

INTERNATIONAL FLAVORS & FRAGRANCES INC

Form 10-K

March 01, 2016

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2015

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

(I.R.S. Employer Identification No.)

of incorporation or organization)

521 WEST 57TH STREET, NEW YORK, N.Y.

10019

(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

Name of Each Exchange on Which Registered

Common Stock, par value

New York Stock Exchange

12 1/2¢ per share

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendments to this Form 10-K.

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

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Large accelerated
filer Accelerated filer Non-accelerated filer Smaller reporting company

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

For the purpose of reporting the following market value of registrant's outstanding common stock, the term "affiliate" refers to persons, entities or groups which directly or indirectly control, are controlled by, or are under common control with the registrant and does not include individual executive officers, directors or less than 10% shareholders. The aggregate market value of registrant's common stock not held by affiliates as of June 30, 2015 was \$8,921,565,803.

As of February 15, 2016, there were 79,867,884 shares of the registrant's common stock, par value 12 1/2¢ per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's proxy statement for the 2016 Annual Meeting of Shareholders (the "IFF 2016 Proxy Statement") are incorporated by reference in Part III of this Form 10-K.

INTERNATIONAL FLAVORS & FRAGRANCES INC.
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PART I

When used in this report, the terms “IFF,” “the Company,” “we,” “us” and “our” mean International Flavors & Fragrances Inc. and its subsidiaries.

ITEM 1. BUSINESS.

We are a leading global creator of flavors and fragrances (including cosmetic active ingredients) that are used in the food, beverage, personal care or household products industries. Our flavor and fragrance compounds combine a number of ingredients to produce proprietary formulas created by our flavorists and perfumers. Utilizing our capabilities in consumer insight, research and product development (“R&D”) and creative expertise, we partner with our customers to provide innovative and differentiated product offerings that drive consumer preference. We believe that this collaborative approach will generate market share gains for our customers.

Our approximately 6,700 employees, 34 manufacturing facilities and 33 creative centers are located in 35 different countries. We collaborate with our customers to develop the 38,000 products we provide our customers in approximately 150 countries. We believe we are well positioned to serve both our global customers as well as the increasing number of regional and specialty consumer goods producers. In addition, through our acquisition of Lucas Meyer Cosmetics (“Lucas Meyer”) in 2015, we have added to our portfolio active and functional ingredients, botanicals and delivery systems to support our customers’ cosmetic and personal care product lines.

We principally compete in the flavors and fragrances market, which is part of a larger market which supplies a wide variety of ingredients and compounds that are used in consumer products. The broader market includes large multinational companies and smaller regional and local participants that supply products such as seasonings, texturizers, spices, enzymes, certain food-related commodities, fortified products and cosmetic ingredients. The global market for flavors and fragrances has expanded consistently, primarily as a result of an increase in demand for, as well as an increase in the variety of, consumer products containing flavors and fragrances. The flavors and fragrances markets in which we compete were estimated by management to be \$18.0 billion in 2014, and are forecasted to grow to approximately \$21.6 billion by 2019, primarily driven by expected growth in emerging markets.

Source: Company estimates based on IAL Consultants: Overview of the Global Flavours & Fragrances market (9th edition, 2014).

In 2015, we achieved sales of approximately \$3.0 billion, making us one of the top four companies in the global flavors and fragrances sub-segment of the broader ingredients and compounds market. Within the flavors and fragrances sub-segment of this broader market, the top four companies represent approximately two-thirds of the total estimated sales. In late 2015, we expanded our capabilities and product offerings into cosmetic actives through our acquisition of Lucas Meyer. We estimate the market size for cosmetic active ingredients to be approximately \$1.5 billion as of 2015. We believe that our diversified business platform consisting of expansive geographic coverage, a broad product portfolio and a global and regional customer base, positions us to achieve long-term growth as the flavors and fragrances markets expand.

We operate in two business segments, Flavors and Fragrances. In 2015, our Flavors business represented 48% of our sales, while our Fragrances business represented 52% of sales. Our business is geographically diverse, with sales to customers in the four regions set forth below:

Region	% of 2015 Sales	
Europe, Africa, Middle East	31	%
Greater Asia	28	%
North America	24	%
Latin America	17	%

We are committed to winning in emerging markets. We believe that significant future growth potential for the flavors and fragrances industry, and for our business, exists in the emerging markets (all markets except North America, Japan, Australia, and Western, Southern and Northern Europe). Over the past five years our currency neutral growth rate in emerging markets have outpaced that of developed markets. Despite current challenges experienced during 2015 in certain emerging markets, such as Brazil, Argentina and China, we expect this long-term trend to continue for the foreseeable future.

We have had operations in some of the largest emerging markets for multiple decades. As a result of these established operations, sales in emerging markets represented 51% of 2015 sales, up from 50% in 2014. As our customers in emerging markets grow their businesses, they will have the ability to leverage our long-standing presence and our extensive market knowledge to help drive their brands. During 2015, our 25 largest customers accounted for 52% of our sales. Sales to our largest customer accounted for 12% of our sales for each of the last three fiscal years. These sales were principally in our Fragrances business.

For financial information about our operating segments and the geographic areas in which we do business, please see Note 13 of our Consolidated Financial Statements included in this Form 10-K.

Vision 2020 Strategy

During 2015, we announced our Vision 2020 strategy, which focuses on building differentiation and accelerating growth. Our Vision 2020 strategy has four pillars:

(1) **Innovating Firsts** - We seek to strengthen our position and drive differentiation in priority R&D platforms. We are sharply focused on key initiatives that are grounded in consumer needs, such as modulation, proteins and textures for flavors, new molecules and digital scents for fragrances, and delivery systems and naturals across both business units. In 2015, we launched four captive molecules to be used exclusively by our perfumers, and commercialized two new natural taste modulators.

(2) **Win Where We Compete** - Our goal is to achieve a #1 or #2 market leadership position in key markets and categories and with specific customers. For example, we believe that there is opportunity to further improve our market share position in North America, where innovation-centric customers are expected to continue to drive one of the world's largest flavor and fragrance markets. In the Middle East and Africa, which are among the fastest-growing regions globally, many of our international and domestic customers are strategizing to penetrate these key markets and we believe that we can leverage our existing relationships with them to increase our participation in these markets. In addition, we are targeting specific end-use categories, such as Home Care and Fine Fragrances, and customers, where innovation and creativity will fuel growth.

(3) **Become Our Customers' Partner of Choice** - Our goal is to attain commercial excellence by providing our customers with in-depth local consumer understanding, industry-leading innovation, outstanding service and the highest quality products. In 2015, we won the North America innovation award with one of our largest flavor customers, which recognizes partners for their thought leadership. In addition, one of our global fragrance customers presented us with their Supplier Excellence award, an achievement designed to acknowledge their top performing business partners. We believe the addition of Lucas Meyer to our Fragrances business enhances our capabilities and product offerings needed to be a partner of choice. We believe that becoming our customers' partner of choice will lead to incremental business opportunities for our customers and us.

Strengthen and Expand the Portfolio - We actively pursue value-creation through partnerships, collaborations, and (4) acquisitions within flavors, fragrances and adjacencies. We prioritize opportunities that provide (i) access to new technologies, (ii) the ability to increase our market share in key markets and with key customers or (iii) access to

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adjacent products or services that will position us to leverage our expertise in science and technology and our customer base. As part of this pillar, we are targeting \$500 million to \$1 billion of incremental sales growth through acquisitions by 2020.

During 2015, we completed two acquisitions that are aligned with our Vision 2020 strategy. Through our acquisition of Ottens Flavors in May 2015, we strengthened our flavors market position in North America and increased our capabilities to serve small and mid-sized customers. We believe our acquisition of Lucas Meyer will expand our ingredients offerings into the cosmetic industry and thereby allow us to build greater customer intimacy and drive penetration into the skin care and hair care businesses.

Our Product Offerings

Flavors

Flavors are the key building blocks that impart taste experiences in food and beverage products and, as such, play a significant role in determining consumer preference of the end products in which they are used. As a leading creator of flavor compounds, we help our customers deliver on the promise of delicious and healthy foods and drinks that appeal to consumers. While we are a global leader, our Flavors business is more regional in nature, with different formulas that reflect local taste preferences. We create our flavors in our regional creative centers that allow us to satisfy local taste preferences, while also helping to ensure regulatory compliance and production standards. We develop thousands of different flavors and taste offerings for our customers, most of which are tailor-made. We continually develop new formulas in order to meet changing consumer preferences and customer needs.

Our Flavors compounds are ultimately used by our customers in the following four end-use categories of consumer goods: (1) Savory, for use in soups, sauces, condiments, prepared meals, meat and poultry, potato chips and other savory snacks; (2) Beverages, for use in juice drinks, carbonated beverages, flavored waters and spirits, (3) Sweet, for use in bakery products, candy, chewing gum and cereal and (4) Dairy, for use in all dairy products such as yogurt, ice cream and cheese and other products that have a creamy flavor. We also offer a wide range of quality vanilla extracts and a variety of flavor solutions that build on our understanding of vanilla.

Our Vision 2020 Strategy in Flavors builds upon our strengths and focuses on addressing industry trends that will allow us to differentiate ourselves from our competitors and deliver accelerated growth. These trends include:

(1) Consumer Demand for Fresh, Authentic and Natural Products. As evidenced by recent trends in product labeling, consumers increasingly seek to understand what they are consuming. Our objective is to expand our naturals capabilities by offering our customers naturals and proprietary ingredients.

(2) Consumer Demand for Products That Promote Health and Wellness. Consumers, especially those in developed markets such as the United States and Western Europe, are increasingly seeking to focus on products which promote health and wellness and taste good. Often, this demand is translated into a desire to provide consumer products with reduced fat and salt. Our objective is to capture a significant share of this shift in consumer demand by continuing to expand our modulation technology, delivery systems and our naturals and proprietary ingredients.

(3) Expansion of Consumer Food Companies. The number of participants in the food industry continues to expand drastically, with mid-sized regional companies and companies focused on niche-product categories joining the traditional global companies to drive and accelerate product innovation. We intend to look for innovative and value-creating methods for serving this growing customer base as evidenced by our recent acquisition of Ottens Flavors which we believe will permit us to further penetrate small and mid-sized customers by delivering tailored solutions with the necessary agility, speed and responsiveness.

