) Nine Months Ended September 30,		
(DOLLARS IN THOUSANDS)	2020	2019	Location of Gain (Loss) Recognized in Income on Derivative
Foreign currency contracts[(1)]	$ 1,108	$ (7,398)	Other expense (income), net

(1) The foreign currency contract 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 and non-derivative instruments designated as cash flow and net investment hedging instruments, net of tax, in the Consolidated Statement of Income and Comprehensive Income (Loss) for the three and nine months ended September 30, 2020 and 2019 (in thousands):

(DOLLARS IN THOUSANDS)	Amount of Gain (Loss) Recognized in OCI on Derivative Three Months Ended September 30, 2020	2019	Location of Gain (Loss) Reclassified from AOCI into Income	Amount of Gain (Loss) Reclassified from Accumulated OCI into Income Three Months Ended September 30, 2020	2019
Derivatives in Cash Flow Hedging Relationships:					
Foreign currency contracts	$ (4,966)	$ 2,438	Cost of goods sold	$ 1,207	$ 1,924
Interest rate swaps [1]	215	216	Interest expense	(215)	(216)
Derivatives in Net Investment Hedging Relationships:					
Cross currency swaps	(8,370)	17,803	N/A	—	—
Non-Derivatives in Net Investment Hedging Relationships:					
2024 Euro Notes	(18,135)	16,437	N/A	—	—
2021 Euro Notes & 2026 Euro Notes	(39,896)	36,162	N/A	—	—
Total	$ (71,152)	$ 73,056		$ 992	$ 1,708

	Amount of Gain (Loss) Recognized in OCI on Derivative (Effective Portion) Nine Months Ended September 30, 2020	2019	Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Amount of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion) Nine Months Ended September 30, 2020	2019
Derivatives in Cash Flow Hedging Relationships:					
Foreign currency contracts	$ (7,049)	$ (265)	Cost of goods sold	$ 4,527	$ 6,619
Interest rate swaps [1]	644	644	Interest expense	(644)	(644)
Derivatives in Net Investment Hedging Relationships:					
Cross currency swaps	(1,988)	24,408	N/A	—	—
Non-Derivatives in Net Investment Hedging Relationships:					
2024 Euro Notes	(19,640)	15,820	N/A	—	—
2021 Euro Notes & 2026 Euro Notes	(43,207)	34,804	N/A	—	—
Total	$ (71,240)	$ 75,411		$ 3,883	$ 5,975

(1) Interest rate swaps were entered into as pre-issuance hedges for bond offerings.

The ineffective portion of the above noted cash flow hedges were not material during the three and nine months ended September 30, 2019.

The Company expects that $4.1 million (net of tax) of derivative gain included in AOCI at September 30, 2020, 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 13. ACCUMULATED OTHER COMPREHENSIVE LOSS

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

(DOLLARS IN THOUSANDS)	Foreign Currency Translation Adjustments	Gains (Losses) on Derivatives Qualifying as Hedges	Pension and Postretirement Liability Adjustment	Total
Accumulated other comprehensive (loss) income, net of tax, as of December 31, 2019	$ (373,043)	$ 2,068	$ (345,919)	$ (716,894)
OCI before reclassifications	(226,519)	(2,522)	—	(229,041)
Amounts reclassified from AOCI	—	(3,883)	10,399	6,516
Net current period other comprehensive income (loss)	(226,519)	(6,405)	10,399	(222,525)
Accumulated other comprehensive (loss) income, net of tax, as of September 30, 2020	$ (599,562)	$ (4,337)	$ (335,520)	$ (939,419)

(DOLLARS IN THOUSANDS)	Foreign Currency Translation Adjustments	Gains (Losses) on Derivatives Qualifying as Hedges	Pension and Postretirement Liability Adjustment	Total
Accumulated other comprehensive (loss) income, net of tax, as of December 31, 2018	$ (396,996)	$ 4,746	$ (309,977)	$ (702,227)
OCI before reclassifications	(176,490)	9,232	179	(167,079)
Amounts reclassified from AOCI	—	(5,975)	7,729	1,754
Net current period other comprehensive income (loss)	(176,490)	3,257	7,908	(165,325)
Accumulated other comprehensive (loss) income, net of tax, as of September 30, 2019	$ (573,486)	$ 8,003	$ (302,069)	$ (867,552)

The following table provides details about reclassifications out of Accumulated other comprehensive loss to the Consolidated Statement of Income and Comprehensive Income (Loss):

	Nine Months Ended September 30,		Affected Line Item in the Consolidated Statement of Income and Comprehensive Income (Loss)
(DOLLARS IN THOUSANDS)	2020	2019	
Gains (losses) on derivatives qualifying as hedges			
Foreign currency contracts	$ 5,174	$ 7,565	Cost of goods sold
Interest rate swaps	(644)	(644)	Interest expense
Tax	(647)	(946)	Provision for income taxes
Total	$ 3,883	$ 5,975	Total, net of income taxes
Losses on pension and postretirement liability adjustments			
Prior service cost	$ (13,044)	$ 4,991	(a)
Actuarial losses	(573)	(14,003)	(a)
Tax	3,218	1,283	Provision for income taxes
Total	$ (10,399)	$ (7,729)	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 16 of our 2019 Form 10-K for additional information regarding net periodic benefit cost.

NOTE 14. COMMITMENTS AND CONTINGENCIES

Guarantees and Letters of Credit

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

At September 30, 2020, the Company had total bank guarantees and standby letters of credit of $46.3 million with various financial institutions. Included in the above aggregate amount was a total of $13.5 million for other assessments in Brazil for various 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 September 30, 2020.

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 $7.2 million as of September 30, 2020.

On December 15, 2019, IFF and N&B entered into a commitment letter which provides $7.5 billion in an aggregate principal amount of senior unsecured bridge term loans. On January 17, 2020, N&B entered into a term loan credit agreement, as amended on August 25, 2020, providing for unsecured term loan facilities in an aggregate principal amount of $1.25 billion, which reduced the commitments under the Bridge Loans commitment letter by a corresponding amount. On September 16, 2020, N&B issued $6.25 billion of senior unsecured notes, which reduced the remaining commitments under the Bridge Loans commitment letter in their entirety. The Bridge Loans commitment letter was also terminated as of such date. The N&B Notes, together with the Term Loan Facilities, will be used to finance the Special Cash Payment and to pay related fees and expenses. Following the consummation of the merger, all obligations of N&B with respect to the Term Loan Facilities and the N&B Notes will be guaranteed by IFF (or at the election of N&B and IFF, assumed by IFF).

Lines of Credit

The Company has various lines of credit which are available to support its ongoing business operations. As of September 30, 2020, the Company had available lines of credit of $107.2 million with various financial institutions, in addition to the $627.7 million of capacity under the Credit Facility. There were no material amounts drawn down pursuant to these lines of credit as of September 30, 2020.

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, the Company assesses its 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 its 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. The Company records the expected liability with respect to claims in Other liabilities and expected recoveries from its insurance carriers in Other assets. The Company recognizes a receivable when it believes that realization of the insurance receivable is probable under the terms of the insurance policies and its payment experience to date.

Litigation Matters

On August 12, 2019, Marc Jansen filed a putative securities class action against IFF, its Chairman and CEO, and its then-CFO, in the United States District Court for the Southern District of New York. The lawsuit was filed after IFF disclosed that preliminary results of investigations indicated that Frutarom businesses operating principally in Russia and Ukraine had made improper payments to representatives of customers. On December 26, 2019, the Court appointed a group of six investment funds as lead plaintiff and Pomerantz LLP as lead counsel. On March 16, 2020, lead plaintiff filed an amended complaint, which added Frutarom and certain former officers of Frutarom as defendants. The amended complaint alleges, among other things, that defendants made materially false and misleading statements or omissions concerning IFF's acquisition of Frutarom, the integration of the two companies, and the companies' financial reporting and results. The amended complaint asserts claims under Section 10(b) of the Securities Exchange Act of 1934 and SEC Rule 10b-5, and under the Israeli Securities Act-1968, against all defendants, and under Section 20(a) of the Securities Exchange Act of 1934 against the individual defendants, on behalf of a putative class of persons and entities who purchased or otherwise acquired IFF securities on the New York Stock Exchange between May 7, 2018 and August 12, 2019 and persons and entities who purchased or otherwise acquired IFF securities on the Tel Aviv Stock Exchange between October 9, 2018 and August 12, 2019. The amended complaint seeks an award of unspecified compensatory damages, costs, and expenses. IFF filed a motion to dismiss the case on June 26, 2020.

Two motions to approve securities class actions were filed in the Tel Aviv District Court, Israel, in August 2019, similarly alleging, among other things, false and misleading statements largely in connection with IFF's acquisition of Frutarom and the above-mentioned improper payments. One motion asserts claims under the U.S. federal securities laws against IFF, its Chairman and CEO, and its former CFO. The other ("Oman") (following an amendment) asserts claims under the Israeli Securities Act-1968 against IFF, its Chairman and CEO, and its former CFO, and against Frutarom and certain former Frutarom officers and directors, as well as claims under the Israeli Companies Act-1999 against certain former Frutarom officers and directors. On October 4, 2020, the Oman plaintiff filed a motion to remove IFF and its officers from the motion and to add factual allegations from the US amended complaint.

On October 29, 2019, IFF and Frutarom filed a claim in the Tel Aviv District Court, Israel, against Ori Yehudai, the former President and CEO of Frutarom, and against certain former directors of Frutarom, challenging the bonus of US $20 million granted to Yehudai in 2018. IFF and Frutarom allege, among other things, that Yehudai was not entitled to receive the bonus because he breached his fiduciary duty by, among other things, knowing of the above-mentioned improper payments and failing to prevent them from being made. The parties agreed, pursuant to the court's recommendation, to attempt to resolve the dispute through mediation, which is scheduled for the fourth quarter 2020, during which the proceedings relating to this claim are stayed.

On March 11, 2020, an IFF shareholder filed a motion to approve a class action in Israel against, among others, Frutarom, Yehudai, and Frutarom's former board of directors, alleging that former minority shareholders of Frutarom were harmed as a result of the US $20 million bonus paid to Yehudai. The parties to this motion agreed to attempt to resolve the dispute through mediation to take place regarding the aforesaid claim against Yehudai, during which the proceedings relating to this motion are stayed.

Investigation

On June 3, 2020, the Israel Police's National Fraud Investigation Unit and the Israeli Securities Authority commenced an investigation into Frutarom and certain of its former executives, based on suspected bribery of foreign officials, money laundering, and violations of the Israeli Securities Act-1968. The National Fraud Investigation Unit and the Israeli Securities Authority have provided IFF and Frutarom with various orders. IFF is working to ensure compliance with such orders, all in accordance with, and subject to, Israeli law.

