

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OF

THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended June 30, 2000 Commission file number 1-4858

INTERNATIONAL FLAVORS & FRAGRANCES INC.

(Exact Name of Registrant as specified in its charter)

New York

13-1432060

(State or other jurisdiction of incorporation
or organization)

(IRS Employer
identification No.)

521 West 57th Street, New York, N.Y.

10019-2960

(Address of principal executive offices)

(Zip Code)

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

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Sections 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding twelve 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

Number of shares outstanding as of August 4, 2000: 99,891,344

PART I. FINANCIAL INFORMATION

1

ITEM 1. FINANCIAL STATEMENTS

INTERNATIONAL FLAVORS & FRAGRANCES INC.

CONSOLIDATED BALANCE SHEET
(DOLLARS IN THOUSANDS)

	6/30/00	12/31/99
	----- (Unaudited)	-----
Assets		
Current Assets:		
Cash & Cash Equivalents	\$ 52,403	\$ 62,135
Short-term Investments	983	836
Trade Receivables	334,870	290,118
Allowance For Doubtful Accounts	(10,393)	(10,013)
Inventories: Raw Materials	211,291	229,896
Work in Process	8,652	7,423
Finished Goods	150,500	177,950
Total Inventories	370,443	415,269
Other Current Assets	80,481	77,069
Total Current Assets	828,787	835,414
Property, Plant & Equipment, At Cost	960,232	948,920
Accumulated Depreciation	(439,679)	(425,004)

Other Assets	520,553	523,916
	35,247	42,165
	-----	-----
Total Assets	\$ 1,384,587	\$ 1,401,495
	=====	=====
Liabilities and Shareholders' Equity		
Current Liabilities:		
Bank Loans	\$ 44,157	\$ 29,274
Commercial Paper	144,287	63,200
Accounts Payable-Trade	55,982	71,989
Dividends Payable	38,630	39,882
Income Taxes	62,068	54,497
Other Current Liabilities	117,536	110,860
	-----	-----
Total Current Liabilities	462,660	369,702
	-----	-----
Other Liabilities:		
Deferred Income Taxes	29,622	32,785
Long-term Debt	17,002	3,832
Retirement and Other Liabilities	141,019	136,679
	-----	-----
Total Other Liabilities	187,643	173,296
	-----	-----
Shareholders' Equity:		
Common Stock (115,761,840 shares issued)	14,470	14,470
Capital in Excess of Par Value	133,113	134,480
Retained Earnings	1,226,699	1,211,790
Accumulated Other Comprehensive Income:		
Cumulative Translation Adjustment	(72,363)	(57,135)
	-----	-----
	1,301,919	1,303,605
Treasury Stock, at cost - 14,810,496		
shares in '00 and 10,939,915 in '99	(567,635)	(445,108)
	-----	-----
Total Shareholders' Equity	734,284	858,497
	-----	-----
Total Liabilities and Shareholders' Equity	\$ 1,384,587	\$ 1,401,495
	=====	=====

See Notes to Consolidated Financial Statements

INTERNATIONAL FLAVORS & FRAGRANCES INC.

CONSOLIDATED STATEMENT OF INCOME
(AMOUNTS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)
(Unaudited)

	3 Months Ended 6/30	
	2000	1999
	-----	-----
Net Sales	\$ 368,759	\$ 371,079
Cost of Goods Sold	199,292	205,210
Research and Development Expenses	26,945	25,943
Selling and Administrative Expenses	66,024	64,214
Nonrecurring Charges	--	28,758
Interest Expense	3,074	1,208
Other (Income) Expense, Net	203	4,599
	-----	-----
	295,538	329,932
	-----	-----
Income Before Taxes on Income	73,221	41,147
Taxes on Income	24,305	13,713
	-----	-----
Net Income	48,916	27,434
Other Comprehensive Income:		
Foreign Currency Translation Adjustments	(186)	(17,304)
	-----	-----
Comprehensive Income	\$ 48,730	\$ 10,130
	=====	=====
Net Income Per Share - Basic	\$0.48	\$0.26
Net Income Per Share - Diluted	\$0.48	\$0.26
Average Number of Shares Outstanding - Basic	102,359	105,928
Average Number of Shares Outstanding - Diluted	102,387	106,127
Dividends Paid Per Share	\$0.38	\$0.38
	6 Months Ended 6/30	
	-----	-----
	2000	1999
	-----	-----
Net Sales	\$ 738,671	\$ 738,844
Cost of Goods Sold	400,377	411,679
Research and Development Expenses	53,757	51,868
Selling and Administrative Expenses	131,365	127,794
Nonrecurring Charges	9,354	28,758
Interest Expense	5,211	2,199
Other (Income) Expense, Net	(126)	2,045
	-----	-----
	599,938	624,343
	-----	-----
Income Before Taxes on Income	138,733	114,501
Taxes on Income	46,041	38,287
	-----	-----
Net Income	92,692	76,214
Other Comprehensive Income:		
Foreign Currency Translation Adjustments	(15,228)	(48,001)
	-----	-----
Comprehensive Income	\$ 77,464	\$ 28,213
	=====	=====
Net Income Per Share - Basic	\$0.90	\$0.72
Net Income Per Share - Diluted	\$0.90	\$0.72
Average Number of Shares Outstanding - Basic	103,311	105,917
Average Number of Shares Outstanding - Diluted	103,336	106,127
Dividends Paid Per Share	\$0.76	\$0.76

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOWS
(DOLLARS IN THOUSANDS)
(Unaudited)

	6 Months Ended 6/30	
	2000	1999
	-----	-----
Cash Flows From Operating Activities:		
Net Income	\$ 92,692	\$ 76,214
Adjustments to Reconcile to Net Cash Provided by Operations:		
Depreciation	29,694	27,094
Deferred Income Taxes	(8,102)	5,112
Changes in Assets and Liabilities:		
Current Receivables	(50,320)	(50,497)
Inventories	38,671	(2,973)
Current Payables	1,608	36,500
Other, Net	11,211	6,462
Net Cash Provided by Operations	----- 115,454	----- 97,912
Cash Flows From Investing Activities:		
Proceeds From Sales/Maturities of		
Short-term Investments	124	485
Purchases of Short-term Investments	(273)	(828)
Additions to Property, Plant & Equipment, Net of Minor Disposals		
	(32,290)	(63,093)
Net Cash Used in Investing Activities	----- (32,439)	----- (63,436)
Cash Flows From Financing Activities:		
Cash Dividends Paid to Shareholders	(79,035)	(80,598)
Increase in Bank Loans	15,680	22,889
Proceeds from Issuance of Commercial Paper	81,087	--
Increase in Long-term Debt	13,747	--
Decrease in Long-term Debt	(541)	(420)
Proceeds From Issuance of Stock Under		
Stock Option Plans	1,319	2,436
Purchase of Treasury Stock	(125,213)	(847)
Net Cash Used in Financing Activities	----- (92,956)	----- (56,540)
Effect of Exchange Rate Changes on		
Cash and Cash Equivalents	209	(7,003)
Net Change in Cash and Cash Equivalents	----- (9,732)	----- (29,067)
Cash and Cash Equivalents at Beginning of Year		
	62,135	114,960
Cash and Cash Equivalents at End of Period	----- \$ 52,403	----- \$ 85,893
Interest Paid	\$ 4,195	\$ 2,265
Income Taxes Paid	\$ 45,039	\$ 35,363

See Notes to Consolidated Financial Statements

These interim statements and management's related discussion and analysis should be read in conjunction with the consolidated financial statements and their related notes, and management's discussion and analysis of results of operations and financial condition included in the Company's 1999 Annual Report to Shareholders. These interim statements are unaudited. In the opinion of the Company's management, all normal recurring adjustments necessary for a fair presentation of the results for the interim periods have been made.

As described in Note 2 of the Notes to the Consolidated Financial Statements included in the Company's 1999 Annual Report to Shareholders, in June 1999, the Company announced a program to streamline the Company's operations worldwide by improving operating efficiencies and asset utilization, enabling significant cost savings and enhanced profitability. The program includes the closure of selected manufacturing, distribution and sales facilities in all geographic areas in which the Company operates.

In connection with this program, in January 2000, the Company initiated a voluntary early retirement incentive program for United States-based employees meeting certain eligibility requirements. The nonrecurring charge of \$9,354,000 (\$6,248,000 after tax) in the first quarter 2000 represents the costs associated with approximately 70 employees who elected to participate in the early retirement program. There were no significant non-cash related elements included in the first quarter charge. There were no charges in the second quarter 2000.

At June 30, 2000, the Company had substantially completed the restructuring program. Since the program's inception, total nonrecurring and other one-time pretax charges of approximately \$50,300,000 have been recorded (\$40,900,000 of pretax charges were recorded in 1999); non-cash charge amounts approximated \$11,700,000. The Company anticipates annual savings on completion of this program of approximately \$15,000,000; approximately \$5,000,000 in savings from the program were realized in the first six months of 2000.

Movements in the reserve resulting from nonrecurring charges were as follows:

	EMPLOYEE- RELATED	ASSET- RELATED	TOTAL
Balance December 31, 1999	\$ 9,622,000	\$ 1,586,000	\$ 11,208,000
Additional Reserves	9,354,000	--	9,354,000
Utilized in 2000	(10,038,000)	(736,000)	(10,774,000)
Balance June 30, 2000	\$ 8,938,000	\$ 850,000	\$ 9,788,000

The balance of the reserve is to be utilized upon final decommissioning and disposal of affected equipment, and as severance and other benefit obligations to affected employees are satisfied.

The Company's reportable segment information, based on geographic area, for the first half of 2000 and 1999 follows. Certain prior year amounts have been reclassified for comparative purposes.