(4) New Sources of Protein. Sustainability concerns are driving the food industry to evaluate non-traditional sources of protein. As part of our R&D initiatives we seek to develop a comprehensive understanding of flavor interaction with protein and texture and develop taste solutions for new or alternative protein sources.

Fragrances

We are a global leader in the creation of fragrance compounds that are integral elements in the world's finest perfumes and best-known consumer products, within fabric care, home care, personal wash, hair care and toiletries. Our Fragrance business is a vertically integrated operation, originating with the development in our research laboratories of naturals, synthetic and proprietary molecules and innovative delivery systems, progressing to our manufacturing facilities that produce these ingredients in a consistent, high-quality and cost-effective manner and transitioning to our creative centers where our

perfumers partner with our customers to create unique fragrance compounds for use in a variety of end-use products. By providing our fragrance development teams an extensive portfolio of innovative, high-quality and cost-effective ingredients to support their creativity, we are able to provide our customers with a unique identity for their brands. These ingredients or fragrance compounds can then be combined with our innovative delivery systems, including (i) our proprietary encapsulation technology, which consists of individual fragrance droplets coated with a protective polymeric shell to deliver superior fragrance performance throughout a product's lifecycle and (ii) our exclusive polymer delivery system, PolyIFF, which is a "solid fragrance" technology that allows us to add scent to functional or molded plastic. These delivery systems are key differentiators that fuel the growth of our consumer fragrance compounds.

Our Fragrances business derives revenues from two sources, Fragrance Compounds and Ingredients.

Fragrance Compounds. Fragrance Compounds are unique and proprietary combinations of multiple ingredients that are ultimately used by our customers in their consumer goods. Our creative and commercial teams within Fragrance Compounds are organized into two broad categories: Fine Fragrances and Consumer Fragrances:

Fine Fragrances - Fine Fragrances focuses on perfumes and colognes. IFF's scientists and perfumers collaborate to develop new molecules, new natural extractions, and innovative processes that enliven perfumers' palettes and help them create unique, inspiring fragrances. We have created some of the industry-leading fine fragrance classics as well as cutting-edge niche fragrances, as evidenced by the number of top sellers and the successes of our new launches.

Consumer Fragrances - Our Consumer Fragrances include five end-use categories of products:

Fabric Care - laundry detergents, fabric softeners and specialty laundry products;

Home Care - household cleaners, dishwashing detergents and air fresheners;

Personal Wash, including bar soap and shower gel;

Hair Care; and

Toiletries.

Ingredients. While the principal role of our fragrance ingredients facilities is to support our Fragrance Compounds business, we utilize our excess manufacturing capacity to manufacture and sell certain fragrance ingredients to third parties. We believe that this business allows us to leverage our fixed costs while maintaining the security of supply for our perfumers and ultimately our customers. Ingredients available for sale to third parties include innovative ingredients that leverage our manufacturing experience as well as a limited amount of cost-competitive, commodity ingredients. As our Fragrance Compounds business grows, we expect that the percentage of capacity allocated to the production of fragrance ingredients for sale to third parties will decrease.

With approximately 1,000 separate fragrance, active and functional cosmetic active ingredients, plus additional botanicals and delivery systems acquired in the recent Lucas Meyer transaction, we believe we are a leader in the industry with the breadth of our product portfolio.

Our Vision 2020 strategy in Fragrances builds upon our strengths to differentiate ourselves from our competitors and deliver accelerated growth. Specifically, we intend to focus on:

(1) **Consumer Demand for Natural and Organic Products.** Increased demand for natural ingredients is a primary driver of future growth in Fine Fragrances. We believe that our in-house naturals operations, led by Laboratoire Monique Rémy ("LMR") in Grasse, France, are industry leading in the processing of quality materials and offer decades of experience understanding natural products and perfecting the process of transforming naturals, such as narcissus, jasmine and blackcurrant bud, into pure absolutes that retain the unique fragrance of their origin. Our objective is to expand our naturals capabilities by offering our clients naturals and proprietary ingredients.

(2) **Transparency in Labeling.** As consumers worldwide seek to require transparency in labeling, our customers will progressively seek to differentiate their products through proprietary molecules and unique delivery systems. A major emphasis of our research program is the creation of new proprietary molecules and ingredients.

(3) **Sustainability.** Consumers aspire to purchase products that are earth-friendly and sustainable. As part of Vision 2020, we have committed to strengthen our sustainable practices and become the leader within our industry.

(4) **Delivery Systems.** We continue to invest in our delivery system technologies, including expansion of our market-leading encapsulation technology, which we believe will allow us to differentiate our products and those of

our customers. Our encapsulation technology extends, controls the release of and increases aromas in a variety of consumer products. With our acquisition of Lucas Meyer, we expanded our portfolio to offer multi-functional delivery systems with cosmetic actives that work to enhance skin penetration, protect the active against interactions with other ingredients, provide long-lasting

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release, facilitate formulation of challenging ingredients and allow a better-targeted action.

Our Fragrances business collaborates with some of the world's leading art and fashion schools to tap into the creative minds of the future leaders of fashion and design. We collaborate with scientists, writers, artists, musicians and film makers to expose our perfumers to new and constantly evolving creative territories and approaches.

Research and Product Development Process

Consumer Insights

We believe that the first step to creating a unique scent or taste experience begins with gaining insight into the consumer. By developing a deep understanding of what consumers value and prefer, we are better able to focus our R&D and creative efforts. Our quest to bring new, exciting, and winning ideas to our clients begins with insight into the consumer.

Our consumer insight and marketing teams work tirelessly interpreting trends, monitoring product launches, analyzing quantitative market data, and conducting several hundred thousand consumer interviews annually. Our sensory experts direct research programs exploring topics such as fragrance performance, the psychophysics of sensory perception (including chemesthetic properties such as warming, cooling, and tingling), the genetic basis for flavor and fragrance preference, and the effects of aromas on mood, performance, health, and well-being.

Based on this information, we develop innovative programs to evaluate potential products that enable us to understand the emotional connections between a prospective product and the consumer. We believe this ability to pinpoint the likelihood of a product's success translates into stronger brand equity, resulting in increased returns and greater market share gains for our customers as well as IFF.

Research and Development

We consider our R&D development infrastructure to be one of our key competencies and we focus and invest substantial resources in the research and development of new and innovative compounds, formulas and technologies and the application of these to our customers' products. We spend approximately 8% of our sales on the research, development and implementation of new molecules, compounds and technologies that help our customers respond to changing consumer preferences. Using the knowledge gained from our Consumer Insights program, we strategically focus our resources around key R&D platforms that address consumer needs or preferences, or anticipate future preferences. By aligning our resources around these platforms, we ensure the proper support and focus for each program so that it can be further developed and eventually accepted for commercial application. As a result of this investment, we have been granted 305 patents in the United States since 2000, including 15 in 2015, and we have developed many unique molecules and delivery systems for our customers that are used as the foundations of successful flavors and fragrances around the world.

We principally conduct our R&D activities in Union Beach, New Jersey, where we employ scientists and application engineers who collaborate with our five other R&D centers around the world, to support the:

- discovery of new materials;
- development of new technologies, such as delivery systems;
- creation of new compounds; and
- enhancement of existing ingredients and compounds.

As of December 31, 2015, we employed about 1,400 people globally in R&D activities. We spent \$246.1 million, \$253.6 million and \$259.8 million, or approximately 8%, 8% and 9% of sales in 2015, 2014 and 2013, respectively, on R&D activities.

Our ingredients research program discovers molecules found in natural substances and creates new molecules that are subsequently tested for their sensorial value. To broaden our offerings of natural, innovative and unique products, we seek collaborations with research institutions and other companies throughout the world. We have established a number of such collaborations, for example, our ongoing relationship with Amyris, to strengthen the pipeline of new and innovative molecules that we expect to launch in the coming years. To further strengthen and broaden technology offerings and capabilities, we acquired Lucas Meyer in 2015 to expand our product portfolio of ingredients for the cosmetic and personal care industries.

The development of new and customized flavor and fragrance compounds is a complex process calling upon the combined knowledge of our scientists, flavorists and perfumers. Scientists from various disciplines work in project

teams with flavorists and perfumers to develop flavor and fragrance compounds with consumer preferred performance characteristics. The development of new flavor and fragrance compounds requires (i) an in-depth knowledge of the flavor and fragrance

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characteristics of the various ingredients we use, (ii) an understanding of how the many ingredients in a consumer product interact and (iii) the creation of controlled release and delivery systems to enhance flavor and fragrance performance. To facilitate this process, we have a scientific advisory board comprised of five leading scientists that provide external perspectives and independent feedback on our R&D initiatives.

Creative Application

We also have a network of 33 creative centers around the world where we create or adapt the basic flavors or fragrances that we have developed in the R&D process to commercialize for use in our customers' consumer products. Our global creative teams consist of perfumers, fragrance evaluators and flavorists, as well as marketing, consumer insights and technical application experts, from a wide range of cultures and nationalities. In close partnership with our customers' product development groups, our creative teams create the scents and tastes that our customers are seeking in order to satisfy consumer demands in each of their markets.

Development of new flavors and fragrances is driven by a variety of sources including requests from our customers, who are in need of a specific flavor or fragrance for use in a new or modified consumer product, or as a result of internal initiatives stemming from our Consumer Insights program. Our product development team works in partnership with our scientists and researchers to optimize the consumer appeal of the flavor or fragrance. A collaborative process between our researchers, our product development team and our customers then follows to perfect the flavor or fragrance so that it is ready to be included in the final consumer product.

In addition to creating new flavors and fragrances, our researchers and product development teams advise customers on ways to improve their existing products by adjusting or substituting current ingredients with more readily accessible or less expensive materials or by modifying the current ingredients to produce an enhanced yield. This often results in creating a better value proposition for our customers.

Our flavor and fragrance compound formulas are treated as trade secrets and remain our proprietary asset. Our business is not materially dependent upon any individual patent, trademark or license.