China Facilities

Guangzhou Taste plant

During the fourth quarter of 2016, the Company was notified that certain governmental authorities have begun to evaluate a change in the zoning of the Guangzhou Taste plant. The zoning, if changed, would prevent the Company from continuing to manufacture product at the existing plant. The ultimate outcome of any change that the governmental authorities may propose, the timing of such a change, and the nature of any compensation arrangements that might be provided to the Company are uncertain. To address the governmental authorities' requirements, the Company has begun to transfer certain production capabilities from the Guangzhou Taste plant to a newly built facility in Zhangjiagang.

The net book value of the plant in Guangzhou was approximately $60 million as of September 30, 2020.

Guangzhou Scent plant

During the second quarter of 2019, the Company was notified that certain governmental authorities had changed the zoning where the Guangzhou Scent plant is located. The zoning change did not affect the current operations but prevents expansions or other increases in the operating capacity of the plant. The Company believes that it is possible that the zoning may be enforced in the future such that it would not be able to continue manufacturing at the existing site. The ultimate outcome of any change that the governmental authorities may propose, the timing of such a change, and the nature of any compensation arrangements that might be provided to the Company are uncertain.

The net book value of the existing plant was approximately $9 million as of September 30, 2020.

Zhejiang Ingredients plant

In the fourth quarter of 2017, the Company concluded discussions with the government regarding the relocation of its Fragrance Ingredients plant in Zhejiang and, based on the agreements reached, expects to receive total compensation payments up to approximately $50 million. The relocation compensation will be paid to the Company over the period of the relocation which is expected to be through the end of 2022. The Company received payments totaling $30 million through the end of 2019. In the third quarter of 2020, the Company received a payment of approximately $13 million. A final payment is expected to be received upon completion of the final environmental inspection.

Production at the facility ceased during 2019. In the second quarter of 2020, the Company transferred ownership of the site to the government. The land remediation activities are in progress and are expected to be completed in the second half of 2022. During the second quarter of 2020, the remaining net book value of the plant was written off.

Total China Operations

The total net book value of all seven plants in China was approximately $199 million as of September 30, 2020.

If the Company is required to close a plant, or operate one at significantly reduced production levels on a permanent basis, the Company may be required to record charges that could have a material impact on its consolidated financial results of operations, financial position and cash flows in future periods.

Other Contingencies

The Company has contingencies involving third parties (such as labor, contract, technology or product-related claims or litigation) as well as government-related items in various jurisdictions in which it operates pertaining to such items as value-added taxes, other indirect taxes, customs and duties and sales and use taxes. 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.

The most significant government-related contingencies exist in Brazil. With regard to the Brazilian matters, the Company believes it has valid defenses for the underlying positions under dispute; however, in order to pursue these defenses, the Company is required to, and has provided, bank guarantees and pledged assets in the aggregate amount of $20.7 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.

Pending Transaction with Nutrition & Biosciences, Inc.

The Merger Agreement governing the DuPont N&B Transaction, subjects IFF to various contingent payments to the extent that the transaction is not consummated. Specifically, the Merger Agreement provides DuPont the right to receive a termination fee of $521.5 million, in certain circumstances, including if the agreement is terminated due to the IFF Board changing its recommendation. In addition, if the Merger Agreement is terminated, DuPont and IFF have agreed to split 50/50 any commitment fees incurred in connection with the debt financing for the DuPont N&B Transaction.

On August 27, 2020, a special shareholder meeting was held and IFF shareholders voted to approve the issuance of shares of IFF Common Stock in connection with the DuPont N&B Transaction pursuant to the Merger Agreement.

Brazil Tax Credits

In January 2020, the Company was informed of a favorable ruling from the Brazilian tax authorities confirming that the Company was entitled to recover the overpayments of certain indirect taxes (known as PIS/COFINS) for the period from November 2011 to December 2018, plus interest on the amount of the overpayments. The overpayments arose from the inclusion of a value added tax known as ICMS in the calculation of the PIS/COFINS tax. The ruling did not, however, settle the question of whether the Company is eligible to recover overpayments based on the gross or the net amount of ICMS amounts paid on PIS/COFINS. The Company calculated the amount of overpayments using the gross method which yields a higher amount than the application of the net method. A final ruling on the gross versus net amount issued is still pending.

In addition to the $8.0 million recognized in the fourth quarter of 2019, during the first quarter of 2020 the Company recognized $3.5 million as an additional recovery on the existing claim. During the first nine months of 2020, the Company also recognized $2.7 million related to a claim from another of its subsidiaries in Brazil. The income is recognized as a reduction in Selling and Administrative expenses.

Other

The Company determines estimates of reasonably possible losses or ranges of reasonably possible losses in excess of related accrued liabilities, if any, when it has determined that either a loss is reasonably possible or a loss in excess of accrued amounts is reasonably possible and the amount of losses or range of losses is determinable. For all third party contingencies (including labor, contract, technology, tax, product-related claims and business litigation), the Company currently estimates that the aggregate range of reasonably possible losses in excess of any accrued liabilities is $0.1 million to approximately $12.0 million. The estimates included in this amount are based on the Company’s analysis of currently available information and, as new information is obtained, these estimates may change. Due to the inherent subjectivity of the assessments and the unpredictability of outcomes of legal proceedings, any amounts accrued or included in this aggregate amount may not represent the ultimate loss to the Company from the matters in question. Thus, the Company’s exposure and ultimate losses may be higher or lower, and possibly significantly so, than the amounts accrued or the range disclosed above.

NOTE 15. REDEEMABLE NONCONTROLLING INTERESTS

Through certain subsidiaries of our Frutarom acquisition, there are certain noncontrolling interests that carry redemption features. The noncontrolling interest holders have the right, over a stipulated period of time, to sell their respective interests to Frutarom, and Frutarom has the option to purchase these interests (subject to the same timing). These options carry identical price and conditions of exercise, and will be settled based on the multiple of the average EBITDA of consecutive quarters to be achieved during the period ending prior to the exercise date.

The following table sets forth the details of the Company's redeemable noncontrolling interests:

(DOLLARS IN THOUSANDS)		Redeemable Noncontrolling Interests
Balance at December 31, 2018	$	81,806
Acquired through acquisitions during 2019		23,594
Impact of foreign exchange translation		923
Share of profit or loss attributable to redeemable noncontrolling interests		5,397
Redemption value adjustment for the current period		(1,593)
Measurement period adjustments		5,392
Dividends paid		(432)
Exercises of redeemable noncontrolling interests		(542)
Balance at September 30, 2019	$	114,545
Balance at December 31, 2019	$	99,043
Impact of foreign exchange translation		16,268
Share of profit or loss attributable to redeemable noncontrolling interests		3,480
Redemption value adjustment for the current period		(4,964)
Measurement period adjustments		(1,426)
Dividends paid		(1,626)
Exercises of redeemable noncontrolling interests		(10,770)
Balance at September 30, 2020	$	100,005

For 2019, the increase in redeemable noncontrolling interests was primarily due to the interests acquired through acquisitions during the first quarter of 2019, as discussed in Note 3.

During 2020, the Company paid $13.1 million related to the purchase of certain noncontrolling interests where the option related to the purchase had been exercised in the fourth quarter of 2019.

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

(UNLESS INDICATED OTHERWISE, DOLLARS IN MILLIONS EXCEPT PER SHARE AMOUNTS)

OVERVIEW

Company Background

We are a leading innovator of sensory experiences that move the world. Our creative capabilities, global footprint, regulatory and technological know-how provide us a competitive advantage in meeting the demands of our global, regional and local customers around the world. The 2018 acquisition of Frutarom solidified our position as an industry leader across an expanded portfolio of products, resulting in a broader customer base across small, mid-sized and large companies and an expansion to new adjacency that provides a platform for significant cross-selling opportunities.

In the first quarter of fiscal year 2020, we began operating our business across two segments, Taste and Scent. As part of this new operating model, nearly all of the former Frutarom business segment was consolidated with the Taste segment.

As a leading creator of flavor offerings, we help our customers deliver on the promise of delicious and healthy foods and drinks that appeal to consumers. Our Taste business comprises a diversified portfolio across flavor compounds, savory solutions, inclusions and nutrition and specialty ingredients. While we are a global leader, our flavor compounds are more regional in nature, with different formulas that reflect local taste preferences. Consequently, we manage our flavor compounds geographically, creating products in our regional creative centers which allow us to satisfy local taste preferences, while also helping to ensure regulatory compliance and production standards. The savory solutions, inclusions and nutrition and specialty ingredients products were included in the legacy Frutarom businesses during 2019 and are managed globally under the Taste business segment beginning in the first quarter of 2020.

Our global Scent business creates fragrance compounds and fragrance ingredients that are integral elements in the world's finest perfumes and best-known household and personal care products. We believe our unique portfolio of natural and synthetic ingredients, global footprint, innovative technologies and know-how, deep consumer insight and customer intimacy make us a market leader in scent.

Impact of COVID-19 Pandemic

On March 11, 2020, the World Health Organization designated the recent novel coronavirus ("COVID-19") as a global pandemic. Various policies and initiatives have been implemented around the world to reduce the global transmission of COVID-19, including the closure of non-essential businesses, reduced travel, the closure of retail establishments, the promotion of social distancing and remote working policies where appropriate. Some of the restrictions imposed (such as the closure of non-essential businesses and the closure of retail establishments) have begun to be lifted. IFF has been designated an essential business in most locations given that both its Taste and Scent products are used in the manufacture of food products as well as the manufacture of a range of cleaning and hygiene products. Accordingly, although there continue to be minor disruptions, all of IFF's manufacturing facilities remain open and continue to manufacture products.

The COVID-19 pandemic remains a serious threat to the health of the world's population and certain countries and regions continue to suffer from outbreaks or have seen a recurrence of infections. Accordingly, the Company continues to take the threat from COVID-19 seriously even as the adverse financial impact of COVID-19 on the Company has lessened.

Health and Safety of our People and Consumers

Employee safety is our first priority, and we continue to execute on our preparedness plans at our manufacturing facilities. We have taken several measures to protect our people, including upgrading cleaning protocols, remote working arrangements, temperature screenings, the use of personal protective equipment including face masks, increased sanitization measures, imposing visitor and travel restrictions, and taking precautions to minimize contact among employees, as part of social distancing, by grouping our professionals into smaller pods and separating their work shifts, and having our office-based employees continuing to work remotely where appropriate.

We maintain crisis management teams in place monitoring this rapidly evolving situation and recommending risk mitigation actions as deemed necessary. We are also working closely with our contract manufacturers, distributors, contractors and other external business partners. We have developed return-to-workplace protocols and implemented mandatory site guidelines to continue to protect the health and safety of our employees at each location and to promote an orderly and phased return for those who have been working from home.