2000 (Dollars in thousands)	North America	EAME	Latin America	Asia-Pacific	Eliminations	Consolidated
Sales to unaffiliated customers	\$ 235,946	\$ 287,216	\$ 113,014	\$ 102,495	\$ --	\$ 738,671
Transfers between areas	27,616	58,637	768	6,193	(93,214)	--
Total sales	\$ 263,562	\$ 345,853	\$ 113,782	\$ 108,688	\$ (93,214)	\$ 738,671
Operating profit	\$ 34,382	\$ 92,602	\$ 23,066	\$ 22,322	\$ 323	\$ 172,695
Corporate and other unallocated expenses						(19,523)
Nonrecurring charges						(9,354)
Interest expense						(5,211)
Other income (expense), net						126
Income before taxes on income						\$ 138,733
1999 (Dollars in thousands)	North America	EAME	Latin America	Asia-Pacific	Eliminations	Consolidated
Sales to unaffiliated customers	\$ 244,963	\$ 304,407	\$ 99,311	\$ 90,163	\$ --	\$ 738,844
Transfers between areas	28,396	64,218	345	5,095	(98,054)	--
Total sales	\$ 273,359	\$ 368,625	\$ 99,656	\$ 95,258	\$ (98,054)	\$ 738,844
Operating profit	\$ 35,503	\$ 94,358	\$ 15,739	\$ 16,214	\$ 2,554	\$ 164,368
Corporate and other unallocated expenses						(16,865)
Nonrecurring charges						(28,758)
Interest expense						(2,199)
Other income (expense), net						(2,045)
Income before taxes on income						\$ 114,501

Included in the 1999 operating profit for EAME are second quarter one-time charges totalling \$1,619,000 for accelerated depreciation on assets to be disposed.

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

OPERATIONS

Worldwide net sales for the second quarter of 2000 were \$368,759,000, compared to \$371,079,000 in the 1999 second quarter, a decrease of 1%. Local currency sales for the 2000 second quarter increased approximately 3% over the 1999 second quarter. However, such local currency growth was unfavorably effected by translation into the stronger U.S. dollar. In local currency, fragrance sales in Europe, Africa and the Middle East ("EAME") increased 4% for the quarter, while Asia-Pacific increased 7%. Fragrance sales in North America and Latin America rose 3% and 14%, respectively. EAME and Asia-Pacific reported increased flavor sales, with respective local currency increases of 5% and 9%, while North America and Latin America flavor sales declined 11% and 1%, respectively. The weak flavor sales in North America reflect the continued weak business conditions facing many of the Company's flavor customers.

For the first six months of 2000, worldwide net sales totaled \$738,671,000, compared to \$738,844,000 for the comparable 1999 period. On a country of destination basis, local currency sales for the six months ended June 30, 2000 were strongest in Asia-Pacific, where sales increased 10% over 1999. Local currency sales in EAME increased 5% in comparison to the prior year period, while sales in Latin America increased 8%. Sales in North

America declined 2% in comparison to the prior year, mainly as a result of the continued weak business conditions facing many of the Company's flavor customers. For the six-month period ended June 30, 2000, the local currency growth was mitigated on translation into the stronger U.S. dollar. Had exchange rates been the same during 2000 and 1999, consolidated sales for the six-month period ended June 30, 2000 would have increased approximately 4% in comparison to the prior year period.

The percentage relationship of cost of goods sold and other operating expenses to sales for the first half 2000 and 1999 are detailed below.

	FIRST HALF	
	2000	1999
Cost of Goods Sold	54.2%	55.7%
Research and Development Expenses	7.3%	7.0%
Selling and Administrative Expenses	17.8%	17.3%

Cost of goods sold, as a percentage of net sales, decreased from the prior year primarily due to improved economic and pricing conditions in Latin America, principally Brazil, and stabilized pricing conditions for aroma chemicals. In 1999, the impact of the currency devaluation and economic disruption in Brazil affected the Company's near-term ability to pass on price increases to its customers in that market.

Research and development expenses were somewhat higher due to increased activities in this area. Selling and administrative expenses were somewhat higher in 2000 due to increased depreciation and other costs associated with new computer systems and equipment, as well as certain costs incurred in connection with an employment contract. These costs were partially offset by elimination of costs incurred in 1999 in connection with the Company's Y2K program.

Net income for the second quarter of 2000, totaled \$48,916,000 compared to \$27,434,000 in the prior year second quarter; net income for the first six months of 2000 totaled \$92,692,000 compared to \$76,214,000 for the comparable 1999 period. The amounts for the first six months of 2000 and 1999 include the effect of the nonrecurring charges discussed below. Excluding these charges, income for the second quarter and six months ended June 30, 2000 was \$48,916,000 and \$98,940,000, respectively, compared to \$50,579,000 and \$99,359,000 for the comparable periods in 1999.

As described in Note 2 of the Notes to the Consolidated Financial Statements included in the Company's 1999 Annual Report to Shareholders, in June 1999, the Company announced a program to streamline the Company's operations worldwide by improving operating efficiencies and asset utilization, enabling significant cost savings and enhanced profitability. The program includes the closure of selected manufacturing, distribution and sales facilities in all geographic areas in which the Company operates.

In connection with this program, in January 2000, the Company initiated a voluntary early retirement incentive program for United States-based employees meeting certain eligibility requirements. The nonrecurring charge of \$9,354,000 (\$6,248,000 after tax) in the first quarter 2000 represents the costs associated with approximately 70 employees who elected to participate in the early retirement program. There were no significant non-cash related elements included in the first quarter charge. There were no charges in the second quarter 2000.

In the second quarter 1999, the Company recorded charges of \$35 million (\$23 million after tax). Certain elements of those charges, relating primarily to accelerated depreciation on assets to be disposed of, were

recognized in cost of goods sold (\$666,000) and selling and administrative expenses (\$953,000). In addition, \$4,480,000 associated primarily with facility closure was included in other income and expense. The balance of the charges, representing employee separation and asset-related costs, were recorded as nonrecurring charges in the Consolidated Statement of Income.

Of the total pretax charges in the second quarter of 1999, approximately \$25,400,000 were for EAME, principally employee separation costs associated with the rationalization of certain operations and facilities in the United Kingdom, the Netherlands and France. For North America, Latin America and Asia-Pacific, 1999 charges totaled approximately \$3 million each and relate to employee separations and closure of operations.

At June 30, 2000, the Company had substantially completed the restructuring program. Since the program's inception, total nonrecurring and other one-time pretax charges of approximately \$50,300,000 have been recorded (\$40,900,000 of pretax charges were recorded in 1999); non-cash charge amounts approximated \$11,700,000. The Company anticipates annual savings on completion of this program of approximately \$15,000,000; approximately \$5,000,000 in savings from the program were realized in the first six months of 2000.

Movements in the reserve resulting from nonrecurring charges were as follows:

	EMPLOYEE RELATED	ASSET- RELATED	TOTAL
Balance December 31, 1999	\$ 9,622,000	\$ 1,586,000	\$ 11,208,000
Additional Reserves	9,354,000	--	9,354,000
Utilized in 2000	(10,038,000)	(736,000)	(10,774,000)
Balance June 30, 2000	\$ 8,938,000	\$ 850,000	\$ 9,788,000

The balance of the reserve is to be utilized upon final decommissioning and disposal of affected equipment, and as severance and other benefit obligations to affected employees are satisfied.

The effective tax rates for the second quarter and first six months of 2000 was 33.2%, compared to 33.3% and 33.4% for the comparable periods in 1999. The lower effective rate reflects the effects of lower tax rates in various tax jurisdictions in which the Company operates.

FINANCIAL CONDITION

The financial condition of the Company continued to be strong. Cash, cash equivalents and short-term investments totaled \$53,386,000 at June 30, 2000, and working capital was \$366,127,000 compared to \$465,712,000 at December 31, 1999. Gross additions to property, plant and equipment during the first half of 2000 were \$36,562,000.

At June 30, 2000, the Company's outstanding commercial paper had an average interest rate of 6.5%. Commercial paper maturities did not extend beyond November 30, 2000. Long-term debt increased \$13,747,000 in the first six months of 2000 due to a loan in Japan; the loan is payable in full in 2005 and bears interest at a rate of 1.74%. Proceeds from the loan were used to repay certain short-term borrowings and for general corporate purposes.

In each of January and April 2000, the Company paid a quarterly cash dividend of \$.38 per share to shareholders. In April 2000, the Company announced a plan to repurchase up to an additional 7.5 million shares of its common stock. An existing program to repurchase 7.5 million shares, which had been in effect since 1996, was completed in the first quarter of 2000. Repurchases will be made from time to time on the open market or through private transactions as market and business conditions warrant. The repurchased shares will be available for use in connection with the Company's employee benefit plans and for other general corporate purposes. The Company anticipates that its growth, capital spending and share repurchase plan will be funded from internal sources and credit facilities currently in place.

The accumulated comprehensive income component of Shareholders' Equity, comprised principally of the cumulative translation adjustment, at June 30, 2000, was (\$72,363,000) compared to (\$57,135,000) at December 31, 1999. Changes in the component result from translating the net assets of the majority of the Company's foreign subsidiaries into U.S. dollars at current exchange rates as required by the Statement of Financial Accounting Standards No. 52 on accounting for foreign currency translation.

CAUTIONARY STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

Statements in this Management's Discussion and Analysis which are not historical facts or information are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, and are subject to risks and uncertainties that could cause the Company's actual results to differ materially from those expressed or implied by such forward-looking statements. Risks and uncertainties with respect to the Company's business include general economic and business conditions, the price and availability of raw materials, and political and economic uncertainties, including the fluctuation or devaluation of currencies in countries in which the Company does business.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There are no material changes from the disclosures in Form 10-K filed with the Securities and Exchange Commission as of December 31, 1999.

PART II. OTHER INFORMATION

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

2000 Annual Meeting

At the annual meeting of Registrant's shareholders held Thursday, May 18, 2000, at which 91,888,860 shares, or 89.1%, of Registrant's Common Stock, were represented in person or by proxy, the ten nominees for director of Registrant, as listed in Registrant's proxy statement dated March 29, 2000 previously filed with the Commission, were duly elected to Registrant's Board of Directors. There was no solicitation of proxies in opposition to these nominees.

At such annual meeting, the shareholders also voted with respect to the two other matters submitted for shareholder consideration as follows, the votes being legally sufficient in each case to adopt the proposal:

Proposal to approve Registrant's 2000 Stock Option Plan
for Non-Employee Directors, covering up to 450,000 shares
of Registrant's Common Stock

	No. of Shares

FOR	87,534,991
AGAINST	3,994,738
ABSTAIN AND NON-VOTING	359,131

Proposal to approve Registrant's 2000 Stock Award and
Incentive Plan, covering up to 4.5 million shares of
Registrant's Common Stock

	No. of Shares

FOR	86,610,429
AGAINST	4,909,236
ABSTAIN AND NON-VOTING	369,195

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

Number

- 3 Amendments to Registrant's By-laws adopted April 13, 2000 and May 18, 2000.
- 10(a) Memorandum of Understanding between Registrant and Richard A. Goldstein, Chairman and Chief Executive Officer of Registrant, approved by Registrant's Board of Directors on April 13, 2000.
- 10(b) Registrant's Executive Separation Policy adopted April 13, 2000.
- 10(c) Amended and Restated 364-day Credit Agreement dated as of May 30, 2000 among Registrant as Borrower, certain Initial Lenders, Citibank, N.A. as Agent and Salomon Smith Barney Inc., as Arranger.
- 27 Financial Data Schedule (EDGAR version only).