Supply Chain

We have an integrated supply chain from raw material sourcing through manufacturing, quality assurance, regulatory compliance and distribution, which permits us to provide our customers with consistent quality products on a timely and cost-effective basis.

Procurement

We use both natural and synthetic ingredients in our compounds. We purchase approximately 9,000 different raw materials from about 2,500 domestic and international suppliers. Approximately half of the materials we purchase are naturals or crop-related items and the other half are synthetics and chemicals. Natural ingredients are derived from flowers, fruits and other botanical products as well as from animal products. They contain varying numbers of organic chemicals that are responsible for the fragrance or flavor of the natural product. Natural products are purchased in processed or semi-processed form. Some are used in compounds in the state in which they are purchased and others are used after further processing. Natural products, together with various chemicals, are also used as raw materials for the manufacture of synthetic ingredients by chemical processes. Our flavor products also include extracts and seasonings derived from various fruits, vegetables, nuts, herbs and spices as well as microbiologically-derived ingredients. We manufacture most of our synthetic ingredients for use in our fragrance compounds as well as for sale to others.

In order to ensure our supply of raw materials, achieve favorable pricing and provide timely transparency regarding inflationary trends to our customers, we continue to be focused on (i) implementing a forward-buy strategy, (ii) entering into supplier relationships to gain access to supplies that we do not have, (iii) implementing indexed pricing, (iv) reducing the complexity of our formulations and (v) evaluating whether it is more profitable to buy or make an ingredient. We are also concentrating on local country sourcing with our own procurement professionals.

Manufacturing and Distribution

We have 34 manufacturing sites around the world that support more than 38,000 products. Our major manufacturing facilities are located in the United States, the Netherlands, Spain, Great Britain, Turkey, Brazil, Mexico, China, India, and Singapore. Our supply chain initiatives in developing markets are focused on increasing capacity and investments in key technologies. Within our more mature markets, we tend to focus on consolidation and cost optimization as well as implementing new technologies. In addition to our own manufacturing facilities, we develop relationships with

third parties

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that permit us to expand access to the technologies, capabilities and capacity that we need to better serve our customers.

Based on the regional nature of the Flavors business and the concerns regarding the transportability of raw materials, we have established smaller manufacturing facilities in our local markets that are focused on local needs. Products within the Fragrances business are typically composed of compounds that are more stable and more transportable around the world. Consequently, we have fewer manufacturing facilities within our Fragrances business, which produce compounds and ingredients for global distribution.

In 2015, we continued to invest in our facilities. We expanded our flavors facility located near Johannesburg, South Africa, to add flavor creation, application and sensory laboratories, and a pilot plant. We opened a new flavors facility in the U.S. near Chicago, Illinois and a new creative center and expansion of our manufacturing facilities in Gebze, Turkey. In addition to ongoing construction of a new manufacturing facility in Jakarta, Indonesia, we recently approved a new capital project to construct a second manufacturing facility in China and also initiated a study regarding our existing footprint and manufacturing capabilities that serve the Indian market.

Sustainability

As a leading global creator of flavors and fragrances for a wide variety of consumer products, sustainability has been an important part of how we do business. Our sustainability strategy, which is closely aligned with our Vision 2020 strategy, was first formalized in 2011 and consists of four pillars: our products; our impact; our sources; and our people. While the industry and our Company constantly evolve, we are committed to conducting our business in line with our dedication to the environment, to society and to the shareholders, customers and others that have placed their confidence in us. In 2015, we became a member of the World Business Council for Sustainable Development. We also became the first flavors and fragrances company to join the Together for Sustainability initiative and enter into growing consortium of multinational companies committed to ensuring sustainable practices throughout the supply chain. We were recognized by the CDP, earning a perfect score of 100 in disclosure and an A in performance for our strategies and actions to mitigate climate change. In addition, IFF-LMR Naturals received its fourth For Life Social Responsibility designation, in cooperation with our Vetiver partner in Haiti. The For Life designation recognizes an organization's adherence to specific sustainability criteria, including transparency, environmental responsibility, fair working conditions and positive relations with producers and local communities.

Governmental Regulation

We develop, produce and market our products in a number of jurisdictions throughout the world and are subject to federal, regional and local legislation and regulations in each of the various countries. Our flavor and many of our fragrance products are intended for the food, beverage and pharmaceutical industries, which are subject to strict quality and regulatory standards. As a result, we are required to meet these strict standards which, in recent years, have become increasingly stringent.

In addition, we are subject to various rules relating to health, work safety and the environment at the local and international levels in the various countries in which we operate. Our manufacturing facilities throughout the world are subject to environmental standards relating to air emissions, sewage discharges, the use of hazardous materials, waste disposal practices and clean-up of existing environmental contamination. In recent years, there has been a significant increase in the stringency of environmental regulation and enforcement of environmental standards, and the costs of compliance have risen significantly. We expect that the trend of increased regulation will continue in the future.

Our products and operations are subject to regulation by governmental agencies in each of the markets in which we operate. These agencies include (1) the Food and Drug Administration and equivalent international agencies that regulate flavors and other ingredients in consumer products, (2) the Environmental Protection Agency and equivalent international agencies that regulate our manufacturing facilities, (3) the Occupational Safety and Health Administration and equivalent international agencies that regulate the working conditions in our manufacturing, research laboratories and creative centers, (4) local and international agencies that regulate trade and customs, (5) the Drug Enforcement Administration and other local or international agencies that regulate controlled chemicals that we use in our operations and (6) the Chemical Registration/Notification authorities that regulate chemicals that we use in, or transport to, the various countries in which we manufacture and/or market our products. We have seen an increase in registration and reporting requirements concerning the use of certain chemicals in a number of countries.

Competition

The flavors and fragrances market is part of a larger market which supplies a variety of ingredients and components

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that consumer products companies utilize in their products. The broader market includes large multinational companies or smaller regional and local participants which supply products such as seasonings, texturizers, spices, enzymes, certain food-related commodities, fortified products and cosmetic ingredients.

The market for flavors and fragrances is highly competitive. Based on annual sales, our main competitors consist of (1) the three other large global flavor and fragrance manufacturers, Givaudan, Firmenich and Symrise, (2) mid-sized companies, (3) numerous local and regional manufacturers and (4) consumer product companies who may develop their own flavors or fragrances. We, together with the other top three companies, represent approximately two-thirds of the total estimated sales in the global flavors and fragrances sub-segment of the broader market.

We believe that our ability to compete successfully in the flavors and fragrances sub-market is based on (1) our understanding of consumers, (2) innovation, arising from the creative skills of our perfumers and flavorists and the technological advances resulting from our research and development activities, (3) our ability to create products which are tailor-made for our customers' needs, (4) developing strong customer intimacy and (5) driving efficiency in all that we do.

Large multinational customers and, increasingly, mid-sized customers, may limit the number of their suppliers by placing some on "core lists," giving them priority for development and production of their new or modified products. To compete more successfully in this environment, we must make continued investments in customer relationships and tailor our research and development efforts to anticipate customers' needs, provide effective service and secure and maintain inclusion on certain "core lists."

Employee Relations

At December 31, 2015, we had approximately 6,700 employees worldwide, of whom approximately 1,550 are employed in the United States. We believe that relations with our employees are good.

Availability of Reports

We make available free of charge on or through the Investor Relations link on our website, www.iff.com, all materials that we file electronically with the Securities and Exchange Commission ("SEC"), including our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports, filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after electronically filing such materials with, or furnishing them to, the SEC. During the period covered by this Form 10-K, we made all such materials available through our website as soon as reasonably practicable after filing such materials with the SEC.

You may also read and copy any materials filed by us with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549, and you may obtain information on the operation of the Public Reference Room by calling the SEC in the United States at 1-800-SEC-0330. In addition, the SEC maintains an Internet website, www.sec.gov, that contains reports, proxy and information statements and other information that we file electronically with the SEC.

A copy of our Corporate Governance Guidelines, Code of Business Conduct and Ethics, and the charters of the Audit Committee, Compensation Committee and Nominating and Governance Committee of the Board of Directors are posted on the Investor Relations section of our website, www.iff.com.

Our principal executive offices are located at 521 West 57th Street, New York, New York 10019 (212-765-5500).

Executive Officers of Registrant

The current executive officers of the Company, as of March 1, 2016, are listed below.

Andreas Fibig	54	Chairman of the Board and Chief Executive Officer
Alison A. Cornell	53	Executive Vice President and Chief Financial Officer
Nicolas Mirzayantz	53	Group President, Fragrances
Matthias Haeni	50	Group President, Flavors
Ahmet Baydar	63	Executive Vice President, Research and Development
Angelica T. Cantlon	64	Executive Vice President, Chief Human Resources Officer
Anne Chwat	56	Executive Vice President, General Counsel and Corporate Secretary
Francisco Fortanet	47	Executive Vice President, Operations

Andreas Fibig has served as our Chairman since December 2014 and Chief Executive Officer since September 2014. Mr. Fibig has been a member of our Board of Directors since 2011. From 2008 to 2014, Mr. Fibig served as President and Chairman of the Board of Management of Bayer HealthCare Pharmaceuticals, the pharmaceutical division of Bayer AG. Prior to this position, Mr. Fibig held a number of positions of increasing responsibility at Pfizer Inc., a research-based pharmaceutical company, including as Senior Vice President in the US Pharmaceutical Operations group from 2007 through 2008 and as President, Latin America, Africa and Middle East from 2006 through 2007. Alison A. Cornell has served as our Executive Vice President and Chief Financial Officer since July 2015. Prior to joining us, Ms. Cornell served as Corporate Senior Vice President and Chief Financial Officer of Covance Inc., a global drug development company, a position to which she was promoted in May 2012 after serving in two vice president positions of increasing responsibility. Prior to joining Covance in 2004, Ms. Cornell spent 19 years with AT&T, where she held leadership roles and positions of increasing responsibility. Ms. Cornell holds a Bachelor of Arts in psychology and a Master of Business Administration in marketing from Rutgers University. She is a graduate of the Program for Management Development at Harvard Business School, as well as numerous other professional development programs.