Customer Demand

In the third quarter of 2020, consolidated revenue was flat on a reported basis and increased 1% on a currency neutral basis (which excludes the effects of changes in currency), a significant sequential improvement over the second quarter as we continued to experience reduced demand due to COVID-19 in many product categories, offset by Consumer Fragrances which continues to perform well. Two areas where demand continues to be below historical levels are: 1) Taste products used in retail food services (principally in Flavor Compounds), and 2) our Fine Fragrances product categories. These declines are primarily a result of travel and shelter-in-place restrictions, in certain regions, and the closure of retail outlets. In the third quarter of 2020, we experienced lower declines in both Flavor Compounds and Fine Fragrances than were experienced in the second quarter of 2020.

Operating profit margin declined in the third quarter of 2020 as compared to the prior year as a result of incremental costs in certain categories. We expect demand to return for all categories (including for Taste products used in retail food services and Fine Fragrances product categories) although the timing of this increase in demand is uncertain and depends on the duration and scope of the COVID-19 pandemic, overall economic conditions and consumer preferences.

Facilities and Supply Chain

Through the third quarter of 2020, we have incurred some additional costs related to our supply chain but, overall, there has been minimal disruption to our supply chain network, including in the areas of the supply of our ingredients, raw materials and other sourced materials. It is possible that more significant disruptions could occur if the COVID-19 pandemic continues to impact markets around the world. The disruption we continue to experience primarily relates to distribution of certain raw materials and transport logistics in markets where governments have implemented the strictest regulations. As a result, shipments for some orders continue to be delayed.

In affected locations, we continue to receive shipments from our suppliers and have taken steps to minimize any disruptions on this segment of our supply chain including increasing inventory levels to meet anticipated customer demand in the fourth quarter of 2020 and early 2021. Although all of our manufacturing facilities remain operational, we anticipate that we will continue to incur additional costs from labor, shipping, and cleaning as well as higher raw material costs, related to potential COVID-19 supply chain disruptions.

Our manufacturing plants continue to operate world-wide in compliance with the orders and restrictions imposed by government authorities in each of our locations, and we are working with our customers to meet their specific shipment needs. Most plants have restored operations to historical levels, notwithstanding that certain restrictions imposed to achieve social distancing remain in place and stricter measures may be reinstated. Some of IFF's R&D and creative applications centers are operating on limited schedules. To provide business continuity, we have relationships with third party laboratories that can conduct adequate testing.

Overall Impact on Financial Results

For our consolidated results of operations for the third quarter of 2020, revenue was largely flat but the overall performance reflects continued strength in Consumer Fragrances, partially offset by declines in Fine Fragrances and most Taste products. The impact that COVID-19 will have on our consolidated results of operations for the remainder of the year and into the early part of 2021 remains uncertain. Based on the length and severity of COVID-19, we may experience continued volatility as a result of retail and travel, consumer shopping and consumption behavior. We will continue to evaluate the nature and extent of these potential impacts to our business, consolidated results of operations, segment results, liquidity and capital resources.

Although IFF does not currently anticipate any impairment charges related to COVID-19, the continuing effects of a prolonged pandemic could result in increased risk of asset write-downs and impairments, including, but not limited to, equity investments, goodwill and intangibles. Any of these events could potentially result in a material adverse impact on IFF’s business and results of operations.

Pending Transaction with Nutrition & Biosciences, Inc.

On December 15, 2019, we entered into definitive agreements with DuPont de Nemours, Inc. (“DuPont”), including an Agreement and Plan of Merger (the "Merger Agreement"), pursuant to which DuPont will transfer its nutrition and biosciences business (the “N&B Business”) to Nutrition & Biosciences, Inc., a Delaware corporation and wholly owned subsidiary of DuPont (“N&B”), and N&B will merge with and into a wholly owned subsidiary of IFF in exchange for a number of shares of IFF common stock, par value $0.125 per share (“IFF Common Stock”) (collectively, the “DuPont N&B Transaction”). In connection with the transaction, DuPont will receive a one-time $7.3 billion special cash payment (the “Special Cash Payment”), subject to certain adjustments. As a result of the DuPont N&B Transaction, holders of DuPont’s common stock will own approximately 55.4% of the outstanding shares of IFF on a fully diluted basis. We believe that the combination of IFF and the N&B Business will create a global leader in high-value ingredients and solutions in the global Food & Beverage, Home & Personal Care and Health & Wellness markets. We expect that the companies' complementary product portfolios will give the combined company leadership positions across key Taste, Texture, Scent, Nutrition, Enzymes, Cultures, Soy Proteins and Probiotics categories.

Completion of the DuPont N&B Transaction is subject to various closing conditions, including, among other things, (1) approval by IFF’s shareholders of the issuance of IFF Common Stock in connection with the transaction (which approval has been obtained); (2) the effectiveness of the registration statements to be filed with the Securities and Exchange Commission pursuant to the Merger Agreement; and (3) the expiration of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (which waiting period has expired), and obtaining certain other consents, authorizations, orders or approvals from governmental authorities. We expect that the transaction will close in early 2021.

On August 27, 2020, a special shareholder meeting was held and IFF shareholders voted to approve the issuance of shares of IFF Common Stock in connection with the DuPont N&B Transaction pursuant to the Merger Agreement.

Financial Performance Overview

For a reconciliation between reported and adjusted figures, please refer to the "Non-GAAP Financial Measures" section.

Sales

Sales in the third quarter of 2020 were flat on a reported basis and increased 1% on a currency neutral basis. Scent sales increased 4% on both a reported and currency neutral basis in the third quarter of 2020. Taste sales decreased 2% on a reported basis and 1% on a currency neutral basis in the third quarter of 2020. Change in consolidated reported and currency neutral sales were driven by continued strength in Consumer Fragrances, offset by overall lower volume reductions in Taste and certain other Scent product categories. The year-on-year declines in sales of many product categories is due to travel and shelter-in-place restrictions, in certain regions, as a result of COVID-19.

Exchange rate variations had an unfavorable impact on net sales for the third quarter of 2020 of approximately 1%. The effect of exchange rates can vary by business and region, depending upon the mix of sales priced in U.S. dollars as compared to other currencies.

Gross Margin

Gross margin decreased to 41.4% in the third quarter of 2020 from 42.1% in the 2019 period, principally driven by unfavorable price versus input costs, sales volume reductions on existing business and unfavorable mix due to COVID-19, partially offset by the impact of productivity, integration and cross selling initiatives.

Operating profit

Operating profit decreased $34.4 million to $150.3 million (11.9% of sales) in the 2020 third quarter compared to $184.7 million (14.6% of sales) in the comparable 2019 period. Foreign currency had a 5.1% unfavorable impact on operating profit in the third quarter of 2020 compared to a 1.1% unfavorable impact on operating profit in the 2019 period. Adjusted operating profit was $193.4 million (15.2% of sales) for the third quarter of 2020, a decrease from $200.9 million (15.9% of sales) for the third quarter of 2019, principally driven by unfavorable price versus input costs and sales volume reductions on existing business due to COVID-19, partially offset by productivity, integration and cross selling initiatives.

RESULTS OF OPERATIONS

(DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Change	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019	Change
Net sales	$ 1,268,076	$ 1,267,345	— %	$ 3,814,166	$ 3,856,315	(1)%
Cost of goods sold	743,649	734,257	1 %	2,242,030	2,245,729	— %
Gross profit	524,427	533,088		1,572,136	1,610,586	
Research and development (R&D) expenses	89,968	85,077	6 %	256,825	260,489	(1)%
Selling and administrative (S&A) expenses	234,520	210,829	11 %	694,641	634,111	10 %
Amortization of acquisition-related intangibles	47,738	48,430	(1)%	144,922	143,964	1 %
Restructuring and other charges, net	1,497	3,716	(60)%	8,299	22,415	(63)%
Losses on sales of fixed assets	415	372	12 %	1,568	1,136	38 %
Operating profit	150,289	184,664		465,881	548,471	
Interest expense	34,844	33,497	4 %	99,046	102,662	(4)%
Other expense (income), net	9,945	(5,699)	NMF	4,762	(15,114)	NMF
Income before taxes	105,500	156,866		362,073	460,923	
Taxes on income	19,269	27,059	(29)%	61,265	81,033	(24)%
Net income	$ 86,231	$ 129,807	(34)%	$ 300,808	$ 379,890	(21)%
Net income attributable to noncontrolling interests	1,403	2,683	(48)%	5,169	7,560	(32)%
Net income attributable to IFF stockholders	$ 84,828	$ 127,124	(33)%	$ 295,639	$ 372,330	(21)%
Diluted EPS	$ 0.75	$ 1.13	(34)%	$ 2.64	$ 3.30	(20)%
Gross margin	41.4 %	42.1 %		41.2 %	41.8 %	
R&D as a percentage of sales	7.1 %	6.7 %		6.7 %	6.8 %	
S&A as a percentage of sales	18.5 %	16.6 %		18.2 %	16.4 %	
Operating margin	11.9 %	14.6 %		12.2 %	14.2 %	
Adjusted operating margin	15.2 %	15.9 %		15.0 %	16.1 %	
Effective tax rate	18.3 %	17.2 %		16.9 %	17.6 %	
Segment net sales						
Taste	$ 765,238	$ 782,428	(2)%	$ 2,343,884	$ 2,398,549	(2)%
Scent	502,838	484,917	4 %	1,470,282	1,457,766	1 %
Consolidated	$ 1,268,076	$ 1,267,345		$ 3,814,166	$ 3,856,315	

NMF: Not meaningful

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

THIRD QUARTER 2020 IN COMPARISON TO THIRD QUARTER 2019

Sales

Sales for the third quarter of 2020 totaled $1.3 billion, which was flat on a reported basis and increased 1% on a currency neutral basis as compared to the prior year quarter. Sales performance for the Scent segment reflected continued growth in Consumer Fragrances, partially offset by declines in Fine Fragrances. Sales performance for the Taste segment reflected reduced sales in most Taste products related to retail food services.

Sales Performance by Segment

	% Change in Sales - Third Quarter 2020 vs. Third Quarter 2019	
	Reported	Currency Neutral [1]
Taste	-2 %	-1 %
Scent	4 %	4 %
Total	*0 %*	*1 %*

(1) Currency neutral sales growth is calculated by translating prior year sales at the exchange rates for the corresponding 2020 period.

Taste

Taste sales in 2020 decreased 2% on a reported basis and 1% on a currency neutral basis versus the prior year period. Performance was driven by sales declines in all regions (except North America) primarily from volume reductions due to reduced consumer demand related to the COVID-19 pandemic, partially offset by new win performances (net of losses).

Scent

Scent sales in 2020 increased 4% on both a reported and currency neutral basis. Sales growth in the Scent business unit was led by Consumer Fragrances, primarily driven by new win performances (net of losses) and volume increases. Performance in the Scent business unit was partially offset by declines in Fine Fragrances, primarily driven by volume reductions from disruptions in consumer access to certain retail markets due to the COVID-19 pandemic.

