



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 from continuing operations (which exclude restructuring and other costs as well as the impact of the Tax Cuts and Jobs Act (“2017 Tax Legislation”)) and (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 of translating the financial results of its international operations into U.S. dollars). The other costs in 2017 and 2016 are divestiture related costs.

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 document and in our SEC filings. 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. 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 December 31, | | | Twelve Months Ended December 31, | | |
|---|---------------------------------|------------------|----------|----------------------------------|-------------------|----------|
| | 2017 | 2016 | % Change | 2017 | 2016 | % Change |
| Operating income from continuing operations (GAAP) | \$ 47,379 | \$ 43,274 | 9.5% | \$ 167,806 | \$ 185,609 | (9.6%) |
| Restructuring - Cost of products sold | (526) | 1,255 | | 2,889 | 2,065 | |
| Restructuring - Selling and administrative | 3,415 | 3,898 | | 33,627 | 12,486 | |
| Other - Selling and administrative ⁽¹⁾ | - | 1,052 | | 11,555 | 11,535 | |
| Adjusted operating income | \$ 50,268 | \$ 49,479 | 1.6% | \$ 215,877 | \$ 211,695 | 2.0% |
| Net earnings from continuing operations (GAAP) | \$ 13,421 | \$ 31,350 | (57.2%) | \$ 89,600 | \$ 122,913 | (27.1%) |
| Restructuring and other, before tax | 2,889 | 6,205 | | 48,071 | 26,086 | |
| Tax impact of restructuring and other | 1,822 | (2,000) | | (5,602) | (4,999) | |
| Impact of the 2017 Tax Legislation | 18,446 | - | | 18,446 | - | |
| Adjusted net earnings | \$ 36,578 | \$ 35,555 | 2.9% | \$ 150,515 | \$ 144,000 | 4.5% |
| Diluted EPS from continuing operations (GAAP) | \$ 0.31 | \$ 0.70 | (55.7%) | \$ 2.03 | \$ 2.74 | (25.9%) |
| Restructuring and other, net of tax | 0.11 | 0.09 | | 0.96 | 0.47 | |
| 2017 Tax Legislation | 0.42 | - | | 0.42 | - | |
| Adjusted diluted EPS | \$ 0.84 | \$ 0.80 | 5.0% | \$ 3.42 | \$ 3.21 | 6.5% |

(1) The other costs in 2017 and 2016 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 2017 results compared to the 2016 results for the corresponding periods in the respective financial measures.

| | <u>Three Months Ended December 31, 2017</u> | | | <u>Twelve Months Ended December 31, 2017</u> | | |
|--|---|-------------------------------|-----------------------|--|-------------------------------|-----------------------|
| | <u>Total</u> | <u>Foreign Exchange Rates</u> | <u>Local Currency</u> | <u>Total</u> | <u>Foreign Exchange Rates</u> | <u>Local Currency</u> |
| Revenue | | | | | | |
| Flavors & Fragrances | (4.6%) | 2.4% | (7.0%) | (6.1%) | 0.0% | (6.1%) |
| Color | 5.4% | 3.3% | 2.1% | 4.4% | 0.9% | 3.5% |
| Asia Pacific | 3.7% | 1.9% | 1.8% | 1.6% | 0.8% | 0.9% |
| Total Revenue | (0.4%) | 2.7% | (3.1%) | (1.5%) | 0.5% | (2.0%) |
| Operating Income from Continuing Operations | | | | | | |
| Flavors & Fragrances | (15.8%) | 0.0% | (15.7%) | (7.8%) | (0.4%) | (7.4%) |
| Color | 11.4% | 3.4% | 7.9% | 7.2% | 0.6% | 6.5% |
| Asia Pacific | (1.3%) | 2.7% | (4.0%) | (12.0%) | 1.1% | (13.1%) |
| Corporate & Other | (42.7%) | 1.2% | (43.8%) | 18.9% | 0.1% | 18.7% |
| Operating Income from Continuing Operations | 9.5% | 1.8% | 7.7% | (9.6%) | 0.2% | (9.8%) |
| Diluted EPS from Continuing Operations | (55.7%) | 1.4% | (57.1%) | (25.9%) | 0.0% | (25.9%) |
| Adjusted Operating Income ⁽¹⁾ | 1.6% | 1.9% | (0.3%) | 2.0% | 0.2% | 1.8% |
| Adjusted Diluted EPS ⁽¹⁾ | 5.0% | 1.3% | 3.7% | 6.5% | 0.3% | 6.2% |