(b) REPORTS ON FORM 8-K

Registrant filed no report on Form 8-K during the quarter for which this report on Form 10-Q is filed.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

INTERNATIONAL FLAVORS & FRAGRANCES INC.

Dated: August 14, 2000

By: /s/ DOUGLAS J. WETMORE

Douglas J. Wetmore, Vice-President
and Chief Financial Officer

Dated: August 14, 2000

By: /s/ STEPHEN A. BLOCK

Stephen A. Block, Senior Vice-
President, General Counsel
and Secretary

AMENDMENT TO REGISTRANT'S BY-LAWS

ADOPTED BY BOARD OF DIRECTORS

ON APRIL 13, 2000

RESOLVED that Article II, Section 2 of the By-laws of the Corporation, as amended, is hereby further amended, effective May 18, 2000, by changing the word "twelve" appearing therein to "ten."

AMENDMENT TO REGISTRANT'S BY-LAWS

ADOPTED BY BOARD OF DIRECTORS

ON MAY 18, 2000

RESOLVED that Article II, Section 2 of the By-laws of the Corporation, as amended, is hereby further amended, effective immediately, by changing the word "ten" appearing therein to "eleven."

MEMORANDUM OF UNDERSTANDING

This Memorandum sets forth an outline of the terms of an Employment Contract pursuant to which International Flavors & Fragrances Inc. ("IFF") will employ Richard Goldstein ("Executive") as its Chairman and CEO.

- I. Term: Five years from date first employed.
- II. Annual Compensation
- Salary: Not less than \$900,000.
- Bonus: Based on performance. First year guarantee \$590,000 (which represents 60% of salary), under plan to be adopted by IFF shareholders at annual meeting. No proration.
- Long Term Incentive: Based on performance. First year guarantee \$720,000 (which represents 80% of salary), under plan to be adopted by IFF shareholders at annual meeting. No proration.
- Annual Stock Option Grant: First year 100,000 shares. Thereafter annual stock option grant of shares with Black-Scholes value of \$590,000. First year grant will be made after IFF shareholders have approved new stock option plan at annual meeting.
- Expenses: \$120,000 per year to cover incidental business related expenses.
- Benefits: Participate in IFF programs for its executives. IFF will provide Executive supplemental individual life insurance, group life insurance, long term disability, accidental death, etc. in order that total benefits provided to Executive by IFF will be equivalent to benefits provided to Executive by Unilever (Executive's current employer).
- III. Sign on Stock Option Grant: 500,000 shares. This grant will be made upon date of employment to the extent shares are available under existing stock option plan. Balance of grant will be made after IFF shareholders have approved new plan at annual meeting.
- IV. Forfeiture Makeups: When Executive leaves Unilever, Executive will be required to give up certain grants. To keep Executive whole, IFF will provide the following:
- (a) Payment of \$2,118,750, payable when Unilever would have made identical payments under Unilever's long term incentive plan.
- (b) Payment of \$871,000 to compensate Executive for loss of ability to exercise "in the money" vested options which Unilever has the right to cancel. If Unilever permits exercise of these options, the amount would not be due from IFF. It is understood that, if this amount is due to Executive from IFF, Executive will have the right to take amount in IFF stock and/or cash.
- (c) Grant of stock option for 100,000 shares under new plan approved by IFF shareholders at annual meeting. This is to compensate executive for loss of his remaining Unilever stock options which are under water and unvested.
- V. Pension Make-up: In no event will Executive receive less pension on his retirement from IFF after five (5) years than he would have received had he stayed at Unilever for another five (5) years. If retirement

from IFF occurs prior to five (5) years, the five (5) year pension credit will be calculated based on Executive's earnings at IFF and, before IFF, at Unilever during the five (5) years immediately preceding such retirement.

VI. Severance:

If Executive's employment is terminated prior to five (5) years by the Company "without cause" or by the Executive for "good reason":

(a) Executive will receive salary, bonus and benefits for the remaining term of his employment contract, but not for less than two years. For example:

Year of Termination -----	Period of Receipt -----	
Year 1	5 years	
Year 2	4 years	
Year 3	3 years	
Year 4	2 years}	Payable under IFF

INTERNATIONAL FLAVORS & FRAGRANCES INC.

Executive Separation Policy Document

INTERNATIONAL FLAVORS & FRAGRANCES INC.

Executive Separation Policy

	Page
1. Purpose	1
2. Definitions	1
3. Eligibility	6
4. Severance Payments and Benefits	6
5. Acceleration of Equity Awards Upon a Change in Control; Certain Provisions Applicable to Equity Awards	15
6. Excise Tax Gross-Up; Limited Reduction in Severance Payments to Avoid Excise Taxes	16
7. Employee Obligations and Conditions to Receipt of Payments and Benefits	18
8. Other Provisions Applicable to Severance Payments and Benefits	20
9. Other Plans and Policies; Non-Duplication of Payments or Benefits	21
10. Miscellaneous	22

INTERNATIONAL FLAVORS & FRAGRANCES INC.

Executive Separation Policy

1. Purpose. The purpose of this International Flavors & Fragrances Inc. Executive Separation Policy (the "Policy") is to provide certain severance payments and benefits to designated officers and other key executives and employees of the Company and its subsidiaries (each, an "Employee") in the event of termination of employment (i) prior to or more than three years after a Change in Control or (ii) within three years after a Change in Control. This Policy shall not affect the right of the Company or a subsidiary to terminate an Employee's employment with or without Cause.

2. Definitions. The following definitions are applicable for purposes of this Policy, in addition to terms defined in Section 1 above:

(a) "Annual Compensation" means the sum of salary and annual incentive compensation, calculated as follows:

(i) Salary shall be calculated as the Employee's annual salary with the Company and its subsidiaries at the highest rate in effect at any time during the five years preceding termination of employment; and

(ii) Annual incentive shall be calculated as the greater of Employee's average annual incentive award paid for performance in the three years preceding the year of termination under the AIP or the Employee's target annual incentive for the year of termination.

(b) "AIP" means any plan or arrangement of the Company providing cash-denominated bonuses for annual performance.

(c) "Beneficiary" means any family member or members, including by marriage or adoption, any trust in which the Employee or any family member or members have more than 50% of the beneficial interest, and any other entity in which the Employee or any family member or members own more than 50% of the voting interests, in each case designated by the Employee in his most recent written Beneficiary designation filed with the Committee as entitled to receive payments or benefits in connection with this Policy or, if there is no surviving designated Beneficiary, then the person, persons, trust or trusts entitled by will or the laws of descent and distribution to receive payments or benefits in connection with this Policy on behalf or in lieu of such non-surviving designated Beneficiary.

(d) "Cause" means (i) the willful and continued failure by the Employee to perform substantially his duties with the Company (other than any such failure resulting from the Employee's incapacity due to physical or mental illness) after a written demand for substantial performance is delivered to the Employee by the Chairman of the Board of Directors or the President of the Company which specifically identifies the manner in which the Employee has not substantially performed his duties, (ii) the willful

engagement by the Employee in conduct which is not authorized by the Board of Directors of the Company or within the normal course of the Employee's business decisions and is known by the Employee to be materially detrimental to the best interests of the Company or any of its subsidiaries, or (iii) the willful engagement by the Employee in illegal conduct or any act of serious dishonesty which adversely affects, or, in the reasonable estimation of the Board of Directors of the Company, could in the future adversely affect, the value, reliability or performance of the Employee to the Company in a material manner. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board of Directors of the Company or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by the Employee in good faith and in the best interests of the Company. Notwithstanding the foregoing, an Employee shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to the Employee a copy of the resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board of Directors after reasonable notice to the Employee and an opportunity for him, together with his counsel, to be heard before the Board of Directors, finding that, in the good faith opinion of the Board of Directors, the Employee was guilty of the conduct set forth above in (i), (ii) or (iii) of this Section 2(c) and specifying the particulars thereof in detail.

(e) A "Change in Control" shall be deemed to have occurred if, after the Effective Date and while the affected Employee is employed by the Company or a subsidiary, there shall have occurred any of the following:

(i) Any "person," as such term is used in Section 13(d) and 14(d) of the Exchange Act (other than the Company, any trustee or other fiduciary holding securities under an employee benefit plan of the Company, or any company owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of stock of the Company), acquires voting securities of the Company and immediately thereafter is a "40% Beneficial Owner." For purposes of this provision, a "40% Beneficial Owner" shall mean a person who is the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 40% or more of the combined voting power of the Company's then-outstanding voting securities; provided, however, that the term "40% Beneficial Owner" shall not include any person who was a beneficial owner of outstanding voting securities of the Company at February 20, 1990, or any person or persons who was or becomes a fiduciary of any such person or persons who is, or in the aggregate, are a "40% Beneficial Owner" (an "Existing Shareholder"), including any group that may be formed which is comprised solely of Existing Shareholders, unless and until such time after February 20, 1990 as any such Existing Shareholder shall have become the beneficial owner (other than by means of a stock dividend, stock split, gift, inheritance or receipt or exercise of, or accrual of any right to exercise, a stock option granted by the Company or receipt or settlement of any other stock-related award granted by the Company) by purchase of any additional voting securities of the Company; and provided further, that the term "40% Beneficial Owner" shall not include any person who shall become the beneficial owner of 40% or more of the combined voting power

of the Company's then-outstanding voting securities solely as a result of an acquisition by the Company of its voting securities, until such time thereafter as such person shall become the beneficial owner (other than by means of a stock dividend or stock split) of any additional voting securities and becomes a 40% Beneficial Owner in accordance with this Section 2(d)(i).

(ii) During any period of two consecutive years commencing on or after the Effective Date, individuals who at the beginning of such period constitute the Board, and any new director (other than a director designated by a person (as defined above) who has entered into an agreement with the Company to effect a transaction described in subsections (i), (iii) or (iv) of this definition) whose election by the Board or nomination for election by the Company's shareholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved (the "Continuing Directors") cease for any reason to constitute at least a majority thereof.