Cost of Goods Sold

Cost of goods sold, as a percentage of sales, increased 0.7% in the third quarter of 2020 to 58.6% compared to 57.9% in the third quarter of 2019, principally driven by higher raw material costs, as a percentage of sales, due to the impact of COVID-19 and partially offset by the impact of productivity and integration initiatives.

Research and Development (R&D) Expenses

Overall R&D expenses, as a percentage of sales, increased to 7.1% in the third quarter of 2020 versus 6.7% in the third quarter of 2019. The increase, as a percentage of sales, in 2020 was principally due to the impact of an increase in Applied R&D expenses.

Selling and Administrative (S&A) Expenses

S&A expenses increased $23.7 million to $234.5 million (18.5% of sales), in the third quarter of 2020 compared to $210.8 million (16.6% of sales) in the third quarter of 2019. Adjusted S&A expense decreased by $2.8 million to $193.6 million (15.3% of sales) in 2020 compared to $196.5 million (15.5% of sales) in 2019.

Restructuring and Other Charges

Restructuring and other charges decreased to $1.5 million in the third quarter of 2020 compared to $3.7 million in the third quarter of 2019 (see Note 4 for additional information).

Amortization of Acquisition-Related Intangibles

Amortization expenses decreased to $47.7 million in the third quarter of 2020 compared to $48.4 million in the third quarter of 2019.

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 other charges, net; Global expenses (as discussed in Note 10 to the Consolidated Financial Statements) and certain non-recurring items, net; Interest expense; Other (expense) income, net; and Taxes on income. See Note 10 to the Consolidated Financial Statements for the reconciliation to Income before taxes.

(DOLLARS IN THOUSANDS)	Three Months Ended September 30, 2020	2019
Segment profit:		
Taste	$ 101,600	$ 121,425
Scent	101,388	87,894
Global expenses	(9,608)	(8,385)
Operational Improvement Initiatives	—	(712)
Frutarom Integration Related Costs	(1,883)	(10,511)
Restructuring and Other Charges, net	(1,497)	(3,716)
Losses on sale of assets	(415)	(372)
FDA Mandated Product Recall	—	(250)
Frutarom Acquisition Related Costs	(808)	2,914
Compliance Review & Legal Defense Costs	(1,000)	(3,623)
N&B Transaction Related Costs	(8,247)	—
N&B Integration Related Costs	(29,241)	—
Operating profit	$ 150,289	$ 184,664
Profit margin:		
Taste	13.3 %	15.5 %
Scent	20.2 %	18.1 %
Consolidated	11.9 %	14.6 %

Taste Segment Profit

Taste segment profit decreased $19.8 million to $101.6 million in the third quarter of 2020 (13.3% of segment sales) from $121.4 million (15.5% of sales) in the comparable 2019 period. The decrease principally reflected volume reductions on existing business and unfavorable price versus input costs due to COVID-19, partially offset by the impact of new win performances (net of losses), integration, cross selling and productivity initiatives.

Scent Segment Profit

Scent segment profit increased $13.5 million to $101.4 million in the third quarter of 2020 (20.2% of segment sales) from $87.9 million (18.1% of sales) in the comparable 2019 period. The increase principally reflected new win performances (net of losses) and the impact of productivity initiatives, partially offset by unfavorable price versus input costs and mix.

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 third quarter of 2020, global expenses were $9.6 million compared to $8.4 million during the third quarter of 2019.

Interest Expense

Interest expense increased to $34.8 million in the third quarter of 2020 compared to $33.5 million in the 2019 period. Average cost of debt was 3.1% for the 2020 period compared to 3.0% for the 2019 period.

Other Expense (Income), Net

Other expense (income), net decreased by $15.6 million to $9.9 million of net expense in the third quarter of 2020 versus $5.7 million of income in the 2019 period. The decrease was primarily driven by foreign exchange losses.

Income Taxes

The effective tax rate for the three months ended September 30, 2020 was 18.3% compared with 17.2% for the three months ended September 30, 2019. The adjusted effective tax rate for the three months ended September 30, 2020 was 18.5%. compared to 18.1% for the third quarter of 2019. The increase in effective tax rate and adjusted effective tax rate was primarily due to an unfavorable mix of earnings and an increase in loss provisions, partially offset by lower repatriation costs.

FIRST NINE MONTHS 2020 IN COMPARISON TO FIRST NINE MONTHS 2019

Sales

Sales for the first nine months of 2020 totaled $3.8 billion, a decrease of 1% on a reported basis and an increase of 1% on a currency neutral basis as compared to the 2019 period. The 2019 Acquisition Activity had an immaterial impact on sales growth on both a reported and currency neutral basis. Sales performance for the Scent segment reflected continued growth in Consumer Fragrances, partially offset by declines in Fine Fragrances. Sales performance for the Taste segment reflected reduced sales in most Taste products related to retail food services.

Sales Performance by Segment

	% Change in Sales - First Nine Months 2020 vs. First Nine Months 2019	
	Reported	Currency Neutral (1)
Taste	-2 %	0 %
Scent	1 %	2 %
Total	*-1 %*	*1 %*

(1) Currency neutral sales growth is calculated by translating prior year sales at the exchange rates for the corresponding 2020 period.

Taste

Taste sales in 2020 decreased 2% on a reported basis and were flat on a currency neutral basis versus the prior year period. Performance was primarily driven by volume reductions due to reduced consumer demand related to COVID-19, partially offset by new win performances (net of losses).

Scent

Scent sales in 2020 increased 1% on a reported basis and increased 2% on a currency neutral basis. Sales growth in the Scent business unit was led by Consumer Fragrances, primarily driven by new win performances (net of losses) and volume increases in most product offerings to support consumer demand related to the COVID-19 pandemic. Performance in the Scent business unit was partially offset by declines in Fine Fragrances, primarily driven by volume reductions caused by the disruption of consumer access to retail markets due to COVID-19. Fragrance Ingredients also contributed to the decline in the Scent business unit, primarily driven by price reductions and supply-chain challenges in India requiring us to forego external sales to customers in Fragrance Ingredients in favor of supplying our Fragrance Compounds business.

Cost of Goods Sold

Cost of goods sold, as a percentage of sales, increased 0.6% in the first nine months of 2020 to 58.8% compared to 58.2% in the 2019 period, principally driven by higher raw material costs, as a percentage of sales, due to the impact of COVID-19 and partially offset by the impact of productivity and integration initiatives.

Research and Development (R&D) Expenses

Overall R&D expenses, as a percentage of sales, decreased to 6.7% in the first nine months of 2020 versus 6.8% in the 2019 period.

Selling and Administrative (S&A) Expenses

In the first nine months of 2020, S&A expenses increased to $694.6 million from $634.1 million, and 18.2% as a percentage of sales, in the 2020 period compared to 16.4% in the 2019 period. Adjusted S&A expenses increased by $4.4 million to $598.3 million (15.7% as a percentage of sales) in the 2020 period compared to $593.9 million (15.4% as a percentage of sales) in 2019. The increase in S&A expenses was due to higher employee related expenses (including bonuses to essential workers) and incentive compensation.

During the first quarter of 2020, we recognized $5.7 million in income related to the expected recoveries of previously paid indirect taxes in Brazil. The income was recorded as a reduction in S&A expenses during the first nine months of 2020.

Restructuring and Other Charges

Restructuring and other charges decreased to $8.3 million in the first nine months of 2020 compared to $22.4 million in the first nine months of 2019 primarily driven by the decrease in costs related to the 2019 Severance Plan (see Note 4 for additional information).

Amortization of Acquisition-Related Intangibles

Amortization expenses increased to $144.9 million in the first nine months of 2020 compared to $144.0 million in the 2019 period.

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 other charges, net, Global expenses (as discussed in Note 10 to the Consolidated Financial Statements) and certain non-recurring items, net, Interest expense, Other (expense) income, net and Taxes on income. See Note 10 to the Consolidated Financial Statements for the reconciliation to Income before taxes.

	Nine Months Ended September 30,	
(DOLLARS IN THOUSANDS)	**2020**	**2019**
Segment profit:		
Taste	$ 346,223	$ 383,450
Scent	277,156	272,061
Global expenses	(49,550)	(35,957)
Operational Improvement Initiatives	—	(1,652)
Frutarom Integration Related Costs	(8,816)	(36,825)
Restructuring and Other Charges, net	(8,299)	(22,415)
Losses on sale of assets	(1,568)	(1,136)
FDA Mandated Product Recall	—	(250)
Frutarom Acquisition Related Costs	(1,382)	(5,182)
Compliance Review & Legal Defense Costs	(1,624)	(3,623)
N&B Transaction Related Costs	(24,372)	—
N&B Integration Related Costs	(61,887)	—
Operating profit	$ 465,881	$ 548,471
Profit margin:		
Taste	14.8 %	16.0 %
Scent	18.9 %	18.7 %
Consolidated	12.2 %	14.2 %

Taste Segment Profit

Taste segment profit decreased to $346.2 million in the first nine months of 2020, or 14.8% as a percentage of sales, compared to $383.5 million, or 16.0% as a percentage of sales, in the comparable 2019 period. The decrease in segment profit principally reflected volume reductions on existing business and unfavorable price versus input costs due to COVID-19, partially offset by new win performances (net of losses), integration, cross selling and productivity initiatives.

Scent Segment Profit

Scent segment profit increased to $277.2 million in the first nine months of 2020, or 18.9% as a percentage of sales, compared to $272.1 million, or 18.7% as a percentage of sales, in the comparable 2019 period. The increase in segment profit principally reflected new win performances (net of losses) and the impact of productivity initiatives, partially offset by unfavorable price versus input costs and mix.

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 nine months of 2020, global expenses were $49.6 million compared to $36.0 million during the first nine months of 2019. The increase was driven by higher incentive compensation expense in 2020 and lower gains from our currency hedging program.

Interest Expense

Interest expense decreased to $99.0 million in the first nine months of 2020 compared to $102.7 million in the 2019 period. This decrease was primarily driven by repayments on the Term Loan and TEUs. Average cost of debt was 3.0% for the 2020 period compared to 2.9% for the 2019 period.

Other Expense (Income), Net

Other expense (income), net decreased by $19.9 million to $4.8 million of net expense in the first nine months of 2020 versus $15.1 million of income in the comparable 2019 period. The decrease was primarily driven by foreign exchange losses.

Income Taxes

The effective tax rate for the nine months ended September 30, 2020 was 16.9% compared with 17.6% for the nine months ended September 30, 2019. The year-over-year decrease was primarily due to lower repatriation costs and non-U.S. provision to return adjustments recorded in 2020, partially offset by an unfavorable mix of earnings and an increase in loss provisions.

Excluding the $18.6 million tax benefit associated with the pre-tax operational improvement initiatives, integration related costs, restructuring and other charges, net, losses (gains) on sale of assets, Frutarom acquisition related costs, N&B acquisition related costs, and compliance review & legal defense costs, the adjusted effective tax rate for the nine months ended September 30, 2020 was 17.0%.