Nicolas Mirzayantz has served as our Group President, Fragrances since January 2007, and originally joined our Company in 1988. Prior to his appointment as Group President, Fragrances, he served as a member of our Temporary Office of the Chief Executive Officer from October 1, 2009 until February 2010, our Senior Vice President, Fine Fragrance and Beauty Care and Regional Manager North America, from March 2005 to December 2006, our Senior Vice President, Fine Fragrance and Beauty Care from October 2004 to February 2005, and our Vice President Global Fragrance Business Development from February 2002 to September 2004.

Matthias Haeni has served as our Group President, Flavors since April 2014. Mr. Haeni joined us in 2007 in the role of Regional General Manager, Flavors Greater Asia. In 2010, Mr. Haeni transferred to Hilversum, The Netherlands where he served as Regional General Manager for Flavors Europe, Africa, and the Middle East (EAME).

Ahmet Baydar has served as our Executive Vice President, Research and Development since August 2015, as our Senior Vice President, Research and Development from September 2010 to August 2015, and as our Vice President, Global Fragrance Research from February 2009 to August 2010. Prior to joining us, Dr. Baydar served as a Director of Shave Care and Integrated Shaving Systems at The Procter & Gamble Company, a branded consumer packaged goods company, and Vice President of R&D-Personal Care at The Gillette Company, a personal care products company.

Angelica T. Cantlon has served as our Executive Vice President, Chief Human Resources Officer since August 2015 and as our Senior Vice President, Human Resources from August 2009 to August 2015. Prior to joining us, Ms. Cantlon served as Senior Vice President-International Chief Administrative Officer of MetLife, Inc., an insurance and financial services company, from June 2005 to August 2009, and Senior Vice President- Human Resources Business Leader, of Metlife from September 1999 to June 2005.

Anne Chwat has served as our Executive Vice President, General Counsel and Corporate Secretary since August 2015 and as our Senior Vice President, General Counsel and Corporate Secretary from April 2011 to August 2015. Prior to joining us, Ms. Chwat served as Executive Vice President and General Counsel of Burger King Holdings, Inc., a fast food hamburger restaurant company, from September 2004 to April 2011. From September 2000 to September 2004, Ms. Chwat served in various positions at BMG Music (now Sony Music Entertainment), including as Senior Vice

President, General Counsel and Chief Ethics and Compliance Officer.

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Francisco Fortanet has served as Executive Vice President, Operations since August 2015 and as Senior Vice President, Operations from February 27, 2012 to August 2015. Mr. Fortanet joined our Company in 1995, and has served as our Vice President, Global Manufacturing Compounding from January 2007 to February 2012, our Vice President, Global Manufacturing from January 2006 to January 2007, our Regional Director of North America Operations from December 2003 to January 2005, the Project Manager of a Special Project in IFF Ireland from May 2003 to December 2003 and as our Plant Manager in Hazlet, New Jersey from October 1999 to May 2003.

ITEM 1A. RISK FACTORS.

We routinely encounter and address risks in conducting our business. Some of these risks may cause our future results to be different - sometimes materially different - than we presently anticipate. Below are certain important operational and strategic risks that could adversely affect our business. How we react to material future developments, as well as how our competitors react to those developments, could also affect our future results.

Our business is highly competitive, and if we are unable to compete effectively our sales and results of operations will suffer.

The market for flavors and fragrances is highly competitive. We face vigorous competition from companies throughout the world, including multinational and specialized flavor, fragrance and cosmetic ingredients companies, as well as consumer product companies who may develop their own flavors, fragrances or cosmetic ingredients. In the flavors industry, we also face increasing competition from ingredient suppliers that have expanded their portfolios to include flavor offerings. Some of our competitors specialize in one or more of our product sub-segments, while others participate in many of our product sub-segments. In addition, some of our global competitors may have greater resources than we do or may have proprietary products that could permit them to respond to changing business and economic conditions more effectively than we can. Consolidation of our competitors may exacerbate these risks. As we are new to cosmetic ingredients, we may face greater competition-related risks in this industry than with our core historic flavor and fragrances business.

Competition in our business is based on innovation, product quality, regulatory compliance, pricing, quality of customer service, the support provided by marketing and application groups, and understanding of consumers. It is difficult for us to predict the timing, scale and success of our competitors' actions in these areas. The discovery and development of new flavor and fragrance materials, protection of the Company's intellectual property and development and retention of key employees are important issues in our ability to compete in our business. Increased competition by existing or future competitors, including aggressive price competition, could result in the potential loss of substantial sales or create the need for us to reduce prices or increase spending and this could have an adverse impact on sales and profitability.

During 2015, our 25 largest customers accounted for 52% of our sales, and sales to our largest customer accounted for 12% of our sales in each of the last three fiscal years. Disruption of sales to this customer or any of our other large customers for an extended period of time could adversely affect our business or financial results.

Large multinational customers, and increasingly, mid-sized customers are unilaterally limiting the number of their suppliers or rationalizing the number of products that they offer to increase their margins and profitability. As part of these initiatives, these customers are creating "core lists" of suppliers and giving these "core lists" suppliers priority for new or modified products. Recently, these customers are making inclusion on their "core lists" contingent upon a supplier providing more favorable commercial terms which may adversely affect our margins. These, and other profitability initiatives being pursued by our customers, reduce the market opportunity for which we compete and subject the volume and pricing of the remaining suppliers to downward pressure. To compete more successfully in this environment, we must continue to make investments in customer relationships and tailor product research and development in order to anticipate customers' needs, deliver supplies that contribute to our customers' profitability, provide effective service and offer competitive cost-in-use solutions to secure and maintain inclusion on certain "core lists" and our share of our customers' purchases. If we are unable to do so, it could adversely impact our future results of operations.

We may not be able to successfully identify and complete sufficient acquisitions to meet our Vision 2020 strategy, and even if we are able to do so, we may not realize the anticipated benefits of these acquisitions.

As part of our new Vision 2020 strategy, we intend to add between \$500 million and \$1.0 billion of sales growth through acquisitions within the flavors and fragrances industries and adjacencies. During 2015, we negotiated and closed two acquisitions which align with this strategic objective. Specifically, in May 2015, we completed the acquisition of Ottens

Flavors, a flavor supplier and developer and in July 2015, we completed the acquisition of Lucas Meyer Cosmetics, a developer, manufacturer and marketer of cosmetic active ingredients.

Identifying suitable acquisition candidates can be difficult, time-consuming and costly, and we may not be able to identify suitable candidates or complete acquisitions in a timely manner, on a cost-effective basis or at all. Even if we complete an acquisition, we may not realize the anticipated benefits of such acquisition. Our recent acquisitions have required, and any similar future transactions may also require, significant efforts and expenditures, including with respect to integrating the acquired business with our historical business. We may encounter unexpected difficulties, or incur unexpected costs, in connection with acquisition activities and integration efforts, which include:

- diversion of management attention from managing our historical core business;
- potential disruption of our historical core business of the acquired business;
- the strain on, and need to continue to expand, our existing operational, technical, financial and administrative infrastructure;
- the challenges related to the lack of experience in operating in the geographical or product markets of the acquired business;
- challenges in controlling additional costs and expenses in connection with and as a result of the acquisition;
- the difficulties in assimilating employees and corporate cultures or in integrating systems and controls;
- difficulties in anticipating and responding to actions that may be taken by competitors in response to the acquisitions;
- potential loss of key employees, customers, suppliers or other partners of the acquired business; and
- the assumption of and exposure to unknown or contingent liabilities of acquired businesses.

If any of our acquisitions do not perform as anticipated for any of the reasons noted above or otherwise, there could be a negative impact on our results of operations and financial condition.

The failure of key information technology systems or a breach of our information security may adversely affect our ability to conduct our business, subject us to increased operating costs and expose us to litigation.

We rely on information technology systems, including some managed by third-party providers, to conduct business and support our business processes, including product formulas, product development, sales, order processing, production, distribution, finance and intra-company communications throughout the world. These systems may be susceptible to disruptions or outages due to fire, floods, power loss, telecommunications failures, natural disasters, cyber attacks and similar events, or due to the poor performance of third-party providers. Effective response to such disruptions will require effort and diligence on the part of our employees and third-party providers to avoid any adverse impact to our business. In addition, our systems and proprietary data stored electronically may be vulnerable to computer viruses, cybercrime, computer hacking and similar information security breaches, which in turn could result in the unauthorized release or misuse of confidential or proprietary information about our business (including, but not limited to, the trade secrets upon which we rely to protect our proprietary fragrance and flavor formulations), employees, or customers, and disrupt our operations. Depending on their nature and scope, these threats could potentially lead to improper use of our systems and networks, manipulation and destruction of data or product non-compliance. The occurrence of any of these events could adversely affect our sales, subject us to increased operating costs and expose us to litigation.

The industries in which our customers operate are expanding and becoming increasingly decentralized, and if we and/or our customers are unable to adjust, our operating results and future growth may be adversely affected.

Our customers include large food and beverage companies, which operate in highly competitive industries and rely on continued consumer demand for their products. In recent years many of our customers have faced growing competition from mid-size regional companies and companies focused on niche-product categories driving and accelerating product innovation. Consequently, the food and beverage industry is expanding and becoming increasingly decentralized. If our customers fail to adequately address the challenges pertaining to this expansion and decentralization of business, it may adversely affect their operations or financial performance, and could have a corresponding material adverse effect on us. If our global customers'

market shares continue to erode and we are unable to gain market share with small and mid-sized customers in this evolved environment, our operating results and future growth could be adversely affected.

We have made investments in and are expanding our business into emerging markets, which exposes us to certain risks.

As part of our growth strategy, we have increased our presence in emerging markets by expanding our manufacturing presence, sales organization and product offerings in these markets, and we expect to continue to focus on expanding our business in these markets. In addition to the currency and international operation risks described below, our operations in these markets may be subject to a variety of other risks. Emerging markets typically have a consumer base with limited or fluctuating disposable income and customer demand in these markets may fluctuate accordingly. As a result, decrease in customer demand in emerging markets may have an adverse effect on our ability to execute our growth strategy. In addition, emerging markets may have weak legal systems which may affect our ability to enforce our intellectual property and contractual rights, exchange controls, unstable governments and privatization or other government actions that may affect taxes, subsidies and incentive programs and the flow of goods and currency. In conducting our business, we move products from one country to another and may provide services in one country from a subsidiary located in another country. Accordingly, we are vulnerable to abrupt changes in customs and tax regimes that may have significant negative impacts on our financial condition and operating results.