(iii) The shareholders of the Company have approved a merger, consolidation, recapitalization, or reorganization of the Company, or a reverse stock split of any class of voting securities of the Company, or the consummation of any such transaction if shareholder approval is not obtained, other than any such transaction which would result in at least 60% of the combined voting power of the voting securities of the Company or the surviving entity outstanding immediately after such transaction being beneficially owned by persons who together beneficially owned at least 80% of the combined voting power of the voting securities of the Company outstanding immediately prior to such transaction, with the relative voting power of each such continuing holder compared to the voting power of each other continuing holder not substantially altered as a result of the transaction; provided that, for purposes of this Section 2(d)(iii), such continuity of ownership (and preservation of relative voting power) shall be deemed to be satisfied if the failure to meet such 60% threshold (or to substantially preserve such relative voting power) is due solely to the acquisition of voting securities by an employee benefit plan of the Company, such surviving entity or a subsidiary thereof; and provided further, that, if consummation of the corporate transaction referred to in this Section 2(d)(iii) is subject, at the time of such approval by shareholders, to the consent of any government or governmental agency or approval of the shareholders of another entity or other material contingency, no Change in Control shall occur until such time as such consent and approval has been obtained and any other material contingency has been satisfied.

(iv) The shareholders of the Company have approved a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets (or any transaction having a similar effect); provided that, if consummation of the transaction referred to in this Section 2(d)(iv) is subject, at the time of such approval by shareholders, to the consent of any government or governmental

agency or approval of the shareholders of another entity or other material contingency, no Change in Control shall occur until such time as such consent and approval has been obtained and any other material contingency has been satisfied.

(v) Any other event which the Board of Directors of the Company determines shall constitute a Change in Control for purposes of this Policy.

Notwithstanding the foregoing, the Board and the Continuing Directors may determine that no Change in Control shall be deemed to have occurred or that some or all of the enhancements to the rights of Employees under the Policy upon a Change in Control, as provided under Sections 4, 5 and 6, shall not apply if, prior to the later of occurrence of the specified event that would otherwise constitute a Change in Control under this definition (the "Event") or the expiration of seven days after the Company has obtained actual notice that such Event has occurred, the Board and the Continuing Directors of the Company then in office, each by a majority vote thereof and in consideration of the circumstances and acting in good faith, determine that the occurrence of such Event shall not be deemed to be a Change in Control hereunder, shall not be deemed to be a Change in Control with respect to one or more specified Employees, or shall not result in specified enhancements to the rights of one or more Employees that would otherwise be triggered by the occurrence of a Change in Control. Each Employee covered by the Policy at the date of such Event and affected by such action of the Board and Continuing Directors shall be protected by the legally binding obligation of the Company to maintain the Policy in effect for at least three years after the Event for the benefit of such Employee, except to the extent such Employee may agree to a change in or termination of the Policy.

(f) "Committee" means the Stock Option and Compensation Committee of the Company's Board of Directors, or such other committee as the Board may designate to perform administrative functions under the Policy.

(g) "Company" means International Flavors & Fragrances Inc., a New York corporation, or any successor corporation.

(h) "Designated Awards" means (i) options granted under the Company's Employee Stock Option Plan of 1988, Employee Stock Option Plan of 1992 and 1997 Employee Stock Option Plan, (ii) any other options granted under a Plan, whether currently existing or hereafter adopted by the Company, that, by its terms, does not permit such options to become vested and exercisable upon occurrence of a Change in Control and to remain outstanding for the periods provided in Section 5(a), and (iii) restricted stock and other equity-based awards granted under a Plan or arrangement that, by its terms, does not permit such awards to become vested and non-forfeitable upon occurrence of a Change in Control as provided in Section 5(a) in each case if such options or other awards remain outstanding and held by the Employee at the date of his termination of employment.

(i) "Disability" means a disability entitling the Employee to long-term disability benefits under the Company's long-term disability policy as in effect at the date of Employee's termination of employment.

(j) "Effective Date" means the date the Policy became effective, as set forth in Section 10(i) hereof.

(k) "Excess Benefit Plan" means the Company's Supplemental Retirement Plan and any supplemental pensions provided to the Employee under any resolutions adopted by the Board of Directors of the Company or any subsidiary, and as the same may be modified, replaced or added to by the Company and its subsidiaries from time to time.

(l) "Good Reason" means the occurrence of any of the following events, unless the Employee has consented in writing thereto:

(i) a reduction by the Company and its subsidiaries in the Employee's base salary as in effect immediately prior to the Change in Control;

(ii) the failure by the Company or a subsidiary to continue in effect any Plan (as hereinafter defined) in which the Employee was participating at the time of the Change in Control, unless such Plan (x) is replaced by a successor Plan providing to the Employee substantially similar compensation and benefits (which replacement Plan shall continue to be subject to this provision) or (y) terminates as a result of the normal expiration of such Plan in accordance with its terms, as in effect immediately prior to the Change in Control; or the taking of any other action, or the failure to act, by the Company or a subsidiary which would materially adversely affect the Employee's continued participation in any of such Plans as compared to the terms of such participation on the date of the Change in Control, including by materially reducing the Employee's benefits in the future under any such Plans;

(iii) effecting a change in the position of the Employee which does not represent a position commensurate in level, authority and responsibilities with or a promotion from Employee's position with the Company or any of its subsidiaries immediately prior to the date of the Change in Control, or assigning to the Employee responsibilities which are materially inconsistent with such prior position; or

(iv) the Company's or a subsidiary's requiring the Employee to be based anywhere more than 45 miles from the location of Employee's office or the location of the Company's executive offices immediately prior to the Change in Control, except that the Company may require Employee to be based more than 45 miles from such location if the relocation is to a principal executive office of the Company or principal office of a major division or subsidiary of the Company, provided that the Employee is reimbursed, on an after-tax basis, for all reasonable expenses incurred and losses experienced in respect of such relocation in accordance with Company's relocation policy prior to the date of the

Change in Control, and except for required travel on the business of the Company or subsidiaries to an extent substantially consistent with the business travel obligations which the Employee undertook on behalf of the Company or subsidiaries prior to the Change in Control;

in each case after notice in writing from the Employee to the Company and a period of 30 days after such notice during which the Company and its subsidiaries fail to correct such conduct.

(m) "LTIP" means a long-term performance incentive plan of the Company.

(n) "Plan" means any compensation plan of the Company or a subsidiary such as an incentive, stock option or restricted stock plan or any employee benefit plan of the Company or a subsidiary such as a pension, profit sharing, medical, dental or life insurance plan.

(o) "Prior Executive Severance Agreement" means an Executive Severance Agreement between the Employee and the Company in effect immediately prior to the Effective Date of this Policy.

(p) "Retirement" means retirement after attaining age 65.

(q) "Retirement Plan" means the Company's tax-qualified pension plan in which the Employee participates, as the same may be modified, replaced or added to by the Company or a subsidiary from time to time.

3. Eligibility. Each officer of the Company or other key executive or employee of the Company or its subsidiaries who has been designated in writing by the Committee shall be eligible for the severance payments and benefits and other provisions of this Policy if his termination of employment qualifies hereunder. Eligible persons shall include persons employed outside the United States, if designated by the Committee and subject to Section 10(h) of this Policy. As of the date of adoption of this Policy, each executive officer of the Company listed on Annex I is designated as a Tier 1 participant hereunder.

4. Severance Payments and Benefits. For each Employee or class of Employees eligible to participate under this Policy, the Committee shall specify the terms and conditions under which severance payments and benefits will be paid and other terms and conditions of participation. For Employees designated as Tier 1 level participants, these terms and conditions shall be as set forth in this Section 4; provided, however, that the Committee may vary these terms or provide enhanced benefits in a document provided to a participant otherwise designated as Tier 1, except that the Committee shall not vary such terms and conditions in a way adverse to a previously designated participant without the written consent of such participant. A summary of Tier 1 terms and conditions shall be attached hereto as Attachment A, but if there is any inconsistency between the terms and conditions of this Section 4 and Attachment A, this Section 4 shall take precedence. For Employees designated as participants at a level other than Tier 1, the terms and conditions of such participation approved by the Committee shall be set forth in a matrix or other document and attached hereto as one

or more additional attachments. Ambiguities in such terms and conditions shall be resolved in a manner consistent with the terms of this Section 4.

(a) Termination by the Company Not for Cause Prior to or More than Three Years After a Change in Control. An Employee who is eligible for Tier 1 severance payments and benefits under this Policy pursuant to Section 3 shall be entitled to receive the payments and benefits from the Company upon termination of employment at any time prior to a Change in Control or more than three years following a Change in Control, if such termination is by the Company (or its subsidiaries) other than for Cause and such termination is not due to death, Disability or Retirement, or by the Employee for any reason, and shall be subject to other terms, as follows:

(i) Such Employee's annual salary otherwise payable through the date of termination of employment, together with salary, incentive compensation and benefits which have been earned or become payable as of the date of termination but which have not yet been paid to the Employee and unreimbursed business expenses reimbursable under Company policies then in effect; provided, however, that the Company and its subsidiaries may offset such amounts against obligations and liabilities of the Employee to the Company and its subsidiaries.

(ii) A lump-sum cash payment of a prorated portion of the Employee's annual incentive under any AIP that would have become payable for performance in the year of termination had Employee's employment continued, with such award prorated based on the number of days during the year of termination which preceded the Employee's termination. This amount will be payable at such time as annual incentives for performance in the year of termination otherwise become payable.

(iii) For a period terminating on the earliest of 24 months following the date of termination of employment or the Employee's attaining age 65, severance payments, paid periodically at the date annual salary payments would otherwise have been made, at a monthly rate equal to one-twelfth of the sum of the Employee's annual salary at the date of termination plus the Employee's average annual incentive award paid for performance in the three years preceding the year of termination under any AIP (or averaged over the lesser number of years during which the Employee was eligible for AIP awards or, if not eligible before the year of termination, the Employee's target annual incentive under the AIP for the year of termination).

(iv) Subject to Section 5(b), and unless otherwise determined by the Committee, the Employee's options which have not vested at the time of the Employee's termination of employment shall be immediately forfeited and the Employee's options which have vested at or before the Employee's termination of employment shall remain outstanding and exercisable only for 90 days after such termination (but in no event past the stated expiration date of the option), and at the end of such period such options shall be canceled.

(v) Subject to Section 5(b), and unless otherwise determined by the Committee, the Employee's restricted stock and stock unit grants and LTIP awards which have not vested at the time of the Employee's termination of employment shall be immediately forfeited.