For the nine months ended September 30, 2019, the adjusted effective tax rate was 18.4% excluding the $16.1 million tax benefit associated with the pre-tax operational improvement initiatives, integration related costs, restructuring and other charges, net, losses on sale of assets, and Frutarom acquisition related costs.

Liquidity and Capital Resources

Cash and Cash Equivalents

We had cash and cash equivalents of $469.8 million at September 30, 2020 compared to $606.8 million at December 31, 2019 and of this balance, a portion was held outside the United States. Cash balances held in foreign jurisdictions are, in most circumstances, available to be repatriated to the United States.

Effective utilization of the cash generated by our international operations is a critical component of our strategy. We regularly repatriate cash from our non-U.S. subsidiaries to fund financial obligations in the U.S. As we repatriate these funds to the U.S. we will be required to pay income taxes in certain U.S. states and applicable foreign withholding taxes during the period when such repatriation occurs. Accordingly, as of September 30, 2020, we had a deferred tax liability of $44.0 million for the effect of repatriating the funds to the U.S., attributable to various non-U.S. subsidiaries. There is no deferred tax liability associated with non-U.S. subsidiaries where we intend to indefinitely reinvest the earnings to fund local operations and/or capital projects.

Restricted Cash

Restricted cash of $13.7 million relates, principally, to amounts escrowed related to certain payments to be made to former Frutarom option holders in future periods. As of September 30, 2020, a portion of this balance, $0.8 million, is classified as a noncurrent asset.

Cash Flows Provided By Operating Activities

Cash flows provided by operations for the nine months ended September 30, 2020 was $415.0 million or 10.9% of sales, compared to cash provided by operations of $383.0 million or 9.9% of sales for the nine months ended September 30, 2019. The increase in cash provided by operating activities during 2020 was principally driven by lower net working capital (principally related to accounts payable, accrued expenses, inventories, and incentive compensation), partially offset by lower cash earnings in the current year.

Working capital (current assets less current liabilities) totaled $1.3 billion and $1.4 billion at September 30, 2020 and December 31, 2019, respectively.

We have various factoring agreements in the U.S. and The Netherlands under which we can factor up to approximately $100 million in receivables. Under all of the arrangements, we sell the receivables on a non-recourse basis to unrelated financial institutions and account for the transactions as a sale of receivables. The applicable receivables are removed from our Consolidated Balance Sheet when the cash proceeds are received.

As of September 30, 2020, the Company had removed approximately $209.3 million of receivables. The impact on cash provided by operations from participating in these programs increased approximately $3.6 million and $36.8 million for the nine months ended September 30, 2020 and 2019, respectively. The cost of participating in these programs was approximately $1.1 million and $1.7 million for the three months ended September 30, 2020 and 2019, respectively, and was $3.1 million and $4.7 million for the nine months ended September 30, 2020 and 2019, respectively.

Cash Flows Used In Investing Activities

Net investing activities during the first nine months of 2020 used $118.7 million compared to $157.8 million in the prior year period. Additions to property, plant and equipment were $124.1 million during the first nine months of 2020 compared to $160.4 million in the first nine months of 2019. The decrease in cash used in investing activities was further attributable to acquisition activities in the 2019 period, partially offset by lower proceeds from the disposal of assets in the current year, and cash paid upon maturity of net investment hedges in the current year versus proceeds for unwinding similar instruments in the prior year.

In light of the logistical difficulties resulting from the COVID-19 pandemic and to preserve our liquidity, where possible we have evaluated and re-prioritized our capital projects. We expect that capital spending in 2020 will be about 4% of sales (net of potential grants and other reimbursements from government authorities), down from 5% in 2019.

Frutarom Integration Initiative

We expect to incur costs related to the Frutarom Integration Initiative. Total restructuring costs for the program are expected to be approximately $40 million to $50 million including cash and non-cash items. Since the inception of the initiative, we expensed $18.3 million, of which $10.4 million was recorded in 2019 and $7.9 million was recorded in the first nine months of 2020. The costs are principally related to severance and fixed asset write-downs, with the remainder comprising costs such as contract termination and relocation. The Company expects to close an additional 6-8 sites in connection with the integration initiative for the remainder of 2020 with most of the remaining sites scheduled to close by the end of 2021.

We expect to achieve $145 million of synergy targets, with total savings in line with our original expectations.

Additionally, during the first nine months of 2020, we recorded $8.8 million in advisory services, retention bonuses and performance stock awards costs related to the integration of the Frutarom acquisition.

As a result of the outbreak of COVID-19 and the related uncertainty and complexity of the environment, we expect that most restructuring activities and their related charges will be completed at the end of 2021.

Cash Flows Used In Financing Activities

Cash used in financing activities in the first nine months of 2020 was $418.0 million compared to $365.8 million in the prior year period. The increase in cash used in financing activities was principally driven by higher repayments of debt, partially offset by cash proceeds from debt financing raised in the current year.

We paid dividends totaling $240.3 million in the 2020 period. We declared a cash dividend per share of $0.77 in the third quarter of 2020 that was paid on October 5, 2020 to all shareholders of record as of September 24, 2020.

Our capital allocation strategy seeks to maintain our investment grade rating while investing in the business and continuing to pay dividends and repaying debt. We make capital investments in our businesses to support our operational needs and strategic long term plans. We are committed to maintaining our history of paying a dividend to investors which is determined by our Board of Directors at its discretion based on various factors.

We currently have a board approved stock repurchase program with a total remaining value of $279.7 million. As of May 7, 2018, we have suspended our share repurchases.

Effect of exchange rate changes on cash, cash equivalents and restricted cash

Overall cash, cash equivalents and restricted cash were also affected by exchange rates changes, which resulted in a $18.7 million reduction in cash for the nine months ended September 30, 2020 compared to a decrease of $3.9 million for the nine months ended September 30, 2019.

Capital Resources

Operating cash flow provides the primary source of funds for capital investment needs, dividends paid to shareholders and debt service repayments. We anticipate that cash flows from operations and availability under our existing credit facilities will be sufficient to meet our investing and financing needs. 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. We believe our existing cash balances are sufficient to meet our debt service requirements.

Pending Transaction with Nutrition & Biosciences, Inc.

In conjunction with the DuPont N&B Transaction, IFF and N&B have engaged Morgan Stanley Senior Funding, Inc. and Credit Suisse Loan Funding LLC as joint lead arrangers and bookrunners to structure, arrange and syndicate the financings that will be required to close the transaction. Specifically, N&B will be the initial borrower under a $1.25 billion 3-year/5-year senior unsecured term loan facility and the initial issuer of $6.25 billion of senior unsecured notes, which will be used to finance the Special Cash Payment to DuPont in connection with the separation and to pay related fees and expenses. Following the consummation of the DuPont N&B Transaction, all obligations of N&B will be guaranteed by IFF, or at the election of N&B and IFF, assumed by IFF.

Upon completion of our combination with N&B, DuPont shareholders will own approximately 55.4% of the shares of IFF, and existing IFF shareholders will own approximately 44.6% of the shares of IFF. On August 27, 2020, a special shareholder meeting was held and IFF shareholders voted to approve the issuance of shares of IFF Common Stock in connection with the DuPont N&B Transaction pursuant to the Merger Agreement.

Revolving Credit Facility and Term Loans

The Amended Debt Agreements contain various covenants, limitations and events of default customary for similar facilities for similarly rated borrowers, including the requirement for us to maintain, at the end of each fiscal quarter, a ratio of net debt for borrowed money to Consolidated EBITDA in respect of the previous 12-month period. Effective in the third quarter of 2020, the maximum permitted ratio of net debt to Consolidated EBITDA under the Amended Debt Agreements is 4.0 to 1.0 through the end of 2020, with step-downs over time. Further, after the expected closing date of the pending DuPont N&B Transaction in the first quarter of 2021, the Company’s maximum permitted ratio of net debt to Consolidated EBITDA under the Amended Debt Agreements shall be 4.75 to 1.0, stepping-down to 3.50 to 1.0 over time (with a step-up if the Company consummates certain qualified acquisitions).

As of September 30, 2020, we had no outstanding borrowings under our $1 billion Revolving Credit Facility, $240 million outstanding under the Frutarom Term Loan Agreement and $200 million outstanding in borrowings under the 2022 Term Loan Agreement. The amount that we are able to draw down under the Revolving Credit Facility is limited by financial covenants as described in more detail below. As of September 30, 2020, our draw down capacity was $628 million under the Revolving Credit Facility.

Debt Covenants

At September 30, 2020, we were in compliance with all financial and other covenants, including the net debt to adjusted EBITDA ratio. At September 30, 2020 our Net Debt/adjusted EBITDA[(1)] ratio was 3.44 to 1.0 as defined by the credit facility agreements, well below the financial covenants of existing outstanding debt.

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(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)		**Twelve Months Ended September 30, 2020**
Net income	*$*	*379.1*
Interest expense		*134.5*
Income taxes		*77.5*
Depreciation and amortization		*331.4*
Specified items [(1)]		*161.8*
Non-cash items [(2)]		*38.1*
Adjusted EBITDA	*$*	*1,122.4*

(1) Specified items for the 12 months ended September 30, 2020 of $161.8 million, consisted of operational improvement initiatives, acquisition related costs, Frutarom integration related costs, restructuring and other charges, net, FDA mandated product recall, Frutarom acquisition related costs, compliance review & legal defense costs, N&B transaction related costs and N&B integration related costs.

(2) Non-cash items 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 and stock-based compensation.

(DOLLARS IN MILLIONS)		**September 30, 2020**
Total debt	*$*	*4,331.7*
Adjustments:		
Cash and cash equivalents		*469.8*
Net debt	*$*	*3,861.9*

Senior Notes

As of September 30, 2020, we had $3.88 billion aggregate principal amount outstanding in senior unsecured notes, with $1.88 billion principal amount denominated in EUR and $2.00 billion principal amount denominated in USD. The notes bear interest ranging from 0.50% per year to 5.00% per year, with maturities from September 2021 to September 2048. Of these notes, $300 million in aggregate principal amount of our 3.40% senior notes matured in September 2020, which the Company repaid during the third quarter of 2020.

Contractual Obligations

We expect to contribute a total of $4.4 million to our U.S. pension plans and a total of $20.9 million to our Non-U.S. plans during 2020. During the nine months ended September 30, 2020, there were no contributions made to the qualified U.S. pension plans, $15.6 million of contributions were made to the non-U.S. pension plans, and $3.3 million of benefit payments were made with respect to our non-qualified U.S. pension plan. We also expect to contribute $3.8 million to our postretirement benefits other than pension plans during 2020. During the nine months ended September 30, 2020, $2.0 million of contributions were made to postretirement benefits other than pension plans.