We may not successfully develop and introduce new products that meet our customers' needs, which may adversely affect our results of operations.

Our ability to differentiate ourselves and deliver growth in line with our Vision 2020 strategy largely depends on our ability to successfully develop and introduce new products and product improvements that meet our customers' needs, and ultimately appeal to consumers. Innovation is a key element of our ability to develop and introduce new products. We cannot be certain that we will successfully achieve our innovation goals, such as the development of new molecules, new and expanded delivery systems and other technologies. We currently spend approximately 8% of our sales on research and development; however, such investments may only generate future revenues to the extent that we are able to successfully develop products that meet our customers' specifications, can be delivered at an acceptable cost in use and are accepted by the targeted consumer market. Furthermore, there may be significant lag times from the time we incur R&D costs to the time that these R&D costs may result in increased revenue. Consequently, even when we "win" a project, our ability to generate revenues as a result of these investments is subject to numerous customer, economic and other risks that are outside of our control, including delays by our customers in the launch of a new product, the level of promotional support for the launch, poor performance of our third-party vendors, anticipated sales by our customers not being realized or changes in market preferences or demands, or disruptive innovations by competitors.

Increasing awareness of health and wellness are driving changes in the consumer products industry, and if we are unable to react in a timely and cost-effective manner, our results of operations and future growth may be adversely affected.

We must continually anticipate and react, in a timely and cost-effective manner, to changes in consumer preferences and demands, including changes in demand driven by increasing awareness of health and wellness and demands for transparency with respect to product ingredients. Consumers, especially in developed economies such as the United States and Western Europe, are shifting away from products containing artificial ingredients to "all natural," healthier alternatives. In addition, there has been a growing demand by consumers and governmental agencies to provide more transparency in product labeling and our customers have been taking steps to address this demand, including by voluntarily providing product-specific fragrance ingredients disclosure. These two trends could affect the types and volumes of our flavors and fragrances that our customers include in their product offerings. If we are unable to react to or anticipate these trends in a timely and cost-effective manner, our results of operations and future growth may be adversely affected.

We may not succeed in establishing and maintaining collaborations, joint ventures or partnerships, and such arrangements may not lead to development or commercialization of products, which may limit our ability to execute our Vision 2020 strategy and adversely affect our future growth.

From time to time and in line with our new Vision 2020 strategy, we may evaluate and enter into collaborations, joint ventures or partnerships to enhance our research and development efforts. Our ability to generate revenues from such collaborations will depend on our partners' abilities and efforts to successfully perform the functions assigned to them in these arrangements. The process of establishing and maintaining collaborative relationships is difficult, time-consuming to negotiate, document and implement. We may not be successful in our efforts to establish and implement collaborations or other alternative arrangements should we choose to enter into such arrangements, and the terms of the arrangements may not be favorable to us. Additionally, collaborations may not lead to development or commercialization of products in the most efficient manner, or at all. If we are

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unable to establish and maintain collaborative relationships on acceptable terms or to successfully transition terminated collaborative agreements, it could limit our ability to execute our Vision 2020 strategy and adversely affect our future growth.

The impact of currency fluctuation or devaluation in the international markets in which we operate may negatively affect our results of operations.

We have significant operations outside the United States, the results of which are reported in the local currency and then translated into United States dollars at applicable exchange rates for inclusion in our consolidated financial statements. The exchange rates between these currencies and the United States dollar have fluctuated and will continue to do so in the future. Changes in exchange rates between these local currencies and the United States dollar will affect the recorded levels of sales, profitability, assets and/or liabilities. For example, the weakening of the Euro and several emerging market currencies in 2015 resulted in approximately \$33 million impact on operating profit versus 2014. Additionally, volatility in currency exchange rates may adversely impact our financial condition, cash flows or liquidity. Although we employ a variety of techniques to mitigate the impact of exchange rate fluctuations, including sourcing strategies and a limited number of foreign currency hedging activities, we cannot guarantee that such hedging and risk management strategies will be effective, and our results of operations could be adversely affected.

Our international operations are subject to regulatory, political and other risks that could materially and adversely affect our revenues, cash flows or financial position.

We operate on a global basis, with manufacturing and sales facilities in the United States, Europe, Africa, the Middle East, Latin America, and Greater Asia. During 2015, 77% of our net sales were to customers outside the United States and we intend to continue expansion of our international operations. As a result, our business is increasingly exposed to risks inherent in international operations. These risks, which can vary substantially by location, are also described in many of the risk factors in this section and include the following:

- governmental laws, regulations and policies adopted to manage national economic conditions, such as increases in taxes, austerity measures that may impact consumer spending, monetary policies that may impact inflation rates, currency fluctuations and sustainability of resources;
- changes in environmental, health and safety regulations, such as the continued implementation of the European Union's REACH regulations, and the burdens and costs of our compliance with such regulations;
- the imposition of tariffs, quotas, trade barriers, other trade protection measures and import or export licensing requirements, which could adversely affect our cost or ability to import raw materials or export our flavors or fragrances to surrounding markets;
- risks and costs arising from language and cultural differences;
- changes in the laws and policies that govern foreign investment in the countries in which we operate, including the risk of expropriation or nationalization, and the costs and ability to repatriate the profit that we generate in these countries;
- risks and costs associated with political and economic instability, bribery and corruption, and social and ethnic unrest in the countries in which we operate;
- difficulty in recruiting and retaining trained local personnel;
- national and regional labor strikes in the countries in which we operate; or
- the risks of operating in developing or emerging markets in which there are significant uncertainties regarding the interpretation, application and enforceability of laws and regulations and the enforceability of contract rights and intellectual property rights.

These factors may increase in importance as we expand our operations in emerging markets as part of our growth strategy, and the occurrence of any one or more of these factors could increase our costs and adversely affect our results of operations.

Volatility and challenging economic conditions may adversely affect demand for consumer products using flavors and fragrances (including cosmetic active ingredients) may have a negative impact on our operating results and future growth.

Our flavors and fragrances (including cosmetic active ingredients) are components of a wide assortment of global consumer products throughout the world. Historically, demand for consumer products using flavors and fragrances (including cosmetic active ingredients) was stimulated and broadened by changing social habits and consumer needs, population growth, an expanding global middle-class and general economic growth, especially in emerging markets. The global economy has experienced significant recessionary pressures and declines in consumer confidence and economic growth. While some segments of the global economy appear to be recovering, the ongoing global recessionary economic environment in Europe has, and may in the near future, increase unemployment and underemployment, decrease salaries and wage rates, increase inflation or result in other market-wide cost pressures that will adversely affect demand for consumer products in both developed and emerging markets.

In addition, growth rates in the emerging markets have moderated from previous levels. Reduced consumer spending may cause changes in our customer orders including reduced demand for our flavors and fragrances (including cosmetic active ingredients), or order cancellations. For example, recent challenging economic conditions in China and Latin America, which culminated in the weakening of the Chinese yuan, Brazilian real and Argentinian peso, have undermined consumer confidence and resulted in our customers throughout the emerging markets taking a more cautious approach to managing their inventory.

The timing of placing of orders and the amounts of these orders are generally at our customers' discretion. Customers may cancel, reduce or postpone orders with us on relatively short notice. Significant cancellations, reductions or delays in orders by customers could affect our quarterly results.

It is currently anticipated that these challenging economic conditions will continue during 2016. To the extent that the volatility in global economic conditions continues, our sales, profitability and overall operating results could be adversely affected.

Our success depends on attracting and retaining talented people within our business. Significant shortfalls in recruitment or retention could adversely affect our ability to compete and achieve our strategic goals.

Attracting, developing, and retaining talented employees, including our perfumers and flavorists, is essential to the successful delivery of our products and success in the marketplace. Competition for these employees can be intense. The ability to attract and retain talented employees is critical in the development of new products and technologies which is an integral component of our growth strategy. However, we may not be able to attract and retain such employees in the future. If we experience significant shortfalls in recruitment or retention, our ability to effectively compete with our competitors and to grow our business could be adversely affected.

Failure to comply with environmental protection laws may cause us to close, relocate or operate one or more of our plants at reduced production levels, which could adversely affect our operating results and future growth.

Our business operations and properties are subject to extensive and increasingly stringent federal, state, local and foreign laws and regulations pertaining to protection of the environment, including air emissions, sewage discharges, the use of hazardous materials, waste disposal practices and clean-up of existing environmental contamination. Failure to comply with these laws and regulations or any future changes to them may result in significant consequences to us, including the need to close or relocate one or more of our production facilities, administrative, civil and criminal penalties, liability for damages and negative publicity. If we are unable to meet production requirements, we can lose customer orders, which can adversely affect our future growth or we may be required to make incremental capital investments to ensure supply. For example, in 2015 Chinese authorities notified us of compliance issues pertaining to the emission of odors from several of our plants in China and, consequently, our Flavors facility in China was temporarily idled and another facility was required to modify its production schedule. As a result of these issues, we invested approximately \$6.5 million in odor-abatement equipment at these facilities and have approved a new capital project of approximately \$45 million to construct a second flavors manufacturing facility in China. Such idling of facilities or production modifications has caused or may cause customers to seek alternate suppliers due to concerns regarding supply interruptions and these customers may not return or may order at reduced levels even once issues are remediated. If these non-compliance issues reoccur in China or occur in any other jurisdiction, we may lose

business and may be required to incur capital spending above previous expectations, close a plant, or operate a plant at significantly reduced production levels on a permanent basis, and our operating results and cash flows from operations may be adversely affected.

Our ongoing optimization of our manufacturing facilities may not be as effective as we anticipate, and we may fail to realize the expected cost savings and increased efficiencies.