(vi) For a period terminating on the earliest of 24 months following the date of termination of employment, the commencement of eligibility for benefits under a new employer's welfare benefits plan, or the Employee's attaining age 65, the maintenance in effect for the continued benefit of the Employee and his dependents of:

(A) all insured and self-insured medical and dental benefit Plans of the Company and subsidiaries in which the Employee was participating immediately prior to termination, provided that the Employee's continued participation is possible under the general terms and conditions of such Plans (and any applicable funding media) and the Employee continues to pay an amount equal to the Employee's regular contribution for such participation; and

(B) the group life insurance, group accident insurance, and group disability insurance policies of the Company and subsidiaries then in effect and covering the Employee immediately prior to termination;

provided, however, that if the Company so elects, or if such continued participation is not possible under the general terms and conditions of such plans or under such policies, the Company, in lieu of the foregoing, shall arrange to have issued for the benefit of the Employee and the Employee's dependents individual policies of insurance providing benefits substantially similar (on an after-tax basis) to those described in this Section 4(a)(vi), or, if such insurance is not available at a reasonable cost to the Company, shall otherwise provide to the Employee and the Employee's dependents substantially equivalent benefits (on an after-tax basis); provided further that, in no event shall the Employee be required to pay any premiums or other charges in an amount greater than that which the Employee would have paid in order to participate in the Company's Plans and policies.

(vii) The Employee's benefits and rights under the Retirement Plan and any Excess Benefit Plan shall be determined under the applicable provisions of such Plans.

(b) Termination by the Company for Cause or Voluntary Termination by the Employee Prior to or More than Three Years After a Change in Control. An Employee who is eligible for Tier 1 severance payments and benefits under this Policy pursuant to Section 3 shall be entitled to receive the payments and benefits from the Company upon termination of employment at any time prior to a Change in Control or more than three years following a Change in Control, if such termination is by the Company (or its subsidiaries) for Cause or is voluntary by the Employee and such termination is not due to death, Disability or Retirement, and shall be subject to other terms, as follows:

(i) Such Employee's annual salary otherwise payable through the date of termination of employment, together with salary, incentive compensation and benefits which have been earned or become payable as of the date of termination but which have not yet been paid to the Employee and unreimbursed business expenses reimbursable under Company policies then in effect; provided, however, that the Company and its subsidiaries may offset such amounts against obligations and liabilities of the Employee to the Company and its subsidiaries.

(ii) No portion of the Employee's annual incentive under any AIP for the year of termination shall be or become payable.

(iii) Subject to Section 5(b), and unless otherwise determined by the Committee, the Employee's options which have not vested at the time of the Employee's termination of employment shall be immediately forfeited and the Employee's options which have vested at or before the Employee's termination of employment (A), if termination is by the Company (or its subsidiaries) for Cause, such options shall be immediately canceled, and (B), if termination is voluntary by the Employee, such options shall remain outstanding and exercisable only for 90 days after such termination (but in no event past the stated expiration date of the option), and at the end of such period such options shall be canceled.

(iv) Subject to Section 5(b), the Employee's restricted stock and stock unit grants and LTIP awards which have not vested at the time of the Employee's termination of employment shall be immediately forfeited.

(v) The Employee's benefits and rights under any welfare benefit Plan, the Retirement Plan and any Excess Benefit Plan shall be determined under the applicable provisions of such Plans.

(c) Termination Due to Death, Disability or Retirement Prior to or More than Three Years After a Change in Control. An Employee who is eligible for Tier 1 severance payments and benefits under this Policy pursuant to Section 3 shall be entitled to receive the payments and benefits from the Company upon termination of employment at any time prior to a Change in Control or more than three years following a Change in Control, if such termination is due to death, Disability or Retirement and is not for Cause, and shall be subject to other terms, as follows:

(i) Such Employee's annual salary otherwise payable through the date of termination of employment, together with salary, incentive compensation and benefits which have been earned or become payable as of the date of termination but which have not yet been paid to the Employee and unreimbursed business expenses reimbursable under Company policies then in effect; provided, however, that the Company and its subsidiaries may offset such amounts against obligations and liabilities of the Employee to the Company and its subsidiaries.

(ii) A cash payment of a prorated portion of the Employee's annual incentive under any AIP that would have become payable for performance in the year of termination had Employee's employment continued, with such award prorated based on the number of days during the year of termination which preceded the Employee's termination. This amount will be payable at such time as annual incentives for performance in the year of termination otherwise become payable.

(iii) Subject to Section 5(b), the Employee's options which have not vested at the time of the Employee's termination of employment shall be immediately fully vested and exercisable, and the Employee's options shall remain outstanding and exercisable after termination for the following periods (but in no event past the stated expiration date of the option): (A) for one year if termination resulted from the Employee's death, (B) three years if termination resulted from the Employee's Disability, and (C) for the remaining period until the stated expiration date of the option if termination resulted from Retirement. At the end of the applicable post-termination exercise period, such options shall be canceled.

(iv) Subject to Section 5(b), the Employee's restricted stock and stock unit awards which have not vested at the time of the Employee's termination of employment shall be immediately fully vested and, unless waived or deferred by the Employee in the case of termination due to Disability or Retirement, stock unit awards shall be settled as promptly as practicable following termination.

(v) A cash payment of a prorated portion of each of the Employee's LTIP awards that would have become payable for each performance cycle ongoing at the time of termination had Employee's employment continued through the end of such performance cycle, with such LTIP award prorated based on the number of days during the performance cycle preceding the Employee's termination. This amount will be payable at such time as the LTIP awards for the applicable performance cycle otherwise become payable, except the Committee may instead make a good faith estimate of the actual performance achieved through the date of termination and rely on this estimate to determine the amount payable in settlement of such LTIP award, in which case such payment will constitute full settlement of such LTIP award.

(vi) The Employee's benefits and rights under any welfare benefit Plan, the Retirement Plan and any Excess Benefit Plan shall be determined under the applicable provisions of such Plans.

(d) Termination by the Company Not for Cause or by Employee for Good Reason Within Three Years After a Change in Control. An Employee who is eligible for Tier 1 severance payments and benefits under this Policy pursuant to Section 3 shall be entitled to receive the payments and benefits from the Company upon termination of employment within three years following a Change in Control, if such termination is by the Company (or its subsidiaries) not for Cause or is by the Employee for Good Reason

and such termination is not due to death, Disability or Retirement, and shall be subject to other terms, as follows:

(i) Such Employee's annual salary otherwise payable through the date of termination of employment, together with salary, incentive compensation and benefits which have been earned or become payable as of the date of termination but which have not yet been paid to the Employee and unreimbursed business expenses reimbursable under Company policies then in effect; provided, however, that the Company and its subsidiaries may offset such amounts against obligations and liabilities of the Employee to the Company and its subsidiaries.

(ii) A cash payment of a prorated portion of the Employee's annual incentive under any AIP, determined as the greater of the target annual incentive for the year of termination or the annual incentive that would have become payable for performance in the year of termination had Employee's employment continued, with the award so determined then prorated based on the number of days during the year of termination which preceded the Employee's termination. The amount determined based on target annual incentive will be payable as a lump sum, with any additional amount resulting from performance over the full year of termination payable at such time as annual incentives for performance in that year otherwise become payable.

(iii) A lump-sum cash severance payment equal to the product of the Employee's Annual Compensation, multiplied by 2.5; provided, however, that if Employee has attained age 62 and one-half at the date of termination, instead of a multiplier of 2.5 the multiplier shall be the number of whole months and any partial month from the date of termination remaining until the Employee attains age 65, divided by 12.

(iv) A cash payment of 100% of each of the Employee's LTIP awards for each performance cycle ongoing at the time of termination, determined as the greater of the target LTIP award for that performance cycle or the LTIP award that would have become payable had Employee's employment continued through the end of such performance cycle. The amount determined based on the target LTIP awards will be payable as a lump sum, with any additional amount resulting from performance over the full performance cycle payable at such time as LTIP awards otherwise become payable.

(v) Subject to Section 5(b), the Employee's options which have not vested at the time of the Employee's termination of employment shall be immediately fully vested and exercisable, and the Employee's options shall remain outstanding and exercisable for the remaining period until the stated expiration date of the option.

(vi) Subject to Section 5(b), the Employee's restricted stock and stock unit awards which have not vested at the time of the Employee's termination of employment shall be immediately fully vested and, unless waived or deferred by

the Employee, stock unit awards shall be settled as promptly as practicable following termination.

(vii) The Employee's Designated Awards, if any, will be subject to the terms of the Plan under which they were granted, and, in the case of options which are Designated Awards, Employee will be entitled to payment pursuant to the limited stock appreciation rights, if any, that were originally granted to Employee under the Prior Executive Severance Agreement. These limited stock appreciation rights are hereby amended and restated to provide that, for each share of the Company's Common Stock subject to any option which is a Designated Award that remains outstanding at the date of Employee's termination subject to this Section 4(d), whether or not such option is then exercisable, the Company shall pay to Employee the amount determined by subtracting the exercise price thereof from the highest of (A) the market price per share of Common Stock on the New York Stock Exchange at the close of business on the effective day of termination, (B) the price per share contained in any published tender offer made within one year before or after the date of the Change in Control, (C) the price contained in any merger or acquisition agreement entered into by the Company and any third party within one year before or after the date of the Change in Control, or (D) the market price per share of Common Stock on the New York Stock Exchange on the date of the Change in Control, and, upon such payment, such option shall be deemed canceled and annulled.

(viii) The Employee will be credited with additional age and years of service under any Excess Benefit Plan as though the Employee continued to be employed for a period of 36 months after termination or until he attains age 65, whichever period is less, and the Employee will be deemed to be fully vested under any such Excess Benefit Plan, with the time or times at which benefits are payable under any such Plan unchanged; provided, however, that if an Excess Benefit Plan does not permit such additional crediting of age and years of service, then Employee will be paid in a lump sum the present value of the additional benefits he would have received under such Plan had Employee's employment continued at his previous rate of compensation to the earlier of the third anniversary of his termination or the date of attainment of age 65; provided further, that the Company's obligations under any such Excess Benefit Plan shall be fully funded by deposits into a "rabbi trust" the trustee of which shall be independent of the Company and the terms of which shall preclude access by the Company to any of the trust assets, except for attachments by creditors of the Company upon insolvency or bankruptcy of the Company, until all obligations to the Employee and his beneficiaries have been satisfied: and provided further, that the Company may elect to satisfy all obligations to the Employee and his beneficiaries by payment, as a lump sum, of the present value of the accrued benefit under any Excess Plan.