As discussed in Note 14 to the Consolidated Financial Statements, at September 30, 2020, 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, these arrangements are not reasonably likely to have a material impact on our consolidated financial condition, results of operations, or cash flows.

New Accounting Standards.

Please refer to Note 1 to the Consolidated Financial Statements for a discussion of recent accounting pronouncements.

Non-GAAP Financial Measures

We use non-GAAP financial measures in this Form 10-Q, including: (i) currency neutral metrics, (ii) adjusted gross margin, (iii) adjusted operating profit and adjusted operating margin, (iv) adjusted selling and administrative expenses, and (v) adjusted effective tax rate. We also provide the non-GAAP measures adjusted EBITDA and net debt 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. Our non-GAAP financial measures are defined below.

These non-GAAP financial measures are intended 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. These non-GAAP measures should not be considered in isolation or as substitutes for analysis of the Company's results under GAAP and may not be comparable to other companies' calculation of such metrics.

Currency neutral metrics eliminate the effects that result from translating international currency to U.S. dollars. We calculate currency neutral numbers by comparing current year results to the prior year results restated at exchange rates in effect for the current year based on the currency of the underlying transaction.

Adjusted gross margin excludes operational improvement initiatives, Frutarom integration related costs, FDA mandated product recall, and Frutarom acquisition related costs.

Adjusted selling and administrative expenses exclude Frutarom integration related costs, Frutarom acquisition related costs, compliance review & legal defense costs, N&B transaction related costs, and N&B integration related costs.

Adjusted operating profit and adjusted operating margin exclude operational improvement initiatives, Frutarom integration related costs, restructuring and other charges, net, losses on sale of assets, FDA mandated product recall, Frutarom acquisition related costs, compliance review & legal defense costs, N&B transaction related costs, and N&B integration related costs.

Adjusted effective tax rate excludes operational improvement initiatives, acquisition related costs, Frutarom integration related costs, restructuring and other charges, net, losses on sale of assets, FDA mandated product recall, Frutarom acquisition related costs, compliance review & legal defense costs, N&B transaction related costs, and N&B integration related costs.

Net Debt to Combined Adjusted EBITDA is the leverage ratio used in our credit agreement and defined as Net Debt (which is long-term debt less cash and cash equivalents) divided by Combined Adjusted EBITDA. However, as Adjusted EBITDA for these purposes was calculated in accordance with the provisions of the credit agreement, it may differ from the calculation used for other purposes.

A. Reconciliation of Non-GAAP Metrics

Reconciliation of Gross Profit

	Three Months Ended September 30,	
(DOLLARS IN THOUSANDS)	**2020**	**2019**
Reported (GAAP)	$ 524,427	$ 533,088
Operational Improvement Initiatives (a)	—	711
Frutarom Integration Related Costs (c)	103	187
FDA Mandated Product Recall (e)	—	250
Frutarom Acquisition Related Costs (f)	—	(3,603)
Adjusted (Non-GAAP)	$ 524,530	$ 530,633

Reconciliation of Selling and Administrative Expenses

	Three Months Ended September 30,	
(DOLLARS IN THOUSANDS)	**2020**	**2019**
Reported (GAAP)	$ 234,520	$ 210,829
Frutarom Integration Related Costs (c)	(1,597)	(10,047)
Frutarom Acquisition Related Costs (f)	(808)	(691)
Compliance Review & Legal Defense Costs (g)	(1,000)	(3,623)
N&B Transaction Related Costs (h)	(8,247)	—
N&B Integration Related Costs (i)	(29,241)	—
Adjusted (Non-GAAP)	$ 193,627	$ 196,468

Reconciliation of Operating Profit

(DOLLARS IN THOUSANDS)	Three Months Ended September 30, 2020	2019
Reported (GAAP)	$ 150,289	$ 184,664
Operational Improvement Initiatives (a)	—	712
Frutarom Integration Related Costs (c)	1,883	10,511
Restructuring and Other Charges, net (d)	1,497	3,716
Losses on Sale of Assets	415	372
FDA Mandated Product Recall (e)	—	250
Frutarom Acquisition Related Costs (f)	808	(2,914)
Compliance Review & Legal Defense Costs (g)	1,000	3,623
N&B Transaction Related Costs (h)	8,247	—
N&B Integration Related Costs (i)	29,241	—
Adjusted (Non-GAAP)	$ 193,380	$ 200,934

Reconciliation of Net Income

	Three Months Ended September 30,							
	2020				2019			
(DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)	Income before taxes	Taxes on income (k)	Net Income Attributable to IFF (l)	Diluted EPS (m)	Income before taxes	Taxes on income (k)	Net Income Attributable to IFF (l)	Diluted EPS (m)
Reported (GAAP)	$ 105,500	$ 19,269	$ 84,828	$ 0.75	$ 156,866	$ 27,059	$ 127,124	$ 1.13
Operational Improvement Initiatives (a)	—	—	—	—	712	243	469	—
Acquisition Related Costs (b)	—	—	—	—	(3,371)	—	(3,371)	(0.03)
Frutarom Integration Related Costs (c)	1,883	407	1,476	0.01	10,511	2,347	8,164	0.07
Restructuring and Other Charges, net (d)	1,497	349	1,148	0.01	3,716	811	2,905	0.03
Losses on Sale of Assets	415	91	324	—	372	98	274	—
FDA Mandated Product Recall (e)	—	—	—	—	250	57	193	—
Frutarom Acquisition Related Costs (f)	1,316	523	793	0.01	(2,914)	(715)	(2,199)	(0.02)
Compliance Review & Legal Defense Costs (g)	1,000	228	772	0.01	3,623	827	2,796	0.02
N&B Transaction Related Costs (h)	8,247	—	8,247	0.07	—	—	—	—
N&B Integration Related Costs (i)	29,241	6,719	22,522	0.20	—	—	—	—
Redemption value adjustment to EPS (j)	—	—	—	(0.01)	—	—	—	(0.02)
Adjusted (Non-GAAP)	$ 149,099	$ 27,586	$ 120,110	$ 1.06	$ 169,765	$ 30,727	$ 136,355	$ 1.20

(a) Represents accelerated depreciation related to a plant relocation in India and China.

(b) Represents adjustments to the fair value for an equity method investment in Canada which we began consolidating in the second quarter of 2019.

(c) Represents costs related to the integration of the Frutarom acquisition. For 2020, costs primarily related to advisory services, retention bonuses and performance stock awards. For 2019, costs principally related to advisory services.

(d) For 2020, represents costs primarily related to the Frutarom Integration Initiative. For 2019, represents costs primarily related to the Frutarom Integration Initiative and 2019 Severance Program.

(e) Represents additional claims that management paid to co-packers.

(f) Represents transaction-related costs and expenses related to the acquisition of Frutarom. For 2020, amount primarily includes earn-out payments, net of adjustments, amortization for inventory "step-up" costs and transaction costs principally related to the 2019 Acquisition Activity, including an adjustment to reverse an earnout liability and another adjustment to record an earnout liability in the third quarter of 2020. For 2019, amount primarily includes amortization for inventory "step-up" costs and transaction costs, along with a measurement period adjustment to the amount of the inventory "step-up" recorded.

(g) Costs related to reviewing the nature of inappropriate payments and review of compliance in certain other countries. In addition, includes legal costs for related shareholder lawsuits.

(h) Represents transaction costs and expenses related to the pending transaction with N&B, principally related to legal and professional fees for capital raising activities.

(i) Represents costs primarily related to advisory services for the integration of the pending transaction with N&B, principally consulting fees.

(j) Represents the adjustment to EPS related to the excess of the redemption value of certain redeemable noncontrolling interests over their existing carrying value.

(k) The income tax expense (benefit) on non-GAAP adjustments is computed in accordance with ASC 740 using the same methodology as the GAAP provision of income taxes. Income tax effects of non-GAAP adjustments are calculated based on the applicable statutory tax rate for each jurisdiction in which such charges were incurred, except for those items which are non-taxable or are subject to a valuation allowance for which the tax expense (benefit) was calculated at 0%. For fiscal years 2020 and 2019, these non-GAAP adjustments were not subject to foreign tax credits, but to the extent that such factors are applicable to any future non-GAAP adjustments we will take such factors into consideration in calculating the tax expense (benefit). For amortization, the tax benefit has been calculated based on the statutory rate on a country by country basis.

(l) For 2020 and 2019, net income is reduced by income attributable to noncontrolling interest of $1.4M and $2.7M, respectively.

(m) The sum of these items does not foot due to rounding.

Reconciliation of Gross Profit

(DOLLARS IN THOUSANDS)	Nine Months Ended September 30, 2020	2019
Reported (GAAP)	$ 1,572,136	$ 1,610,586
Operational Improvement Initiatives (a)	—	1,651
Frutarom Integration Related Costs (c)	348	508
FDA Mandated Product Recall (e)	—	250
Frutarom Acquisition Related Costs (f)	759	4,247
Adjusted (Non-GAAP)	$ 1,573,243	$ 1,617,242

Reconciliation of Selling and Administrative Expenses

(DOLLARS IN THOUSANDS)	Nine Months Ended September 30, 2020	2019
Reported (GAAP)	$ 694,641	$ 634,111
Frutarom Integration Related Costs (c)	(7,875)	(35,647)
Frutarom Acquisition Related Costs (f)	(623)	(937)
Compliance Review & Legal Defense Costs (g)	(1,624)	(3,623)
N&B Transaction Related Costs (h)	(24,372)	—
N&B Integration Related Costs (i)	(61,887)	—
Adjusted (Non-GAAP)	$ 598,260	$ 593,904

Reconciliation of Operating Profit

(DOLLARS IN THOUSANDS)	Nine Months Ended September 30, 2020	2019
Reported (GAAP)	$ 465,881	$ 548,471
Operational Improvement Initiatives (a)	—	1,652
Frutarom Integration Related Costs (c)	8,816	36,825
Restructuring and Other Charges, net (d)	8,299	22,415
Losses on Sale of Assets	1,568	1,136
FDA Mandated Product Recall (e)	—	250
Frutarom Acquisition Related Costs (f)	1,382	5,182
Compliance Review & Legal Defense Costs (g)	1,624	3,623
N&B Transaction Related Costs (h)	24,372	—
N&B Integration Related Costs (i)	61,887	—
Adjusted (Non-GAAP)	$ 573,829	$ 619,554

Reconciliation of Net Income

	Nine Months Ended September 30,							
	2020				2019			
(DOLLARS IN THOUSANDS)	Income before taxes	Taxes on income (k)	Net Income Attributable to IFF (l)	Diluted EPS (m)	Income before taxes	Taxes on income (k)	Net Income Attributable to IFF (l)	Diluted EPS
Reported (GAAP)	$ 362,073	$ 61,265	$ 295,639	$ 2.64	$ 460,923	$ 81,033	$ 372,330	$ 3.30
Operational Improvement Initiatives (a)	—	—	—	—	1,652	561	1,091	0.01
Acquisition Related Costs (b)	—	—	—	—	(3,371)	—	(3,371)	(0.03)
Frutarom Integration Related Costs (c)	8,816	1,959	6,857	0.06	36,825	8,270	28,555	0.25
Restructuring and Other Charges, net (d)	8,299	1,922	6,377	0.06	22,415	5,394	17,021	0.16
Losses on Sale of Assets	1,568	356	1,212	0.01	1,136	290	846	0.01
FDA Mandated Product Recall (e)	—	—	—	—	250	57	193	—
Frutarom Acquisition Related Costs (f)	1,382	(1,160)	2,542	0.02	5,182	672	4,510	0.04
Compliance Review & Legal Defense Costs (g)	1,624	358	1,266	0.01	3,623	827	2,796	0.02
N&B Transaction Related Costs (h)	24,372	904	23,468	0.21	—	—	—	—
N&B Integration Related Costs (i)	61,887	14,255	47,632	0.42	—	—	—	—
Redemption value adjustment to EPS (j)	—	—	—	(0.04)	—	—	—	(0.02)
Adjusted (Non-GAAP)	$ 470,021	$ 79,859	$ 384,993	$ 3.38	$ 528,635	$ 97,104	$ 423,971	$ 3.74

(a) Represents accelerated depreciation related to a plant relocation in India and China.

