

IFF International Flavors & Fragrances Inc.



**Second Quarter 2014
Earnings Conference Call**
August 5, 2014

Forward Looking Statements **IFF**

Statements made in this presentation that relate to our future performance or future financial results or other future events (identified by such terms as "expect", "anticipate", "believe", "outlook", "guidance", "may" or similar terms and variations thereof) are forward-looking statements, which involve uncertainties that could cause actual performance or results to materially differ. We undertake no obligation to update any of these statements. These statements are qualified by the cautionary language and risk factors set forth in our Annual Report on Form 10-K for the year ended December 31, 2013 and in our other periodic reports filed with the SEC as well as the press release that we filed this morning, all of which are available on our website under Investor Relations, at www.iff.com.

We have disclosed certain non-GAAP financial measures within this presentation. Please see reconciliations to their respective GAAP measures in our press release and on our website at www.iff.com under Investor Relations.

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Conference Call Participants **IFF**

Doug Tough
Chairman & CEO

Nicolas Mirzayantz
President, Fragrances

Matthias Haeni
President, Flavors

Kevin Berryman
EVP & CFO



AGENDA

- Overview of Quarter
- Fragrance Business Review
- Flavors Business Review
- Financial Review
- 2014 Outlook
- Questions & Answers



Q2 2014 Results



LC Sales Growth*	Adjusted Operating Profit Growth*	Adjusted EPS Growth*
4%	8%	21%

- LC Sales Growth comparing to challenging comps of 8% (LFL)*
 - Fragrances growth of 6% includes Aromor
 - Flavors growth of 1% as new wins largely offset by volume erosion
- Continued YoY gross margin expansion
- Adjusted operating profit growth of 8% in line with long-term targets
- Adjusted EPS up 21% to \$1.37, well above long-term targets

* LFL Sales, LC Sales, Adjusted Gross Margin, Adjusted Operating Profit, and Adjusted EPS are non-GAAP metrics; please see our GAAP to Non-GAAP Reconciliation at IFF.com.

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First Half 2014 Results



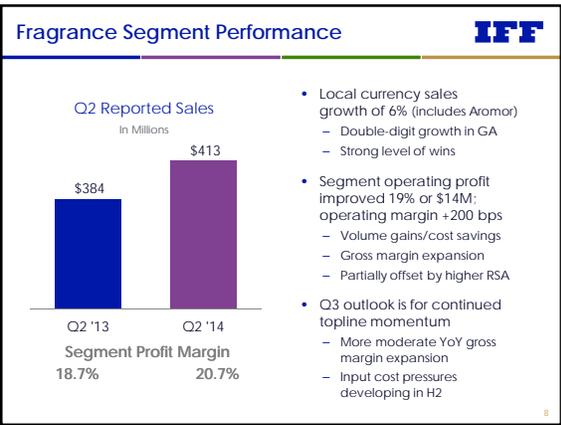
LC Sales Growth*	Adjusted Operating Profit Growth*	Adjusted EPS Growth*
5%	11%	16%

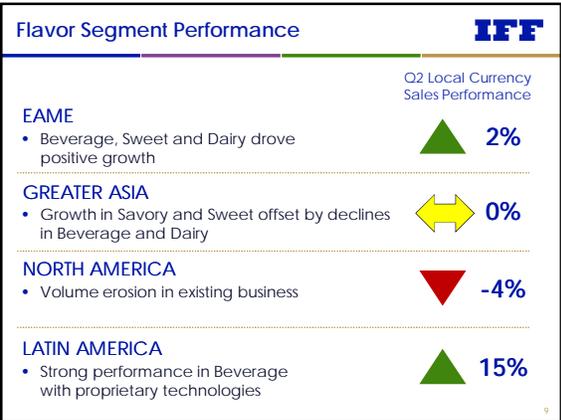
- LC Sales Growth of 5% within our long-term target range of 4% to 6%
 - Fragrances (including Aromor)+7%; Flavors +3%
 - Emerging markets +6%; 3x rate of Developed markets (+2%)
- Double-digit Adjusted Operating Profit Growth
 - Well above long-term growth target range of 7% to 9%
- Adjusted EPS up 16% to \$2.69 – benefiting from refinancing and share repurchase program.
 - Well above long-term growth targets of 10+%

* LC Sales, Adjusted Gross Margin, Adjusted Operating Profit, and Adjusted EPS are non-GAAP metrics; please see our GAAP to Non-GAAP Reconciliation at IFF.com.

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Research, Selling & Administrative – Q2



RSA Expense

In Millions



- RSA up \$10 million
 - Aromor-related costs
 - Investment in commercial resources
 - Timing of expenses
- R&D 8.4% of sales
- Focused on maintaining cost discipline, while investing in R&D and strategic growth opportunities

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Currency



U.S. Dollars Per Euro

	Q1	Q2	Q3	Q4
2013	\$1.33	\$1.30	\$1.32	\$1.35
2014	\$1.36	\$1.38	-	-
	+2%	+6%	-	-

- Foreign exchange had a negligible impact on topline growth
- FX had positive impact on EPS
- FY impact on profit is expected to be muted or slightly favorable at current rates
- Majority of Euro profit exposure hedged at ~\$1.32 for FY 2014

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Cash Flow Review



	1H'13	1H'14
Net Income	\$193	\$217
Core Working Capital*	(56)	(79)
D&A	40	49
Other	(59)	(33)
Operating Cash Flow	118	154
Capital Expenditures	(61)	(60)
Dividends	(28)**	(63)

- Operating cash flow increased \$36 million to \$154 million
 - 1H operating cash flow was 9.9% of sales up from 7.9% in 1H'13
 - Increased cash flows benefited from higher net income and lower pension contributions YoY, offset by higher incentive comp payments in 2014
- Core working capital increased in absolute dollars to support the business growth; however declined on a percentage of sales basis***

* Core Working Capital includes Accounts Receivables, Inventories and Accounts Payables
 ** First Quarter 2013 dividend payment was paid out in the fourth quarter of 2012
 *** Based on 5-quarter average of core working capital on a reported basis

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Capital Structure



- Expect to spend ~4.5% of sales on capital investments
- Board authorized dividend increase of 21% to \$0.47
- YTD spend of \$34 million on share buybacks; FY 2014 spending is expected to exceed 2013 amount
- Continued evaluation of business development opportunities

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2014 Outlook



- Expect LC sales growth of 4% to 6% including 1% sales growth from Aromor
- Cost control and manufacturing efficiencies will continue to drive OP
- R&D innovation pipeline remains strong
- Q3 – Top-line growth in line with Q2; moderating gross margin expansion
- Reconfirming adjusted double-digit operating profit and EPS growth



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CEO Succession Plan Announced



- Effective September 1, 2014
- An orderly transition
- Andreas Fibig, Senior Bayer Executive and IFF Board Member, to assume CEO role:
 - Andreas is known to Board of Directors and senior management
 - Andreas brings the right combination of skills and experience to IFF
 - Has firsthand experience in emerging markets
 - Understands the critical importance of science-based research in driving innovation
 - Has been proactively engaged and supporting development of IFF's strategic plan and three pillar growth strategy

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Key Takeaways from Q2



- Sales growth slowed in Q2; new wins remained the driver while volume softness on existing business resulted in moderate growth
- Most challenging top-line YoY comparison for both BUs
- Strength and diversity of portfolio provides greater stability
- Positive YoY momentum in gross margin expansion
- We remain focused on our three strategic pillars



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QUESTIONS