As part of our strategy, we seek to enhance our manufacturing efficiency and align our geographic manufacturing footprint with our expectations of future growth and technology needs. Many of our facilities are located in close proximity to our customers in order to minimize both our customers' and our own costs. However, we may not have sufficient demand to utilize all of our production capacity and may be required to ship excess products to other regions in which we operate, which will increase our costs and decrease our margins. To operate more efficiently and control costs, from time to time we also execute rationalization activities, which include manufacturing facility consolidations. For example, we are in the midst of relocating our Ingredients facility in Hangzhou, China and constructing a new flavors site in Indonesia. We have also initiated a study regarding our existing footprint and manufacturing capabilities that serve the Indian market. The spending associated with these projects may result in capital spending above previous expectations. Our ability to realize anticipated cost savings, synergies and revenue enhancements from these activities may be affected by a number of factors and may pose significant risks, including:

- the risk that we may be unable to integrate successfully the relocated manufacturing operations;
- the risk that we may be unable to effectively reduce overhead, coordinate management and integrate and retain employees of the relocated manufacturing operations;
- the risk that we may face difficulties in implementing and maintaining consistent standards, controls, procedures, policies and information systems;
- potential strains on our personnel, systems and resources and diversion of attention from other priorities; and
- unforeseen or contingent liabilities of the relocated manufacturing operations.

Furthermore, our rationalization and consolidation actions may not be as effective as we anticipate, and we may fail to realize the cost savings we expect from these actions. Actual charges, costs and adjustments due to these activities may vary materially from our estimates, and these activities may require cash and non-cash integration and implementation costs or charges in excess of budgeted amounts, which could offset any such savings and other synergies and therefore could have an adverse effect on our margins.

Volatility and increases in the price of raw materials, energy and transportation could harm our profits.

We use many different raw materials for our business, including essential oils, extracts and concentrates derived from fruits, vegetables, flowers, woods and other botanicals, animal products, raw fruits, organic chemicals and petroleum-based chemicals. While raw material costs have been relatively stable during 2015, historically, we have experienced a considerable amount of price volatility in natural products that represent approximately half of our raw material purchases. Availability and pricing of these natural products can be impacted by crop size and quality, weather, alternative land use, and other factors which we cannot control.

If we are unable to increase the prices to our customers of our fragrance or flavor products to offset raw material and other input cost increases, or if we are unable to achieve cost savings to offset such cost increases, we could fail to meet our cost expectations and our profits and operating results could be adversely affected. Increases in prices of our products to customers may lead to declines in volume, and we may not be able to accurately predict the volume impact of price increases, which could adversely affect our financial condition and results of operations.

Similarly, commodities and energy prices are subject to significant volatility caused by market fluctuations, supply and demand, currency fluctuations, production and transportation disruptions, and other world events. As we source many of our raw materials globally to help ensure quality control, if the cost of energy, shipping or transportation increases and we are unable to pass along these costs to our customers, our profit margins would be adversely affected. Furthermore, increasing our prices to our customers could result in long-term sales declines or loss of market share if our customers find alternative suppliers or choose to reformulate their consumer products to use fewer ingredients, which could have an adverse long-term impact on our results of operations.

To mitigate our sourcing risk, we maintain strategic stock levels for critical items. However, if we do not accurately estimate the amount of raw materials that will be used for the geographic region in which we will need these materials, our margins could be adversely affected.

Our reliance on a limited base of suppliers may result in a disruption to our business and may adversely affect our financial results.

For certain raw materials, we rely on a limited number of suppliers and we may not have readily available alternatives. If we are unable to maintain our supplier arrangements and relationships and are unable to obtain the quantity, quality and price levels needed for our business, or if any of our key suppliers becomes insolvent or experiences other financial distress, we could experience disruptions in production and our financial results could be adversely affected. If we are unable to maintain the integrity of our raw materials, supply chain and finished goods, it may result in regulatory non-compliance, litigation costs, and harm to our reputation, all of which may adversely impact sales and our results of operations.

The development, manufacture and sale of our products are subject to various regulatory requirements in each of the countries in which our products are developed, manufactured and sold. In addition, we are subject to product safety and compliance requirements established by the industry or similar oversight bodies. We use a variety of strategies, methodologies and tools to (i) identify current product standards, (ii) assess relative risks in our supply chain that can impact product integrity, (iii) monitor internal and external performance and (iv) test raw materials and finished goods to minimize the likelihood of product or process non-compliance.

Gaps in our operational processes could adversely affect the quality of our finished products and result in a regulatory non-compliance event. If a product non-compliance event were to go undetected, it could subject us to customer claims, recalls, penalties, litigation costs and settlements, remediation costs or loss of sales. As our flavors, fragrances and cosmetic actives are used as ingredients in many products meant for human use or consumption, these consequences would be exacerbated if we or our customer did not identify the defect before the product reaches the consumer and there was a resulting impact at the consumer level. Such a result could lead to potentially large scale adverse publicity, recalls and potential consumer litigation. Furthermore, adverse publicity about our products, including concerns about product safety or similar issues, whether real or perceived, could harm our reputation and result in an immediate adverse effect on our sales and customer relationships, as well as require us to utilize significant resources to rebuild our reputation.

A disruption in our operations or our supply chain could adversely affect our business and financial results.

As a company engaged in research and development, manufacturing and distribution on a global scale, we are subject to the risks inherent in such activities, including industrial accidents, environmental events, strikes and other labor disputes, disruptions in supply chain or information systems, disruption or loss of key research or manufacturing sites, product quality control, safety, licensing requirements and other regulatory issues, as well as natural disasters and other external factors over which we have no control. While we have research and development and manufacturing facilities throughout the world, many of these facilities are extremely specialized and certain of our facilities are the sole source of a specific ingredient or product. If our research and development activities or the manufacturing of ingredients or products were disrupted, the cost of relocating or replacing these activities or reformulating these ingredients or products may be substantial, which could result in production or development delays or otherwise have an adverse effect on our margins, operating results and future growth.

Our performance may be adversely impacted if we are not successful in managing our inventory and/or working capital balances.

We evaluate our inventory balances of materials based on shelf life, expected sourcing levels, known uses and anticipated demand based on forecasted customer order activity and changes in our product/sales mix. Efficient inventory management is a key component of our business success, financial returns and profitability. To be successful, we must maintain sufficient inventory levels and an appropriate product/sales mix to meet our customers' demands, without allowing those levels to increase to such an extent that the costs associated with storing and holding other inventory adversely impact our financial results. If our buying decisions do not accurately predict sourcing levels, customer trends or our expectations about customer needs are inaccurate, we may have to take unanticipated markdowns or impairment charges to dispose of the excess or obsolete inventory, which can adversely impact our financial results. Additionally, we believe excess inventory levels of raw materials with a short shelf life in our manufacturing facilities subjects us to the risk of increased inventory shrinkage. If we are not successful in managing our inventory balances and shrinkage, our results of and cash flows from operations may be negatively affected. We sell certain accounts receivable on a non-recourse basis to unrelated financial institutions under "factoring" agreements that are sponsored, solely and individually, by certain customers. The cost of participating in these

programs was immaterial to our results in all periods. Should we choose not to participate, or if these programs were no longer available, it could reduce our cash flows from operations in the period in which the arrangement ends.

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We could be adversely affected by violations of the U.S. Foreign Corrupt Practices Act or similar U.S. or foreign anti-bribery and anti-corruption laws and regulations in the jurisdictions in which we operate.

The global nature of our business, the significance of our international revenue and our focus on emerging markets create various domestic and local regulatory challenges and subject us to risks associated with our international operations. The U.S. Foreign Corrupt Practices Act, or FCPA, and similar anti-bribery and anti-corruption laws and regulations in other countries generally prohibit companies and their intermediaries from making improper payments to foreign officials for the purpose of obtaining or keeping business or for other commercial advantage. In addition, U.S. public companies are required to maintain records that accurately and fairly represent their transactions and have an adequate system of internal accounting controls. Under the FCPA, U.S. companies may be held liable for the corrupt actions taken by directors, officers, employees, agents, or other strategic or local partners or representatives. As such, if we or our intermediaries fail to comply with the requirements of the FCPA or similar legislation, governmental authorities in the United States and elsewhere could seek to impose substantial civil and/or criminal fines and penalties which could have a material adverse effect on our business, reputation, operating results and financial condition.

We operate or may pursue opportunities in some jurisdictions, such as China, India, Brazil and Africa, which pose potentially elevated risks of fraud or corruption or increased risk of internal control issues. In certain jurisdictions, compliance with anti-bribery laws may conflict with local customs and practices. From time to time, we have conducted and will conduct internal investigations of the relevant facts and circumstances, control testing and compliance reviews, and take remedial actions, when appropriate, to help ensure that we are in compliance with applicable corruption and similar laws and regulations. Detecting, investigating and resolving actual or alleged violations of the FCPA or similar laws is expensive and could consume significant time and attention of our senior management. We could be subject to inquiries or investigations by government and other regulatory bodies. Any allegations of non-compliance with the FCPA or similar laws could have a disruptive effect on our operations in such jurisdiction over the near term, including interruptions of business or loss of third-party relationships, which may negatively impact our results of operations or financial condition. Any determination that our operations or activities are not in compliance with the FCPA or similar laws could expose us to severe criminal or civil penalties or other sanctions, significant fines, termination of necessary licenses and permits, and penalties or other sanctions that may harm our business and reputation.

Our ability to compete effectively depends on our ability to protect our intellectual property rights.

We rely on patents and trade secrets to protect our intellectual property rights. We often rely on trade secrets to protect our proprietary fragrance and flavor formulations, as this does not require us to publicly file information regarding our intellectual property. From time to time, a third party may claim that we have infringed upon or misappropriated their intellectual property rights, or a third party may infringe upon or misappropriate our intellectual property rights. We could incur significant costs in connection with legal actions to assert our intellectual property rights against third parties or to defend ourselves from third party assertions of invalidity, infringement or misappropriation or other claims. Any settlement or adverse judgment resulting from such litigation could require us to obtain a license to continue to use the intellectual property rights that are the subject of the claim, or otherwise restrict or prohibit our use of such intellectual property rights. Any required licensing fees may not be available to us on acceptable terms, if at all. For those intellectual property rights that are protected as trade secrets, this litigation could result in even higher costs, and potentially the loss of certain rights, since we would not have a perfected intellectual property right that precludes others from making, using or selling our products or processes. The ongoing trend among our customers towards more transparent labeling could further diminish our ability to effectively protect our proprietary flavor formulations.