(b) Represents adjustments to the fair value for an equity method investment in Canada which we began consolidating in the second quarter of 2019.

(c) Represents costs related to the integration of the Frutarom acquisition. For 2020, costs primarily related to advisory services, retention bonuses and performance stock awards. For 2019, costs principally related to advisory services.

(d) For 2020, represents costs primarily related to the Frutarom Integration Initiative. For 2019, represents costs primarily related to the Frutarom Integration Initiative and 2019 Severance Program.

(e) Represents additional claims that management paid to co-packers.

(f) Represents transaction-related costs and expenses related to the acquisition of Frutarom. For 2020, amount primarily includes earn-out payments, net of adjustments, amortization for inventory "step-up" costs and transaction costs principally related to the 2019 Acquisition Activity, including an adjustment to reverse an earnout liability and another adjustment to record an earnout liability in the third quarter of 2020. For 2019, amount primarily includes amortization for inventory "step-up" costs and transaction costs, along with a measurement period adjustment to the amount of the inventory "step-up" recorded.

(g) Costs related to reviewing the nature of inappropriate payments and review of compliance in certain other countries. In addition, includes legal costs for related shareholder lawsuits.

(h) Represents transaction costs and expenses related to the pending transaction with N&B, principally related to legal and professional fees for capital raising activities.

(i) Represents costs primarily related to advisory services for the integration of the pending transaction with N&B, principally consulting fees.

(j) Represents the adjustment to EPS related to the excess of the redemption value of certain redeemable noncontrolling interests over their existing carrying value.

(k) The income tax expense (benefit) on non-GAAP adjustments is computed in accordance with ASC 740 using the same methodology as the GAAP provision of income taxes. Income tax effects of non-GAAP adjustments are calculated based on the applicable statutory tax rate for each jurisdiction in which such charges were incurred, except for those items which are non-taxable or are subject to a valuation allowance for which the tax expense (benefit) was calculated at 0%. For fiscal years 2020 and 2019, these non-GAAP adjustments were not subject to foreign tax credits, but to the extent that such factors are applicable to any future non-GAAP adjustments we will take such factors into consideration in calculating the tax expense (benefit). For amortization, the tax benefit has been calculated based on the statutory rate on a country by country basis.

(l) For 2020 and 2019, net income is reduced by income attributable to noncontrolling interest of $5.2M and $7.6M, respectively.

(m) The sum of these items does not foot due to rounding.

B. Foreign Currency Reconciliation

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Operating Profit:				
% Change - Reported (GAAP)	**(18.6)%**	**15.9%**	**(15.1)%**	**12.2%**
Items impacting comparability	14.8%	6.3%	7.7%	8.0%
% Change - Adjusted (Non-GAAP)	**(3.8)%**	**22.2%**	**(7.4)%**	**20.2%**
Currency Impact	5.1%	1.1%	2.8%	1.9%
% Change Year-over-Year - Currency Neutral Adjusted (Non-GAAP)*	**1.3%**	**23.3%**	**(4.6)%**	**22.1%**

* Currency neutral amount is calculated by translating prior year amounts at the exchange rates used for the corresponding 2020 period. Currency neutral operating profit also eliminates the year-over-year impact of cash flow hedging.

Cautionary Statement Under the Private Securities Litigation Reform Act of 1995

Statements in this Form 10-Q, that are not historical facts or information, are “forward-looking statements” within the meaning of The Private Securities Litigation Reform Act of 1995. Such forward-looking statements are based on management’s current assumptions, estimates and expectations and include statements concerning (i) the impacts of COVID-19 and our plans to respond to its implications, (ii) the proposed combination with DuPont’s Nutrition & Biosciences business (“N&B”), (iii) our ability to achieve the anticipated benefits of the Frutarom acquisition, including $145 million of expected synergies, (iv) expected capital expenditures in 2020, (v) expected costs associated with our various restructuring activities, (vi) our margin expectations for 2020, (vii) expected cash flow and availability of capital resources to fund our operations and meet our debt service requirements, (viii) our ability to continue to generate value for, and return cash to, our shareholders, and (ix) anticipated contributions to our pension plans and other post-retirement programs in 2020. These forward-looking statements should be evaluated with consideration given to the many risks and uncertainties inherent in our 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”, “intend”, “outlook”, “may”, “estimate”, “should”, “predict” and 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. Our actual results may differ materially from any future results expressed or implied by such forward-looking statements. Such factors include, among others, the following:

- disruption in the development, manufacture, distribution or sale of our products from COVID-19 and other public health crises;
- risks related to the integration of the Frutarom business, including whether we will realize the benefits anticipated from the acquisition in the expected time frame;
- unanticipated costs, liabilities, charges or expenses resulting from the Frutarom acquisition;
- our ability to realize expected cost savings and increased efficiencies of the Frutarom integration and our ongoing optimization of our manufacturing facilities;
- our ability to successfully establish and manage acquisitions, collaborations, joint ventures or partnership;
- the increase in our leverage resulting from the additional debt incurred to pay a portion of the consideration for Frutarom and its impact on our liquidity and ability to return capital to its shareholders;
- our ability to successfully market to our expanded and diverse Taste customer base;
- our ability to effectively compete in our market and develop and introduce new products that meet customers’ needs;
- our ability to retain key employees;
- changes in demand from large multi-national customers due to increased competition and our ability to maintain “core list” status with customers;
- our ability to successfully develop innovative and cost-effective products that allow customers to achieve their own profitability expectations;

- disruption in the development, manufacture, distribution or sale of our products from natural disasters, international conflicts, terrorist acts, labor strikes, political crisis, accidents and similar events;
- the impact of a disruption in our supply chain, including the inability to obtain ingredients and raw materials from third parties;
- volatility and increases in the price of raw materials, energy and transportation;
- the impact of a significant data breach or other disruption in our information technology systems, and our ability to comply with data protection laws in the U.S. and abroad;
- our ability to comply with, and the costs associated with compliance with, regulatory requirements and industry standards, including regarding product safety, quality, efficacy and environmental impact;
- our ability to react in a timely and cost-effective manner to changes in consumer preferences and demands, including increased awareness of health and wellness;
- our ability to meet consumer, customer and regulatory sustainability standards;
- our ability to benefit from our investments and expansion in emerging markets;
- the impact of currency fluctuations or devaluations in the principal foreign markets in which we operate;
- economic, regulatory and political risks associated with our international operations;
- the impact of global economic uncertainty on demand for consumer products;
- our ability to comply with, and the costs associated with compliance with, U.S. and foreign environmental protection laws;
- our ability to successfully manage our working capital and inventory balances;
- the impact of the failure to comply with U.S. or foreign anti-corruption and anti-bribery laws and regulations, including the U.S. Foreign Corrupt Practices Act;
- any impairment on our tangible or intangible long-lived assets, including goodwill associated with the acquisition of Frutarom;
- our ability to protect our intellectual property rights;
- the impact of the outcome of legal claims, regulatory investigations and litigation;
- changes in market conditions or governmental regulations relating to our pension and postretirement obligations;
- the impact of changes in federal, state, local and international tax legislation or policies, including the Tax Cuts and Jobs Act, with respect to transfer pricing and state aid, and adverse results of tax audits, assessments, or disputes;
- the impact of the United Kingdom’s departure from the European Union;
- the impact of the phase out of the London Interbank Offered Rate (LIBOR) on interest expense;
- risks associated with our pending combination with N&B, including business uncertainties and contractual restrictions while the transaction is pending, costs incurred in connection with the transaction, our ability to pursue alternative transactions, and the impact if we fail to complete the transaction; and
- risks associated with the integration of N&B if we are successful in completing the transaction, including whether we will realize the anticipated synergies and other benefits of the transaction.

We intend our forward-looking statements to speak only as of the time of such statements and do not undertake or plan to update or revise them as more information becomes available or to reflect changes in expectations, assumptions or results. We can give no assurance that such expectations or forward-looking statements will prove to be correct. An occurrence of, or any material adverse change in, one or more of the risk factors or risks and uncertainties referred to in this report or included in our other periodic reports filed with the SEC could materially and adversely impact our operations and our future financial results.

Any public statements or disclosures made by us 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 2019 Form 10-K for additional information regarding factors that could affect our results of operations, financial condition and cash flow.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

There are no material changes in market risk from the information provided in our 2019 Form 10-K.

ITEM 4. CONTROLS AND PROCEDURES.

(a) Disclosure 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.

(b) Changes in Internal Control over Financial Reporting

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 September 30, 2020 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.

Litigation Matters

On August 12, 2019, Marc Jansen filed a putative securities class action against IFF, its Chairman and CEO, and its then-CFO, in the United States District Court for the Southern District of New York. The lawsuit was filed after IFF disclosed that preliminary results of investigations indicated that Frutarom businesses operating principally in Russia and Ukraine had made improper payments to representatives of customers. On December 26, 2019, the Court appointed a group of six investment funds as lead plaintiff and Pomerantz LLP as lead counsel. On March 16, 2020, lead plaintiff filed an amended complaint, which added Frutarom and certain former officers of Frutarom as defendants. The amended complaint alleges, among other things, that defendants made materially false and misleading statements or omissions concerning IFF's acquisition of Frutarom, the integration of the two companies, and the companies' financial reporting and results. The amended complaint asserts claims under Section 10(b) of the Securities Exchange Act of 1934 and SEC Rule 10b-5, and under the Israeli Securities Act-1968, against all defendants, and under Section 20(a) of the Securities Exchange Act of 1934 against the individual defendants, on behalf of a putative class of persons and entities who purchased or otherwise acquired IFF securities on the New York Stock Exchange between May 7, 2018 and August 12, 2019 and persons and entities who purchased or otherwise acquired IFF securities on the Tel Aviv Stock Exchange between October 9, 2018 and August 12, 2019. The amended complaint seeks an award of unspecified compensatory damages, costs, and expenses. IFF filed a motion to dismiss the case on June 26, 2020.