(ix) For a period terminating on the earlier of 36 months following the date of termination of employment or the commencement of eligibility for benefits

under a new employer's welfare benefits plan, the maintenance in effect for the continued benefit of the Employee and his dependents of:

(A) all insured and self-insured medical and dental benefit plans of the Company and subsidiaries in which the Employee was participating immediately prior to termination, provided that the Employee's continued participation is possible under the general terms and conditions of such plans (and any applicable funding media) and the Employee continues to pay an amount equal to the Employee's regular contribution for such participation; and

(B) the group life insurance and group disability insurance policies of the Company and subsidiaries then in effect for Employee;

provided, however, that if the Company so elects, or if such continued participation is not possible under the general terms and conditions of such plans or under such policies, the Company, in lieu of the foregoing, shall arrange to have issued for the benefit of the Employee and the Employee's dependents individual policies of insurance providing benefits substantially similar (on an after-tax basis) to those described in this Section 4(d)(ix), or, if such insurance is not available at a reasonable cost to the Company, shall otherwise provide the Employee and the Employee's dependents substantially equivalent benefits (on an after-tax basis); provided further that, in no event shall the Employee be required to pay any premiums or other charges in an amount greater than that which the Employee would have paid in order to participate in the Company's plans and policies.

(e) Termination by the Company for Cause or Voluntary Termination by the Employee Within Three Years After a Change in Control. An Employee who is eligible for Tier 1 severance payments and benefits under this Policy pursuant to Section 3 shall be entitled to receive the payments and benefits from the Company upon termination of employment at any time within three years following a Change in Control, if such termination is by the Company (or its subsidiaries) for Cause or is voluntary by the Employee not for Good Reason and such termination is not due to death, Disability or Retirement, and shall be subject to other terms, as follows:

(i) Such Employee's annual salary otherwise payable through the date of termination of employment, together with salary, incentive compensation and benefits which have been earned or become payable as of the date of termination but which have not yet been paid to the Employee and unreimbursed business expenses reimbursable under Company policies then in effect; provided, however, that the Company and its subsidiaries may offset such amounts against obligations and liabilities of the Employee to the Company and its subsidiaries.

(ii) No portion of the Employee's annual incentive under any AIP for the year of termination shall be or become payable.

(iii) Subject to Section 5(b), and unless otherwise determined by the Committee, if termination is by the Company (or its subsidiaries) for Cause all of the Employee's options (vested and unvested) shall be immediately forfeited and canceled, and if termination is voluntary by the Employee, all of the Employee's options which have not vested at the time of his termination shall be immediately fully vested and exercisable, and all of the Employee's options which have vested at or before his termination shall remain outstanding and exercisable for 90 days after such termination (but in no event past the stated expiration date of the option), and at the end of such period such options shall be canceled.

(iv) Subject to Section 5(b), the Employee's restricted stock and stock unit grants and LTIP awards which have not vested at the time of the Employee's termination of employment shall be immediately forfeited.

(v) The Employee's benefits and rights under any welfare benefit Plan, the Retirement Plan and any Excess Benefit Plan shall be determined under the applicable provisions of such Plans.

(f) Termination Due to Death, Disability or Retirement Within Three Years After a Change in Control. An Employee who is eligible for Tier 1 severance payments and benefits under this Policy pursuant to Section 3 shall be entitled to receive the payments and benefits from the Company upon termination of employment at any time within three years following a Change in Control, if such termination is due to death, Disability or Retirement and is not for Cause or voluntary by the Employee for Good Reason, and shall be subject to other terms, as follows:

(i) Such Employee's annual salary otherwise payable through the date of termination of employment, together with salary, incentive compensation and benefits which have been earned or become payable as of the date of termination but which have not yet been paid to the Employee and unreimbursed business expenses reimbursable under Company policies then in effect; provided, however, that the Company and its subsidiaries may offset such amounts against obligations and liabilities of the Employee to the Company and its subsidiaries.

(ii) A cash payment of a prorated portion of the Employee's annual incentive under any AIP, determined as the greater of the target annual incentive for the year of termination or the annual incentive that would have become payable for performance in the year of termination had Employee's employment continued, with the award so determined then prorated based on the number of days during the year of termination which preceded the Employee's termination. The amount determined based on target annual incentive will be payable as a lump sum, with any additional amount resulting from performance over the full year of termination payable at such time as annual incentives for performance in that year otherwise become payable.

(iii) Subject to Section 5(b), the Employee's options which have not vested at the time of the Employee's termination of employment shall be

immediately fully vested and exercisable, and the Employee's options shall remain outstanding and exercisable after termination for the following periods (but in no event past the stated expiration date of the option): (A) for one year if termination resulted from the Employee's death, (B) three years if termination resulted from the Employee's Disability, (C) for the remaining period until the stated expiration date of the option if termination resulted from Retirement or (D), unless otherwise determined by the Committee, for 90 days. At the end of the applicable post-termination exercise period, such options shall be canceled.

(iv) Subject to Section 5(b), the Employee's restricted stock and stock unit awards which have not vested at the time of the Employee's termination of employment shall be immediately fully vested and, unless waived or deferred by the Employee in the case of termination due to Disability or Retirement, stock unit awards shall be settled as promptly as practicable following termination.

(v) A cash payment of a prorated portion of each of the Employee's LTIP awards that would have become payable for each performance cycle ongoing at the time of termination, determined as the greater of the target LTIP award for that performance cycle or the LTIP award that would have become payable had Employee's employment continued through the end of such performance cycle, with each LTIP award prorated based on the number of days during the performance cycle preceding the Employee's termination. The amount determined based on the target LTIP awards will be payable as a lump sum, with any additional amount resulting from performance over the full performance cycle payable at such time as LTIP awards otherwise become payable.

(vi) The Employee's benefits and rights under any welfare benefit Plan, the Retirement Plan and any Excess Benefit Plan shall be determined under the applicable provisions of such Plans, except that the Employee will be deemed to be fully vested under any such Excess Benefit Plan.

5. Acceleration of Equity Awards Upon a Change in Control; Certain Provisions Applicable to Equity Awards.

(a) Acceleration Upon Change in Control. In the event of a Change in Control, the following provisions will apply to any stock options, restricted stock and other awards based on stock then held by the Employee, other than Designated Awards and limited stock appreciation rights relating thereto:

(i) Any such option or other award carrying a right to exercise that was not previously vested and exercisable shall become fully vested and exercisable as of the time of the Change in Control.

(ii) All forfeiture conditions, deferral of settlement conditions, and other restrictions applicable to such restricted stock and other equity awards shall lapse and such awards shall be fully payable or settleable as of the time of the Change in Control without regard to deferral and vesting conditions, except

to the extent of any waiver by the Employee or other express Employee election to defer beyond a Change in Control.

(iii) With respect to such an outstanding equity award subject to achievement of performance goals and conditions, such performance goals and conditions shall be deemed to be fully met as of the date of such Change in Control, unless otherwise expressly provided by the Committee in the award document governing such award or other agreement entered into with the Employee after the Effective Date.

Notwithstanding the foregoing, Section 7 shall continue to apply to any such award in accordance with its terms.

(b) Effect of Policy Terms on Outstanding Options and Awards. If any option, restricted stock or stock unit award outstanding at the effective date of this Policy cannot, under the terms of the plan governing such award, provide for vesting or post-termination exercise on the terms set forth in Section 4 or this Section 5, or if the modification to the vesting and post-termination exercise and other terms of such option or award under Section 4 or this Section 5 would trigger an accounting expense to be measured and recognized by the Company prior to a Change in Control, such award shall be modified by Section 4 and this Section 5 only to the extent that the modification is both permitted under the terms of the plan governing such award and does not trigger such accounting expense.

(c) More Favorable Terms Apply. If and to the extent that the terms of an option, restricted stock award, or other award based on stock are more favorable to the Employee, in the event of a Change in Control, than those terms provided under this Section 5, those terms shall apply, and this Section 5 shall not operate in any way to restrict or cut back on the rights of the Employee with respect to such award.

6. Excise Tax Gross-Up; Limited Reduction in Severance Payments to Avoid Excise Taxes. If an Employee who has been designated for Tier 1 severance payments and benefits (and not excluded from benefits under this Section 6) or is otherwise designated as eligible for benefits under this Section 6 becomes entitled to one or more payments in connection with a Change in Control or termination of employment during the three years following a Change in Control, other than a termination by the Company for Cause, (with a "payment" including, without limitation, the vesting of an option or other non-cash benefit or property, including under Section 5 of this Policy) pursuant to any plan, agreement or arrangement of the Company (together, "Severance Payments") which are or would be subject to the tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (or any similar tax that may be imposed) (the "Excise Taxes"), the Company shall pay to the Employee an additional amount ("Gross-Up Payment") such that, after the payment by the Employee of all taxes (including without limitation all income and employment tax and Excise Tax and treating as a tax the lost tax benefit resulting from the disallowance of any deduction of the Employee by virtue of the inclusion of the Gross-Up Payment in the Employee's adjusted gross income), and interest and penalties with respect to such taxes, imposed upon the Gross-Up Payment, the Employee retains an amount of the Gross-Up Payment equal to the Excise Taxes imposed upon the Severance Payments. Notwithstanding the foregoing, if (i) the Severance Payments

exceed the Safe Harbor Amount (as defined below) and (ii) a reduction of up to 20% of any cash payments pursuant to Section 4(d)(iii) of this Agreement would cause the Severance Payments to be equal to the Safe Harbor Amount and thereby avoid the imposition of any Excise Taxes, the cash payments pursuant to Section 4(d)(iii) of this Agreement shall be reduced to the extent necessary to result in all remaining Severance Payments equal to the Safe Harbor Amount. "Safe Harbor Amount" shall mean one dollar less than 300% of the "base amount" as determined in accordance with Section 280G(b)(3) of the Code.

For purposes of determining whether any of the Severance Payments will be subject to the Excise Tax and the amount of such Excise Tax:

(i) The Severance Payments shall be treated as "parachute payments" within the meaning of Section 280G(b)(2) of the Code, and all "excess parachute payments" within the meaning of Section 280G(b)(1) of the Code shall be treated as subject to the Excise Tax, unless, and except to the extent that, in the written opinion of independent compensation consultants, counsel or auditors of nationally recognized standing ("Independent Advisors") selected by the Company and reasonably acceptable to the Employee, the Severance Payments (in whole or in part) do not constitute parachute payments, or such excess parachute payments (in whole or in part) represent reasonable compensation for services actually rendered within the meaning of Section 280G(b)(4) of the Code in excess of the base amount within the meaning of Section 280G(b)(3) of the Code or are otherwise not subject to the Excise Tax.