For intellectual property rights that we seek to protect through patents, we cannot be certain that these rights, if obtained, will not later be opposed, invalidated, or circumvented. In addition, even if such rights are obtained in the United States, the laws of some of the other countries in which our products are or may be sold do not protect intellectual property rights to the same extent as the laws of the United States. If other parties were to infringe on our intellectual property rights, or if a third party successfully asserted that we had infringed on their intellectual property rights, it could materially and adversely affect our future results of operations by (i) reducing the price that we could

obtain in the marketplace for products which are based on such rights, (ii) increasing the royalty or other fees that we may be required to pay in connection with such rights or (iii) limiting the volume, if any, of such products that we can sell.

Our results of operations may be negatively impacted by the outcome of uncertainties related to litigation.

From time to time we are involved in a number of legal claims and litigation, including claims related to intellectual property, product liability, environmental matters and indirect taxes. We cannot predict the ultimate outcome of such litigation. In addition, we cannot provide assurance that future events will not result in an increase in the number of claims or require an

increase in the amount accrued for any such claims, or require accrual for one or more claims that has not been previously accrued. In addition, if we were found liable, we could be subject to certain indemnification claims. There can be no assurance that our insurance will be adequate to protect us from all material expenses related to pending and future claims or that such levels of insurance will be available in the future at economical prices.

The level of returns on pension and postretirement plan assets and the actuarial assumptions used for valuation purposes could affect our earnings and cash flows in future periods. Changes in government regulations could also affect our pension and postretirement plan expenses and funding requirements.

The funding obligations for our pension plans are impacted by the performance of the financial markets, particularly the equity markets, and interest rates. Funding obligations are determined under government regulations and are measured each year based on the value of assets and liabilities on a specific date. If the financial markets do not provide the long-term returns that are expected under the governmental funding calculations, we could be required to make larger contributions. The equity markets can be very volatile, and therefore our estimate of future contribution requirements can change dramatically in relatively short periods of time. Similarly, changes in interest rates and legislation enacted by governmental authorities can impact the timing and amounts of contribution requirements. An adverse change in the funded status of the plans could significantly increase our required contributions in the future and adversely impact our liquidity.

Assumptions used in determining projected benefit obligations and the fair value of plan assets for our pension and other postretirement benefit plans are determined by us in consultation with outside consultants and advisors. In the event that we determine that changes are warranted in the assumptions used, such as the discount rate, expected long-term rate of return on assets, or expected health care costs, our future pension and postretirement benefit expenses could increase or decrease. Due to changing market conditions or changes in the participant population, the assumptions that we use may differ from actual results, which could have a significant impact on our pension and postretirement liabilities and related costs and funding requirements.

Any future impairment of our tangible or intangible long-lived assets may adversely impact our profitability.

A significant portion of our assets consists of long-lived assets, including tangible assets such as our manufacturing facilities, and intangible assets and goodwill. As of December 31, 2015, we had recorded \$1.2 billion of intangible assets and goodwill including goodwill and intangible assets related to our acquisitions. Long-lived assets are subject to an impairment analysis whenever events or changes in circumstances indicate the carrying amount of the asset may not be recoverable. Additionally, goodwill is subject to an impairment test at least annually. Indicators such as underperformance relative to historical or projected future operating results, changes in the Company's strategy for its overall business or use of acquired assets, unexpected negative industry or economic trends, decreased market capitalization relative to net book values, unanticipated competitive activities, change in consumer demand, loss of key personnel and acts by governments and courts may signal that an asset has become impaired. To the extent any of our acquisitions do not perform as anticipated, whether due to internal or external factors, the value of such assets may be negatively affected and we may be required to record impairment charges. Our results of operations and financial position in future periods could be negatively impacted should future impairments of our long-lived assets, including intangible assets or goodwill occur.

Changes in our tax rates, the adoption of new United States or international tax legislation, or changes in existing tax laws could expose us to additional tax liabilities that may affect our future results.

We are subject to taxes in the United States and numerous foreign jurisdictions. Our future effective tax rates could be affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, changes in liabilities for uncertain tax positions, cost of repatriations or changes in tax laws or their interpretation. Any of these changes could have a material adverse effect on our profitability.

We have and will continue to implement transfer pricing policies among our various operations located in different countries. These transfer pricing policies are a significant component of the management and compliance of our operations across international boundaries and overall financial results. Many countries routinely examine transfer pricing policies of taxpayers subject to their jurisdiction, challenge transfer pricing policies aggressively where there is potential non-compliance and impose significant interest charges and penalties where non-compliance is

determined. There can be no assurance that a governmental authority will not challenge these policies more aggressively in the future or, if challenged, that we will prevail. We could suffer significant costs related to one or more challenges to our transfer pricing.

We are subject to the continual examination of our income tax returns by the Internal Revenue Service and foreign tax authorities in those countries in which we operate, and we may be subject to assessments or audits in the future in any of the

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countries in which we operate. The final determination of tax audits and any related litigation could be materially different from our historical income tax provisions and accruals, and while we do not believe the results that follow would have a material adverse effect on our financial condition, such results could have a material effect on our income tax provision, net income or cash flows in the period or periods in which that determination is made.

In addition, a number of international legislative and regulatory bodies have proposed legislation and begun investigations of the tax practices of multinational companies and, in the European Union (“EU”), the tax policies of certain EU member states. One of these efforts has been led by the OECD, an international association of 34 countries including the United States, which has finalized recommendations to revise corporate tax, transfer pricing, and tax treaty provisions in member countries. Since 2013, the European Commission (“EC”) has been investigating tax rulings granted by tax authorities in a number of EU member states with respect to specific multinational corporations to determine whether such rulings comply with EU rules on state aid, as well as more recent investigations of the tax regimes of certain EU member states. Under EU law, selective tax advantages for particular taxpayers that are not sufficiently grounded in economic realities may constitute impermissible state aid. If the EC determines that a tax ruling or tax regime violates the state aid restrictions, the tax authorities of the affected EU member state may be required to collect back taxes for the period of time covered by the ruling. In late 2015 and early 2016, the EC declared that tax rulings by tax authorities in Luxembourg, the Netherlands and Belgium did not comply with the EU state aid restrictions. If the EC were to successfully challenge tax rulings applicable to us in any of the EU member states in which we are subject to taxation, we could be exposed to increased tax liabilities.

Our operations may be affected by greenhouse emissions and climate change and related regulations.

The availability of raw materials and energy supplies fluctuate in markets throughout the world. Climate change may also affect the availability and price of key raw materials, including natural products used in the manufacture of our products. In order to mitigate the risk of price increases and shortages, our purchasers have developed various sourcing strategies, including multiple suppliers, inventory management systems, various geographic suppliers and long-term agreements to mitigate risk.

In addition to market forces, there are various regulatory efforts relating to climate change that may increase the cost of raw materials, particularly energy used to operate our facilities, that could materially impact our financial condition, results of operations and cash flows.

The potential government regulation of certain of our product development initiatives is uncertain, and we may be subject to adverse consequences if we fail to comply with applicable regulations.

As part of our ingredients research program, we seek to collaborate with research institutions and companies throughout the world, including biotechnology companies. However, it is unclear whether any of our product developments will be classified as genetically modified food products subject to regulation as a biotechnology product. The manufacture of biotechnology products is subject to applicable Current Good Manufacturing Practice (cGMP) regulations as prescribed by the Food and Drug Administration and the applicable standards prescribed by European Commission and the competent authorities of European Union Member States and to other rules and regulations prescribed by foreign regulatory authorities. Compliance with these regulations can be expensive and time consuming. Such regulation could also subject us to requirements for labeling and traceability, which may cause our customers to avoid our affected products and seek our competitors’ products. This may result in our inability to realize any benefit from our investment and have an adverse effect on our operating results.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

Our principal properties are as follows:

Location	Operation
United States	
Carrollton, TX ⁽¹⁾	Production of flavor compounds; flavor laboratories.
Hazlet, NJ(1)	Production of fragrance compounds; fragrance laboratories.
Jacksonville, FL	Production of fragrance ingredients.
New York, NY(1)	Fragrance laboratories; corporate headquarters.
South Brunswick, NJ(1)	Production of flavor compounds and ingredients; flavor laboratories.
Union Beach, NJ	Research and development center.
France	
Neuilly ⁽¹⁾	Fragrance laboratories.
Grasse	Production of flavor and fragrance ingredients; fragrance laboratories.
Great Britain	
Haverhill	Production of flavor compounds and ingredients, and fragrance ingredients; flavor laboratories.
Netherlands	
Hilversum	Flavor and fragrance laboratories.
Tilburg	Production of flavor compounds and ingredients, and fragrance compounds.
Spain	
Benicarló	Production of fragrance ingredients.
Argentina	
Garin	Production of flavor compounds and ingredients, and fragrance compounds; flavor laboratories.
Brazil	
Rio de Janeiro	Production of fragrance compounds.
São Paulo	Flavor and fragrance laboratories.
Taubate	Production of flavor compounds and ingredients.
Mexico	
Tlalnepantla	Production of flavor and fragrance compounds; flavor and fragrance laboratories.
India	
Mumbai ⁽²⁾	Flavor and fragrance laboratories.
Chennai ⁽²⁾	Production of flavor compounds and ingredients, and fragrance compounds; flavor laboratories.
Australia	
Dandenong	Production of flavor compounds and flavor ingredients.
China	

Guangzhou ⁽³⁾	Production of flavor compounds.
Guangzhou ⁽³⁾	Production of fragrance compounds.
Shanghai ⁽⁴⁾	Flavor and fragrance laboratories.
Xin'anjiang ⁽⁵⁾	Production of fragrance ingredients.
Zhejiang ⁽³⁾	Production of fragrance ingredients.

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Location	Operation
Indonesia	
Jakarta	Production of flavor compounds and ingredients; flavor and fragrance laboratories.
Japan	
Gotemba	Production of flavor compounds.
Tokyo	Flavor and fragrance laboratories.
Singapore	
Jurong ⁽⁴⁾	Production of flavor and fragrance compounds.
Science Park ⁽¹⁾	Flavor and fragrance laboratories.
Turkey	
Gebze	Production of flavor compounds.
Israel	
Kibbutz Givat-Oz ⁽³⁾	Flavor and fragrance ingredients manufacturing and laboratories.