Two motions to approve securities class actions were filed in the Tel Aviv District Court, Israel, in August 2019, similarly alleging, among other things, false and misleading statements largely in connection with IFF's acquisition of Frutarom and the above-mentioned improper payments. One motion asserts claims under the U.S. federal securities laws against IFF, its Chairman and CEO, and its former CFO. The other ("Oman") (following an amendment) asserts claims under the Israeli Securities Act-1968 against IFF, its Chairman and CEO, and its former CFO, and against Frutarom and certain former Frutarom officers and directors, as well as claims under the Israeli Companies Act-1999 against certain former Frutarom officers and directors. On October 4, 2020, the Oman plaintiff filed a motion to remove IFF and its officers from the motion and to add factual allegations from the U.S. amended complaint.

On October 29, 2019, IFF and Frutarom filed a claim in the Tel Aviv District Court, Israel, against Ori Yehudai, the former President and CEO of Frutarom, and against certain former directors of Frutarom, challenging the bonus of US $20 million granted to Yehudai in 2018. IFF and Frutarom allege, among other things, that Yehudai was not entitled to receive the bonus because he breached his fiduciary duty by, among other things, knowing of the above-mentioned improper payments and failing to prevent them from being made. The parties agreed, pursuant to the court's recommendation, to attempt to resolve the dispute through mediation, which is scheduled for the fourth quarter 2020, during which the proceedings relating to this claim are stayed.

On March 11, 2020, an IFF shareholder filed a motion to approve a class action in Israel against, among others, Frutarom, Yehudai, and Frutarom's former board of directors, alleging that former minority shareholders of Frutarom were harmed as a result of the US $20 million bonus paid to Yehudai. The parties to this motion agreed to attempt to resolve the dispute through mediation to take place regarding the aforesaid claim against Yehudai, during which the proceedings relating to this motion are stayed.

On June 3, 2020, the Israel Police's National Fraud Investigation Unit and the Israeli Securities Authority commenced an investigation into Frutarom and certain of its former executives, based on suspected bribery of foreign officials, money laundering, and violations of the Israeli Securities Act-1968. The National Fraud Investigation Unit and the Israeli Securities Authority have provided IFF and Frutarom with various orders. IFF is working to ensure compliance with such orders, all in accordance with, and subject to, Israeli law.

ITEM 1a. RISK FACTORS.

The following additional risk factor relating to COVID-19 should be read in conjunction with the risk factors previously disclosed in Part I, Item 1A, “Risk Factors,” of our 2019 Annual Report on Form 10-K (the "2019 Form 10-K") and the information contained in this Quarterly Report on Form 10-Q and our other reports and registration statements filed with the SEC. The developments described in this additional risk factor have heightened, or in some cases manifested, certain of the risks disclosed in the risk factor section of our 2019 Form 10-K, and such risk factors are further qualified by the information relating to COVID-19 that is described in this Quarterly Report on Form 10-Q, including in the additional risk factor below. Except as described herein, there have been no material changes with respect to the risk factors disclosed in our 2019 Form 10-K.

Supplemental Risk Factor:

The COVID-19 pandemic may materially and adversely impact IFF's operations, financial condition, results of operations and cash flows.

COVID-19 was identified in China in late 2019 and has spread globally. Government authorities, including those in countries where IFF has manufacturing and other operations, have taken various measures to try to contain this spread, such as the closure of non-essential businesses, reduced travel, the closure of retail establishments, the promotion of social distancing and remote working policies where appropriate. These measures have impacted and may further impact IFF's workforce and operations, and the operations of its customers, vendors and suppliers.

The COVID-19 pandemic has subjected IFF's operations, financial condition and results of operations to a number of risks, including, but not limited to, those discussed below:

• *Operations-related risks:* IFF's manufacturing plants continue to operate world-wide in compliance with the orders and restrictions imposed by government authorities in each of IFF's locations, and IFF is working with its customers to meet their specific shipment needs. Most plants have restored operations to historical levels, notwithstanding that certain restrictions imposed to achieve social distancing remain in place. Some of IFF's R&D and creative applications centers are operating on limited schedules or with a reduced workforce of essential employees as a result of certain safety measures implemented by IFF to limit the number of the on-site workforce.

The ability of IFF to continue to supply its products is highly dependent on its ability to maintain the safety of its workforce. The ability of employees to work may be significantly impacted by individuals contracting or being exposed to COVID-19, and IFF's operations and financial results may be negatively affected as a result. IFF has developed return-to-workplace protocols and mandatory site guidelines to continue to protect the health and safety of employees at each location and to promote an orderly and phased return for employees who have been working from home. While IFF is following the requirements of governmental authorities and taking additional preventative and protective measures to ensure the safety of its workforce, there can be no assurance that these measures will be successful, and to the extent that employees in IFF's manufacturing or distribution centers contract COVID-19, IFF may be required to temporarily close those facilities, which may result in reduced production hours, more rigorous cleaning processes and other preventative and protective measures for employees. Workforce disruptions of this nature may significantly impact IFF's ability to maintain its operations and may adversely impact its financial results.

Resolving such operational challenges has increased certain costs, such as labor, shipping, and cleaning, and the failure to resolve such challenges may result in our inability to deliver products to our customers and reduce sales.

• *Supply chain-related risks:* IFF has experienced some disruption primarily regarding distribution of certain raw materials and transport logistics in markets where governments have implemented the strictest regulations. More significant disruptions may occur if the COVID-19 pandemic continues to impact markets around the world. In addition, as a result of disruptions to IFF's supply chain, IFF is experiencing, and may continue to experience, increased costs for raw materials, shipping and transportation resources, which has negatively impacted, and may continue to negatively impact, IFF's margins and operating results.

• *Customer-related risks:* IFF is experiencing, and may continue to experience, changes in the demand and volume for certain of its products, including due to consumption or stocking behavior changes. For example, ingredients used in products sold mainly in retail outlets, such as Fine Fragrances or Taste products used in retail food services, have seen a decrease in demand as these outlets have closed due to COVID-19 related restrictions. In addition, IFF has received requests for extensions in payment terms from some customers in select markets whose products are experiencing reduced demand.

Although IFF does not currently anticipate any impairment charges related to COVID-19, the continuing effects of a prolonged pandemic could result in increased risk of asset write-downs and impairments, including, but not limited to, equity investments, goodwill and intangibles. Any of these events could potentially result in a material adverse impact on IFF's business and results of operations.

• *Market-related risks:* The funding obligations for IFF's pension plans will be impacted by the performance of the financial markets, particularly the equity markets and interest rates. Lower interest rates and lower expected asset valuations and returns can materially impact the calculation of long-term liabilities such as pension liabilities. In addition, the volatility in financial and commodities markets may have adverse impacts on other asset valuations such as the value of the investment portfolios supporting pension obligations. If the financial markets do not provide the long-term returns that are expected, IFF could be required to make larger contributions.

In addition to the risks noted above, COVID-19 may also heighten other risks described in our 2019 Form 10-K, including, but not limited to, risks related to a decrease in global demand for consumer products, manufacturing disruptions, disruption in the supply chain, price volatility for raw materials, level of indebtedness, currency fluctuations and impairment of long-lived assets. Further, the magnitude of the impact of the COVID-19 pandemic, including the extent of its impact on IFF's operating and financial results, will be determined by the length of time that the pandemic continues, and while government authorities' measures relating to COVID-19 may be relaxed if and when COVID-19 abates, these measures may be reinstated as the pandemic continues to evolve. The scope and timing of any such reinstatements are difficult to predict and may materially impact IFF's operations in the future. As COVID-19 continues to adversely impact the broader global economy, including negatively impacting economic growth and creating disruption and volatility in the global financial and capital markets, which increases the cost of capital and adversely impacts the availability of and access to capital, this could negatively affect IFF's liquidity, which could in turn negatively affect IFF's business, results of operations and financial condition. The COVID-19 pandemic may also affect IFF's operating and financial results in a manner that is not presently known to us or that we currently do not expect to present significant risks.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

None.

ITEM 6. EXHIBITS.

10.1	Second Amended and Restated Credit Agreement, dated as of August 25, 2020 among International Flavors & Fragrances Inc., International Flavors & Fragrances (Nederland) Holding B.V. and International Flavors & Fragrances I.F.F. (Nederland) B.V., as borrowers, the lenders signatory thereto and Citibank, N.A. as administrative agent, incorporated by reference to Exhibit 10.1 to the Registrant's Current Report to Form 8-K filed on August 28, 2020.
10.2	Amendment No. 3 to Credit Agreement, dated as of August 25, 2020 among International Flavors & Fragrances Inc., as borrower, the lenders signatory thereto and Morgan Stanley Senior Funding, Inc. as administrative agent, incorporated by reference to Exhibit 10.2 to the Registrant's Current Report to Form 8-K filed on August 28, 2020.
10.3	Amendment No. 1 to Credit Agreement, dated as of August 25, 2020, among the Company, as borrower, the lenders signatory thereto and China Construction Bank Corporation, New York Branch as administrative agent, incorporated by reference to Exhibit 10.3 to the Registrant's Current Report to Form 8-K filed on August 28, 2020.
31.1	Certification of Andreas Fibig pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Rustom Jilla pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification of Andreas Fibig and Rustom Jilla 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
104	Cover Page Interactive File (formatted as Inline XBRL and contained in Exhibit 101)

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.

Dated:	November 9, 2020	By:	/s/ Andreas Fibig Andreas Fibig Chairman of the Board and Chief Executive Officer
Dated:	November 9, 2020	By:	/s/ Rustom Jilla Rustom Jilla Executive Vice President and Chief Financial Officer

Exhibit 31.1

CERTIFICATION

I, Andreas Fibig, 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: November 9, 2020

By:	/s/ Andreas Fibig
Name:	Andreas Fibig
Title:	Chairman of the Board and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Rustom Jilla, 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: November 9, 2020

By:	/s/ Rustom Jilla
Name:	Rustom Jilla
Title:	Executive Vice President and Chief Financial Officer

Exhibit 32

**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 September 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Andreas Fibig, as Chief Executive Officer, and Rustom Jilla, 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/ Andreas Fibig
Name:	Andreas Fibig
Title:	Chairman of the Board and Chief Executive Officer
Dated:	November 9, 2020
By:	/s/ Rustom Jilla
Name:	Rustom Jilla
Title:	Executive Vice President and Chief Financial Officer
Dated:	November 9, 2020