(ii) The amount of the Severance Payments which shall be treated as subject to the Excise Tax shall be equal to the lesser of (A) the total amount of the Severance Payments or (B) the total amount of excess parachute payments within the meaning of Section 280G(b)(1) of the Code (after applying clause (i) above).

(iii) The value of any non-cash benefits or any deferred payment or benefit shall be determined by the Independent Advisors in accordance with the principles of Sections 280G(d)(3) and (4) of the Code.

For purposes of determining the amount of the Gross-Up Payment, the Employee shall be deemed (A) to pay federal income taxes at the highest marginal rate of federal income taxation for the calendar year in which the Gross-Up Payment is to be made; (B) to pay any applicable state and local income taxes at the highest marginal rate of taxation for the calendar year in which the Gross-Up Payment is to be made, net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes if paid in such year (determined without regard to limitations on deductions based upon the amount of the Employee's adjusted gross income); and (C) to have otherwise allowable deductions for federal, state, and local income tax purposes at least equal to those disallowed because of the inclusion of the Gross-Up Payment in the Employee's adjusted gross income. In the event that the Excise Tax is subsequently determined to be less than the amount taken into account hereunder at the time the Gross-Up Payment is made, the Employee shall repay to the Company at the time that the amount of such reduction in Excise Tax is finally determined (but, if previously paid to the taxing authorities, not prior to the time the amount of such reduction is refunded to the Employee or otherwise realized as a benefit by the Employee) the portion of the Gross-Up Payment that would not have been paid if such Excise Tax had been applied in

initially calculating the Gross-Up Payment, plus interest on the amount of such repayment at the rate provided in Section 1274(b)(2)(B) of the Code. In the event that the Excise Tax is determined to exceed the amount taken into account hereunder at the time the Gross-Up Payment is made (including by reason of any payment the existence or amount of which cannot be determined at the time of the Gross-Up Payment), the Company shall make an additional Gross-Up Payment in respect of such excess (plus any interest and penalties payable with respect to such excess) at the time that the amount of such excess is finally determined.

The Gross-Up Payment provided for above shall be paid on the 30th day (or such earlier date as the Excise Tax becomes due and payable to the taxing authorities) after it has been determined that the Severance Payments (or any portion thereof) are subject to the Excise Tax; provided, however, that if the amount of such Gross-Up Payment or portion thereof cannot be finally determined on or before such day, the Company shall pay to the Employee on such day an estimate, as determined by the Independent Advisors, of the minimum amount of such payments and shall pay the remainder of such payments (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code), as soon as the amount thereof can be determined. In the event that the amount of the estimated payments exceeds the amount subsequently determined to have been due, such excess shall constitute a loan by the Company to the Employee, payable on the fifth day after demand by the Company (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code). If more than one Gross-Up Payment is made, the amount of each Gross-Up payment shall be computed so as not to duplicate any prior Gross-Up Payment.

The Company shall have the right to control all proceedings with the Internal Revenue Service that may arise in connection with the determination and assessment of any Excise Tax and, at its sole option, the Company may pursue or forego any and all administrative appeals, proceedings, hearings, and conferences with any taxing authority in respect of such Excise Tax (including any interest or penalties thereon); provided, however, that the Company's control over any such proceedings shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder, and the Employee shall be entitled to settle or contest any other issue raised by the Internal Revenue Service or any other taxing authority. The Employee shall cooperate with the Company in any proceedings relating to the determination and assessment of any Excise Tax and shall not take any position or action that would materially increase the amount of any Gross-Up Payment hereunder.

7. Employee Obligations and Conditions to Receipt of Payments and Benefits.

(a) Obligations of the Employee. The following requirements must be met by the Employee as a condition to his right to receive, continue to receive, or retain payments and benefits under the Policy, as specified in Section 7(b), (c) and (d):

(i) The Employee, acting alone or with others, directly or indirectly, shall not, during the Non-competition Period, either as employee, employer, consultant, advisor, or director, or as an owner, investor, partner, or shareholder unless the Employee's interest is insubstantial, engage in or become associated with a "Competitive Activity". For this purpose, (A) the "Non-competition Period" means the period prior to a Change in Control and

either during Employee's employment or within two years following termination of such employment with the Company and any subsidiary or for such shorter period following such termination as may be provided by applicable law; and (B) the term "Competitive Activity" means any business or other endeavor that engages in a line of business in any geographic location that is substantially the same as either (1) any line of operating business which the Company or a subsidiary engages in, conducts, or, to the knowledge of the Executive, has definitive plans to engage in or conduct, or (2) any operating business that has been engaged in or conducted by the Company or a subsidiary and as to which, to the knowledge of the Employee, the Company or subsidiary has covenanted in writing, in connection with the disposition of such business, not to compete therewith. The Committee shall, in the reasonable exercise of its discretion, determine which lines of business the Company and its subsidiaries conduct on any particular date and which third parties may reasonably be deemed to be in competition with the Company and its subsidiaries. For purposes of this Section 7(a) (including clause (ii) below), the Employee's interest as a shareholder is insubstantial if it represents beneficial ownership of less than five percent of the outstanding class of stock, and the Employee's interest as an owner, investor, or partner is insubstantial if it represents ownership, as determined by the Committee in its discretion, of less than five percent of the outstanding equity of the entity.

(ii) The Employee, acting alone or with others, directly or indirectly, shall not (A) induce any customer or supplier of the Company or a subsidiary or affiliate, or other company with which the Company or a subsidiary or affiliate has a business relationship, to curtail, cancel, not renew, or not continue his or her or its business with the Company or any subsidiary or affiliate; or (B) induce, or attempt to influence, any employee of or service provider to the Company or a subsidiary or affiliate to terminate such employment or service.

(iii) The Employee shall not disclose, use, sell, or otherwise transfer, except in the course of employment with or other service to the Company or any subsidiary or affiliate, any confidential or proprietary information of the Company or any subsidiary or affiliate, including but not limited to information regarding the Company's current and potential customers, organization, employees, finances, and methods of operation and investments, so long as such information has not otherwise been disclosed to the public or is not otherwise in the public domain, except as required by law or pursuant to legal process, and the Employee shall not make statements or representations, or otherwise communicate, directly or indirectly, in writing, orally, or otherwise, or take any other action which may, directly or indirectly, disparage or is damaging to the Company or any of its subsidiaries or affiliates or their respective officers, directors, employees, advisors, businesses or reputations, except as required by law or pursuant to legal process.

(iv) The Employee shall cooperate with the Company or any subsidiary or affiliate by making himself available to testify on behalf of the Company or such subsidiary or affiliate in any action, suit, or proceeding, whether civil, criminal, administrative, or investigative, and otherwise to assist the Company or any subsidiary or affiliate in any such action, suit, or proceeding by providing information and meeting and consulting with members of management of, other representatives of, or counsel to, the Company or such subsidiary or affiliate, as reasonably requested.

(v) The Employee shall deliver promptly to the Company on termination of the Employee's employment, or at any time the Company may so request, all documents, memoranda, notes, records, files, reports, and other materials, and all copies thereof, including digital versions, relating to the Company and its subsidiaries and affiliates, and all other property of the company and its subsidiaries and affiliates, then in the possession of or under the Employee's control.

(b) Effect of the Employee's Failure to Comply with Obligations. The Company shall have no obligations to make payments or provide benefits to the Employee under this Policy if the Employee has failed or fails to comply with the obligations set forth in Section 7(a), other than inadvertent and inconsequential events constituting non-compliance, during the period of two years prior to the Employee's termination of employment or at any time following such termination of employment.

(c) Employee Obligation to Execute Release and Termination Agreement. The Company's obligations under this Policy to make payments and provide benefits conditioned upon the Employee's signing a release and termination agreement and the expiration of any revocation period set forth therein. The Committee shall specify the form and content of such agreement, and may modify such form and content from time to time; provided, however, that, such agreement shall set forth the obligations in Section 7(a) and the Employee shall agree to comply therewith, and the Employee shall agree to the terms of Section 7(d); and provided further, that during the three years following a Change in Control, such agreement shall not be modified in a manner that increases the obligations or decreases the rights of the Employee as compared to the form of such agreement in use prior to the Change in Control.

(d) Clawback Provision. In the case of any termination of the Employee's employment prior to a Change in Control, if the Employee has failed to comply with the obligations under Section 7(a) (other than an inadvertent and inconsequential event constituting non-compliance) during the two years prior to termination or during the period following termination which is the lesser of two years or the period during which the obligations under Section 7(a) continue to apply, all of the following forfeitures will result:

(i) The unexercised portion of any option, whether or not vested, and any other award not then vested will be immediately forfeited and canceled.

(ii) The Employee will be obligated to repay to the Company, in cash, within five business days after demand is made therefor by the Company,

(A) the total amount of any cash payments made to the Employee under this Policy, other than payments under clause (i) of Sections 4(a) through (f) and cash payments under welfare benefit plans;

(B) other cash amounts paid to the Employee under any AIP and LTIP awards since the date two years prior to the Employee's termination of employment; and

(C) the Award Gain (as defined below) realized by the Employee upon each exercise of an option or settlement of a restricted stock or stock unit award (regardless of any elective deferral) since the date two years prior to Employee's termination of employment. For purposes of this Section 7(d), the term "Award Gain" shall mean (1), in respect of a given option exercise, the product of (X) the fair market value per share of stock at the date of such exercise (without regard to any subsequent change in the market price of shares) minus the exercise price times (Y) the number of shares as to which the option was exercised at that date, and (ii), in respect of any other settlement of an award granted to the Employee, the fair market value of the cash or stock paid or payable to the Employee (regardless of any elective deferral) less any cash or the fair market value of any stock or property (excluding any payment of tax withholding) paid by the Employee to the Company as a condition of or in connection such settlement.

8. Other Provisions Applicable to Severance Payments and Benefits.

(a) Timing of Payments. All payments required to be paid as a lump sum under Section 4 shall be paid not later than the 15th day following the date of termination of Employee's employment. Other payments shall be made as promptly as practicable following the earliest date such payments are due.