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

The following table shows the Flavors & Fragrances Group revenue and operating income excluding the impact of the underperforming North America plant and two divestitures in the first quarter of 2017:

Adjusted Net Cash Provided by Operating Activities Calculation

The Company entered into accounts receivable securitization transactions in both 2017 and 2016 to reduce the Company's effective borrowing costs. Adjusted net cash provided by operating activities excludes the impact of the accounts receivable securitization proceeds.

| | <u>Three Months Ended December 31,</u> | | |
|---|--|-------------|-----------------|
| | <u>2017</u> | <u>2016</u> | <u>% Change</u> |
| Net cash provided by operating activities | \$ 69,384 | \$ 71,884 | (3.5%) |
| Accounts receivable securitization | (20,000) | (40,000) | |
| Adjusted net cash provided by operating activities excluding the impact of accounts receivable securitization | \$ 49,384 | \$ 31,884 | 54.9% |

Adjusted Debt to Adjusted EBITDA Calculation

The Company uses Adjusted Debt to Adjusted EBITDA as a metric to assess liquidity and the flexibility of its balance sheet. Our debt covenants are based on Adjusted Debt to Adjusted EBITDA. Adjusted 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 Adjusted 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 from continuing operations, excluding depreciation and amortization. Adjusted EBITDA excludes restructuring and other costs. Adjusted Debt excludes the impact of the Accounts Receivable Securitization proceeds. Adjusted Debt to Adjusted EBITDA at December 31, 2017 was as follows:

| | December 31, 2017 |
|---|------------------------------|
| Total Debt | \$ 624,289 |
| Accounts Receivable Securitization | 60,000 |
| Adjusted Total Debt | <u>\$ 684,289</u> |
| Operating Income from Continuing Operations | \$ 167,806 |
| Depreciation & Amortization | 48,518 |
| EBITDA | <u>\$ 216,324</u> |
| Restructuring and Other Charges | 48,071 |
| Adjusted EBITDA | <u>\$ 264,395</u> |
| Debt to EBITDA | <u>2.9</u> |
| Adjusted Debt to Adjusted EBITDA | <u>2.6</u> |

Adjusted Return on Invested Capital (ROIC)

Return on invested capital ("ROIC") is a measure the Company uses to assess how effectively and efficiently the Company uses invested capital in its business. Adjusted ROIC is a non-GAAP measure, and should be considered supplemental to and not a substitute for financial information prepared in accordance with GAAP. The Company's calculation may be different from similar calculations used by other companies, and therefore, comparability may be limited. The Company uses a five quarter average to calculate an average invested capital balance, which consists of total debt, excluding the impact of the accounts receivable securitization, and total shareholders' equity excluding cash, assets held for sale and liabilities held for sale. The Company's calculation of adjusted operating income excludes restructuring costs, divestiture costs and acquisition related costs, as well as, the impact of the 2017 Tax Legislation. Refer to the table above for a reconciliation of adjusted operating income. The following table summarizes the calculation of Adjusted ROIC as of December 31, 2017 and December 31, 2016:

| | 2017 | 2016 |
|---|-------------------------------------|-------------------------------------|
| (\$000's) | Average Invested Capital | Average Invested Capital |
| Total Debt | \$ 610,988 | \$ 625,857 |
| Total Shareholders Equity | 860,225 | 857,810 |
| Less: Cash | 26,998 | 21,253 |
| Less: Assets Held for Sale | 12,976 | 40,738 |
| Plus: Liabilities Held for Sale | 1,063 | 4,763 |
| Average Invested Capital | \$ 1,432,302 | \$ 1,426,439 |
| Accounts Receivable Securitization | 44,000 | 8,000 |
| Adjusted Average Invested Capital | \$ 1,476,302 | \$ 1,434,439 |
| | 2017 | 2016 |
| Operating Income from Continuing Operations | \$ 167,806 | \$ 185,609 |
| Effective Tax Rate from Continuing Operations | 39.6% | 22.9% |
| After Tax Operating Income | \$ 101,301 | \$ 143,158 |
| ROIC | 7.1% | 10.0% |
| Operating Income from Continuing Operations | \$ 167,806 | \$ 185,609 |
| Restructuring & Other Costs | 48,071 | 26,086 |
| Adjusted Operating Income | \$ 215,877 | \$ 211,695 |
| Tax Rate (1) | 25.3% | 26.9% |
| Adjusted After Tax Operating Income | \$ 161,260 | \$ 154,749 |
| Adjusted ROIC | 10.9% | 10.8% |

(1) Excludes the income tax impact related to the restructuring & other costs, as well as, the impact of the 2017 Tax Legislation.