



Non-GAAP Financial Measures

Within the following tables, the Company reports certain non-GAAP financial measures, including: (1) adjusted operating income, adjusted net earnings, and adjusted diluted EPS (which exclude restructuring, other costs and the impact of the 2017 Tax Cuts and Jobs Act (“2017 Tax Legislation”), (2) percentage changes in revenue, operating income, diluted EPS, adjusted operating income, and adjusted diluted EPS on a local currency basis (which eliminate the effects that result from translating its international operations into U.S. dollars), (3) Debt to Adjusted EBITDA (which excludes restructuring and other costs), and (4) adjusted net cash provided by operating activities (which includes cash received on sold receivables). The impact of the 2017 Tax Legislation is related to the adjustment in the third quarter of 2018 of the provisional amount recorded in 2017. The other costs in 2017 are for divestiture related costs. There were no restructuring and other costs in the first nine months of 2018.

The Company has included each of these non-GAAP measures in order to provide additional information regarding our underlying operating results and comparable year-over-year performance. Such information is supplemental to information presented in accordance with GAAP and is not intended to represent a presentation in accordance with GAAP. These non-GAAP measures should not be considered in isolation. Rather, they should be considered together with GAAP measures and the rest of the information included in this report. Management internally reviews each of these non-GAAP measures to evaluate performance on a comparative period-to-period basis and to gain additional insight into underlying operating and performance trends, and the Company believes the information can be beneficial to investors for the same purposes. These non-GAAP measures may not be comparable to similarly titled measures used by other companies.

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2018	2017	% Change	2018	2017	% Change
Operating income (GAAP)	\$ 50,264	\$ 52,010	(3.4%)	\$ 158,126	\$ 120,427	31.3%
Restructuring - Cost of products sold	-	3,073		-	3,415	
Restructuring - Selling and administrative	-	2,927		-	30,212	
Other - Selling and administrative ⁽¹⁾	-	14		-	11,555	
Adjusted operating income	\$ 50,264	\$ 58,024	(13.4%)	\$ 158,126	\$ 165,609	(4.5%)
Net earnings (GAAP)	\$ 47,193	\$ 32,213	46.5%	\$ 124,510	\$ 76,179	63.4%
Restructuring and other, before tax	-	6,014		-	45,182	
Tax impact of restructuring and other	-	681		-	(7,424)	
Impact of the 2017 Tax Legislation	(7,061)	-		(7,061)	-	
Adjusted net earnings	\$ 40,132	\$ 38,908	3.1%	\$ 117,449	\$ 113,937	3.1%
Diluted EPS (GAAP)	\$ 1.12	\$ 0.73	53.4%	\$ 2.92	\$ 1.72	69.8%
Restructuring and other, net of tax	-	0.15		-	0.85	
Impact of the 2017 Tax Legislation	(0.17)	-		(0.17)	-	
Adjusted diluted EPS	\$ 0.95	\$ 0.89	6.7%	\$ 2.76	\$ 2.58	7.0%

(1) The other costs in 2017 relate to now the completed sale of a facility and certain related business lines within the Flavors & Fragrances segment in Strasbourg, France.

The following table summarizes the percentage change in the 2018 results compared to the 2017 results for the corresponding periods in the respective financial measures.

	Three Months Ended September 30, 2018			Nine Months Ended September 30, 2018		
	Total	Foreign Exchange Rates	Local Currency	Total	Foreign Exchange Rates	Local Currency
Revenue						
Flavors & Fragrances	(5.9%)	(0.6%)	(5.3%)	0.5%	1.8%	(1.2%)
Color	1.3%	(2.8%)	4.1%	6.6%	1.5%	5.1%
Asia Pacific	(4.4%)	(2.9%)	(1.5%)	0.8%	0.8%	0.0%
Total Revenue	(3.1%)	(1.7%)	(1.4%)	2.8%	1.6%	1.2%
Operating Income						
Flavors & Fragrances	(24.8%)	(0.5%)	(24.3%)	(17.9%)	0.2%	(18.1%)
Color	(4.7%)	(2.1%)	(2.7%)	4.7%	2.2%	2.5%
Asia Pacific	(0.5%)	(1.3%)	0.8%	3.4%	2.4%	1.1%
Corporate & Other	(46.3%)	0.0%	(46.2%)	(67.8%)	1.7%	(69.5%)
Operating Income	(3.4%)	(1.6%)	(1.8%)	31.3%	1.1%	30.2%
Diluted EPS	53.4%	(1.4%)	54.8%	69.8%	1.2%	68.6%
Adjusted Operating Income ⁽¹⁾	(13.4%)	(1.4%)	(12.0%)	(4.5%)	1.5%	(6.0%)
Adjusted Diluted EPS ⁽¹⁾	6.7%	(2.2%)	9.0%	7.0%	1.2%	5.8%

(1) Refer to the table above for a reconciliation of these non-GAAP measures.

Debt to Adjusted EBITDA Calculation

The Company uses Debt to Adjusted EBITDA as a metric to assess liquidity and the flexibility of its balance sheet. Our debt covenants are based on Debt to Adjusted EBITDA. Debt to Adjusted EBITDA is a non-GAAP measure, and should not be considered an alternative to our Statement of Earnings, Balance Sheet or Statement of Cash Flows as reported in our financial statements pursuant to GAAP as a measure of liquidity or financial condition. The Company's calculation of Debt to Adjusted EBITDA may be different from similar calculations used by other companies and, therefore, comparability may be limited. The Company defines EBITDA as the trailing 12 month operating income, excluding depreciation and amortization. Adjusted EBITDA excludes restructuring and other costs. Debt to Adjusted EBITDA at September 30, 2018 was as follows:

	September 30, 2018
Total Debt	\$ 766,108
Operating Income	\$ 205,505
Depreciation & Amortization	50,949
EBITDA	\$ 256,454
Restructuring and Other Charges	2,889
Adjusted EBITDA	\$ 259,343
Debt to EBITDA	3.0
Debt to Adjusted EBITDA	3.0

Adjusted Net Cash Provided by Operating Activities Calculation

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-15, *Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payment*. This ASU clarifies how certain cash receipts and cash payments are presented and classified in the statement of cash flows. This ASU requires that a transferor's receipt of a beneficial interest in securitized trade receivables be disclosed as an investing transaction. The Company adopted this standard in 2018, and included \$91.1 million as an adjustment to net cash provided by investing activities for the nine months ended September 30, 2018. The Company has also adjusted 2017 cash provided by investing activities for the first nine months to include \$86.2 million collected on sold receivables. Adjusted net cash provided by operating activities includes the cash received on sold receivables and is presented to show the impact of the change in the accounting standard. The Company's calculation of adjusted net cash provided by operating activities may be different from similar calculations used by other companies and, therefore, comparability might be limited.

	Nine Months Ended September 30,		
	2018	2017	% Change
Net cash provided by operating activities	\$ 8,860	\$ 22,159	(60.0%)
Cash receipts on sold receivables	91,142	86,229	
Adjusted net cash provided by operating activities	<u>\$ 100,002</u>	<u>\$ 108,388</u>	(7.7%)