(1) Leased.

(2) We have a 93.4% interest in the subsidiary company that owns this facility.

(3) Land is leased and building and machinery and equipment are owned.

(4) Building is leased and machinery and equipment are owned.

(5) We have a 90% interest in the subsidiary company that leases the land and owns the buildings and machinery. Our principal executive offices and New York laboratory facilities are located at 521 West 57th Street, New York City.

ITEM 3. LEGAL PROCEEDINGS.

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

Tax Claims

During 2013, the Company reached a settlement with the Spanish tax authorities with respect to assessments imposed in connection with the 2011 fiscal year audit, and paid Euro 3.9 million (\$5.2 million based on the exchange rate at the payment date).

With respect to the audits of 2002-2003 fiscal years, the Spanish tax authorities imposed assessments aggregating Euro 22.4 million (\$28.6 million), including aggregate estimated interest. The Company appealed these assessments, however, in February 2013, the Appellate Court upheld the administrative ruling with respect to the 2003 tax assessment and the related tax avoidance claims. The Company decided not to pursue the appeals process with respect to the 2003 tax assessment and paid Euro 20.8 million (\$27.3 million based on the exchange rate at the respective payment dates) in connection with the 2003 tax assessment in 2013. In June 2013, the Appellate Court ruled against us on our appeal of the 2002 income tax assessment and related claims, which the Company also decided not to appeal. However, this case did not have a related tax exposure associated with it. In an unrelated matter, there was a remaining aggregate assessment related to the 2002 fiscal year of Euro 1.9 million (\$2.3 million) as of December 31, 2014, which was under appeal. During the first quarter of 2015, the Company received a favorable ruling on this appeal and accordingly, reversed the total reserve related to the 2002 fiscal year (with a value of Euro 1.9 million or \$2.3 million).

In addition to the above, the Company was also a party to four dividend withholding tax controversies in Spain in which the Spanish tax authorities alleged that the Company's Spanish subsidiaries underpaid withholding taxes during the 1995-2001 fiscal years. The Company had previously appealed each of these controversies. During 2012, the

Company received unfavorable decisions on the first three cases. As a result of these rulings, during 2012 the Company (i) recorded charges (including estimated interest) of approximately \$12.0 million after-tax and (ii) made payments of Euro 9.8 million (\$12.8 million based on exchange rate at the respective payment dates). The fourth case was heard by the Spanish National High Court in October 2014, and we received a favorable ruling. Accordingly, during the fourth quarter of 2014, we reversed the total reserve related to the 2001 fiscal year (with a value of Euro 3.6 million of \$4.3 million). As of December 31, 2015, all dividend withholding tax controversies in Spain have now been resolved. The Company made total payments of Euro 4.5 million (\$4.9 million) during the second quarter of 2015 related to the resolution of the three controversies.

Separately, the Spanish tax authorities alleged claims for a capital tax in a case arising from similar allegations as the income tax cases (discussed in further detail in Note 10). In connection with the 2002 income tax assessment ruling discussed in Note 10, the Appellate Court rejected one of the two bases upon which we based our capital tax position. On January 22, 2014, we filed an appeal and in order to avoid future interest costs in the event our appeal was unsuccessful, we paid Euro 9.8 million (\$11.2 million, representing the principal amount) during the first quarter of 2014. On February 24, 2016, we received a favorable ruling on our appeal from the Spanish Supreme Court which overruled a lower court ruling. As a result of this decision, we have reversed the previously recorded provision of Euro 9.8 million (\$10.5 million) for the year ended December 31, 2015.

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

Environmental

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

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

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

Other

In March 2012, ZoomEssence, Inc. filed a complaint against the Company in the U.S. District Court of New Jersey alleging trade secret misappropriation, breach of contract and unjust enrichment in connection with certain spray dry technology disclosed to the Company. In connection with the claims, ZoomEssence is seeking an injunction and monetary damages. ZoomEssence initially sought a temporary restraining order and preliminary injunction, but the Court denied these applications in an order entered on September 27, 2013, finding that ZoomEssence had not demonstrated a likelihood of success on the merits of its claims. The Court subsequently referred the matter to mediation, however the private mediation session did not result in a resolution of the dispute. On November 3, 2014, ZoomEssence amended its complaint against the Company to include allegations of breach of the duty of good faith and fair dealing, fraud in the inducement, and misappropriation of confidential and proprietary information. On November 13, 2014, the Company filed a counterclaim against ZoomEssence alleging trade secret misappropriation, breach of contract, breach of the implied covenant of good faith and fair dealing, unjust enrichment, misappropriation of confidential and proprietary information, common law unfair competition, tortious interference with contractual relations, and conversion. The case is currently proceeding through discovery with a trial on the merits anticipated in early 2017. The Company denies the allegations and will vigorously defend and pursue its position in Court. At this stage of the litigation, based on the information currently available to the Company, management does not believe that this matter represents a material loss contingency.

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

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Market Information.

Our common stock is traded principally on the New York Stock Exchange. The high and low stock prices for each quarter during the last two years were:

Quarter	2015		2014	
	High	Low	High	Low
First	\$123.08	\$97.59	\$97.91	\$82.91
Second	120.61	108.82	105.61	91.31
Third	118.87	100.02	105.84	95.51
Fourth	122.64	106.91	104.00	91.64

Approximate Number of Equity Security Holders.

Title of Class	Number of shareholders of record as of February 15, 2016
Common stock, par value 12 1/2¢ per share	2,012

Dividends.

Cash dividends declared per share for each quarter during the two most recent fiscal years were as follows:

Quarter	2015	2014
First	\$0.47	\$0.39
Second	0.47	0.39
Third	0.56	0.47
Fourth	0.56	0.47

Our current intention is to return 50%-60% of adjusted Net Income through a combination of dividends and share repurchases; however, the payment of dividends and share repurchases is determined by our Board of Directors ("Board") at its discretion based on various factors, and no assurance can be provided as to future dividends.

Performance Graph.

Total Return To Shareholders⁽¹⁾

(Includes reinvestment of dividends)

Company Name / Index	ANNUAL RETURN PERCENTAGE				
	Years Ending				
	2011	2012	2013	2014	2015
International Flavors & Fragrances	(3.81)	29.72	31.59	19.95	20.22
S&P 500 Index	2.11	16.00	32.39	13.69	1.38
Peer Group	9.69	8.21	19.83	7.98	5.54

Company Name / Index	INDEXED RETURNS					
	Years Ending					
	Base Period 2010	2011	2012	2013	2014	2015
International Flavors & Fragrances	\$100	\$96.19	\$124.78	\$164.20	\$196.95	\$236.78
S&P 500 Index	100	102.11	118.45	156.82	178.29	180.75
Peer Group	100	109.69	118.69	142.23	153.58	162.09

Peer Group Companies⁽²⁾

Alberto Culver Company (included through 5/9/11)	Hillshire Brands Co. (included through 8/28/14)	YUM! Brands Inc.
Avon Products Inc.	Hormel Foods Corp.	
Campbell Soup Co.	Kellogg Co.	
Church & Dwight Co. Inc.	Estee Lauder Companies, Inc.	
Clorox Company	McCormick & Company, Inc.	
Coca-Cola Company	McDonald's Corp.	
Colgate-Palmolive Co.	Nestle SA	
ConAgra Foods, Inc.	Pepsico Inc.	
Edgewell Personal Care (included since 7/1/15)	Procter & Gamble Co.	
General Mills Inc.	Revlon Inc.	
Heinz (HJ) Co. (included through 6/7/13)	Sensient Technologies Corp.	
Hershey Company	Unilever NV	

Total Shareholder Return Performance Graph

(1) The Cumulative Shareholder Return assumes that the value of an investment in our Common Stock and each index was \$100 on December 31, 2010, and that all dividends were reinvested.

Due to the international scope and breadth of our business, we believe that a Peer Group comprising international public companies, which are representative of the customer group to which we sell our products, is the most appropriate group against which to compare shareholder returns. Alberto Culver Company ceased trading on (2) May 9, 2011 and has only been included through that date. In July 2012, Sara Lee Corp. spun off certain of its businesses and changed its name to Hillshire Brands Co. Heinz (HJ) Co was acquired by Hawk Acquisition Holding Corp on June 7, 2013 and has only been included through that date. Hillshire Brands Co was acquired by Tyson Foods on August 28, 2014 and has only been

included through that date. Edgewell Personal Care has been included starting from July 1, 2015 when it spun off from Energizer Holdings.

Issuer Purchases of Equity Securities.

The table below reflects shares of common stock we repurchased during the fourth quarter of 2015.

Period	Total Number of Shares Repurchased ⁽¹⁾	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares That May Yet be Purchased Under the Program
October 1 - 31, 2015	137,589	\$ 110.48	137,589	\$ 262,496,041
November 1 - 30, 2015	121,600	115.11	121,600	248,498,869
December 1 - 31, 2015	98,721	119.10	98,721	236,740,882
Total	357,910	\$ 114.90	357,910	\$ 236,740,882

Shares were repurchased pursuant to the repurchase program originally announced in December 2012, with repurchases beginning in the first quarter of 2013. In August 2015, the Board of Directors amended the program, (1) authorizing an additional \$250 million and extending the program through December 31, 2017. Repurchases under the amended program are limited to \$500 million in total repurchase price, and the expiration date is December 31, 2017. Authorization of the repurchase program may be modified, suspended, or discontinued at any time.

ITEM 6. SELECTED FINANCIAL DATA.

INTERNATIONAL FLAVORS & FRAGRANCES INC.

QUARTERLY FINANCIAL DATA (UNAUDITED)

The following selected consolidated financial data is derived from our Consolidated Financial Statements. This data should be read in conjunction with the Consolidated Financial Statements and Notes thereto, and with Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

(DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)

Quarter	Net Sales	Gross Profit ^(a)		Net Income ^(b)		Net Income Per Share			
		2015	2014	2015	2014	Basic		Diluted ^{(c)(e)}	
2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
First	\$774,907								