(b) Limitation of Benefits In Case of Certain Business Dispositions. Notwithstanding anything in this Policy to the contrary, an Employee shall not be entitled to any payments or benefits under Section 4(a), (b) or (c) of this Policy, unless the Committee in its sole discretion provides otherwise, in the event termination of employment results from the sale or spin-off of a subsidiary, the sale of a division, other business unit or facility in which the Employee was employed immediately prior to such sale, and the Employee has been offered employment with the purchaser of such subsidiary, division, other business unit or facility or the spun-off entity on substantially the same terms and conditions under which the Employee worked prior to the sale. Such terms and conditions must include an agreement or plan binding on such purchaser or spun-off entity providing that, upon any termination

of the Employee's employment with the purchaser or spun-off entity of the kinds described in Section 4 hereof within three years following such sale or spin-off (but not past the attainment of age 65 by the Employee), the purchaser or spun-off entity shall pay to such Employee amounts comparable to the payments that the Employee would have received under the applicable provision of Section 4 hereof, and provide comparable benefits, as if the Employee had been terminated in like circumstances at the time of such sale and provided payments and benefits under this Policy.

(c) Deferrals Included in Salary and Bonus. All references in this Policy to salary and annual incentive amounts mean those amounts before reduction pursuant to any deferred compensation plan or agreement.

(d) Payments and Benefits to Beneficiary Upon Employee's Death. In the event of the death of an Employee, all payments and benefits hereunder due to such Employee shall be paid or provided to his Beneficiary.

(e) Transfers of Employment. Anything in this Policy to the contrary notwithstanding, a transfer of employment from the Company to a subsidiary or vice versa shall not be considered a termination of employment for purposes of this Policy.

(f) Calculation of Months. Provisions of this Policy which calculate the number of months remaining until age 65 will treat, for example, the period from August 16 through October 15 as two whole months, will treat any remaining partial month as one whole month, and will treat any negative number resulting from termination after age 65 as zero.

9. Other Plans and Policies; Non-Duplication of Payments or Benefits.

(a) Rights Under Other Plans. Except to the extent that the terms of this Policy confer rights to severance payments and benefits that are more favorable to the Employee than are available under any other employee (including executive) benefit plan or executive compensation plan of the Company or a subsidiary in which the Employee is a participant, the Employee's rights under any such employee (including executive) benefit plan or executive compensation plan shall be determined in accordance with the terms of such plan (as it may be modified or added to by the Company from time to time), except as otherwise provided in Section 5.

(b) Superseded Agreements and Rights. This Policy constitutes the entire understanding between the Company and the Employee relating to severance payments and benefits to be paid or provided to the Employee by the Company and its subsidiaries, and supersedes and cancels all prior agreements and understandings with respect to the subject matter of this Policy, except as otherwise provided in this Section 9(b). In order for the Employee to be entitled to any payments or benefits under this Policy, Employee must agree, within such period after the Committee has designated Employee as eligible to be covered by the Policy as the Committee may specify, that the Employee shall not be entitled to benefits under any Prior Executive Severance Agreement between the Company and the

Employee, except to the extent that limited stock appreciation rights may continue in effect under Section 4(d) and 5(a) hereof. If, however, the Employee has previously entered or after the Effective Date enters into an employment agreement with the Company or a subsidiary, that employment agreement will not be superseded by this Policy unless it specifically so provides.

(c) Non-Duplication of Payments and Benefits. The Employee shall not be entitled to any payment or benefit under this Policy which duplicates a payment or benefit received or receivable by the Employee under any other employment agreement, severance agreement, or other agreement or understanding, or under any employee (including executive) compensation or benefit plan, of the Company or a subsidiary.

10. Miscellaneous

(a) Withholding. The Company shall have the right to deduct from all payments hereunder any taxes required by law to be withheld therefrom.

(b) No Right To Employment. Nothing in this Policy shall be construed as giving any person the right to be retained in the employment of the Company or any subsidiary, nor shall it affect the right of the Company or any subsidiary to dismiss an Employee without any liability except as provided in this Policy.

(c) Legal Fees. The Company shall pay all legal fees and related expenses incurred by an Employee in seeking to obtain or enforce any payment, benefit or right provided by this Policy; provided, however, that the Employee shall be required to repay any such amounts to the Company to the extent that an arbitrator or a court of competent jurisdiction issues a final, unappeasable order setting forth a determination that the position taken by the Employee was frivolous or advanced in bad faith.

(d) Amendment and Termination. The Board of Directors of the Company may amend or terminate this Policy at any time, provided, however, that, without the written consent of an affected Employee, (i), during the three years following a Change in Control, this Policy may not be amended or terminated in any manner materially adverse to an Employee, and (ii), at any other time, this Policy may not be amended or terminated in any manner materially adverse to an Employee except with one year's advance notice to the affected Employee, and no such amendment or termination shall be effective to limit any right or benefit under Section 4(d), (e) or (f), 5 or 6 if a Change in Control has occurred prior to the lapse of such one-year period.

(e) Governing Law; Arbitration. THE VALIDITY, CONSTRUCTION, AND EFFECT OF THIS POLICY AND ANY RULES AND REGULATIONS RELATING TO THIS POLICY SHALL BE DETERMINED IN ACCORDANCE WITH THE LAWS (INCLUDING THOSE GOVERNING CONTRACTS) OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO PRINCIPLES OF CONFLICTS OF LAWS, AND APPLICABLE FEDERAL LAW. If any provision hereof shall be held by a court or arbitrator of competent jurisdiction to be invalid and unenforceable, the remaining

provisions shall continue to be fully effective. Any dispute or controversy arising under or in connection with this Policy shall be settled exclusively by arbitration in New York, New York by three arbitrators in accordance with the rules of the American Arbitration Association in effect at the time of submission to arbitration. Judgment may be entered on the arbitrators' award in any court having jurisdiction. For purposes of settling any dispute or controversy arising hereunder or for the purpose of entering any judgment upon an award rendered by the arbitrators, the Company and the Employee hereby consent to the jurisdiction of any or all of the following courts: (i) the United States District Court for the Southern District of New York, (ii) any of the courts of the State of New York, or (iii) any other court having jurisdiction. The Company and the Employee hereby waive, to the fullest extent permitted by applicable law, any objection which it may now or hereafter have to such jurisdiction and any defense of inconvenient forum. The Company and the Employee hereby agree that a judgment upon an award rendered by the arbitrators may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

(f) Nonassignability. Payments and benefits under this Policy may not be assigned by the Employee. The terms and conditions of this Policy shall be binding on the successors and assigns of the Company.

(g) No Duty to Mitigate. No employee shall be required to mitigate, by seeking employment or otherwise, the amount of any payment that the Company becomes obligated to make under this Policy, and, except as expressly provided in this Policy, amounts or other benefits to be paid or provided to an Employee pursuant to this Policy shall not be reduced by reason of the Employee's obtaining other employment or receiving similar payments or benefits from another employer.

(h) Foreign Participants. The terms and conditions of participation of any Employee whose employment is subject to the laws or customs of any jurisdiction other than the United States or a state thereof may be modified by the Committee to conform to or otherwise take into account such laws and customs. In no event shall payments or benefits be payable hereunder if and to the extent that such benefits would duplicate severance payments or benefits payable in accordance with such laws and customs, although severance payments and benefits payable hereunder may supplement those payable under such laws and customs. This Policy will be of no force or effect to the extent superseded by foreign law.

(i) Effective Date. This Policy is effective as of April 13, 2000.

U.S. \$300,000,000

AMENDED AND RESTATED 364-DAY CREDIT AGREEMENT

Dated as of May 30, 2000

Among

INTERNATIONAL FLAVORS & FRAGRANCES INC.

as Borrower

and

THE INITIAL LENDERS NAMED HEREIN

as Initial Lenders

and

CITIBANK, N.A.

as Administrative Agent

and

SALOMON SMITH BARNEY INC.

as Arranger

AMENDED AND RESTATED 364-DAY CREDIT AGREEMENT

DATED as OF MAY 30, 2000

INTERNATIONAL FLAVORS & FRAGRANCES INC., A New York corporation (the "BORROWER"), the banks, financial institutions and other institutional lenders (collectively, the "INITIAL LENDERS") party hereto and CITIBANK, N.A., as administrative agent (together with any successor thereto appointed pursuant to Article VII of the Existing Credit Agreement referred to below, the "AGENT") for the Lenders (as defined in the Existing Credit Agreement referred to below), hereby agree as follows:

PRELIMINARY STATEMENTS

(1) The Borrower is party to a 364-Day Credit Agreement dated as of June 1, 1999 (the "Existing Credit Agreement") with the banks, financial institutions and other institutional lenders party thereto and Citibank, N.A., as Administrative Agent for the Lenders and such other lenders. Capitalized terms not otherwise defined in this Amendment and Restatement shall have the same meaning as specified in the Existing Credit Agreement.

(2) The parties to this Amendment and Restatement desire to amend the Existing Credit Agreement as set forth herein and to restate the Existing Credit Agreement in its entirety to read as set forth in the Existing Credit Agreement with the following amendments.

(3) The Borrower has requested that the Lenders agree to extend credit to it from time to time in an aggregate principal amount of up to \$300,000,000 for general corporate purposes of the Borrower and its Subsidiaries not otherwise prohibited under the terms of this Agreement. The Lenders have indicated their willingness to agree to extend credit to the Borrower from time to time in such amount on the terms and conditions of this Amendment and Restatement.

SECTION 1. Amendments to the Existing Credit Agreement. The Existing Credit Agreement is, effective as of the date of this Amendment and Restatement and subject to the satisfaction of the conditions precedent set forth in Section 2, hereby amended as follows:

(a) Section 1.01 is amended by adding the following new definitions in appropriate alphabetical order:

"EBITDA" means, for any period, net income (or net loss) plus the sum of (a) interest expense, (b) income tax expense, (c) depreciation expense and (d) amortization expense, in each case determined in accordance with GAAP for such period.

"DEBT FOR BORROWED MONEY" of any Person means all items that, in accordance with GAAP, would be classified as indebtedness on a Consolidated balance sheet of such Person.

(b) Section 1.01 is amended by deleting the definitions of "Commitment" and "Termination Date" set forth therein and replacing them, respectively, with the following new definitions thereof:

"COMMITMENT" means as to any Lender (a) the amount set forth opposite such Lender's name on Schedule I hereto under the caption "Commitment", (b) if such Lender has become a Lender hereunder pursuant to an Assumption Agreement, the amount set forth in such

Assumption Agreement or (c) if such Lender has entered into an Assignment and Acceptance, the amount set forth for such Lender in the Register maintained by the Administrative Agent pursuant to Section 8.07(d), as such amount may be reduced pursuant to Section 2.05 or increased pursuant to Section 2.18.

"TERMINATION DATE" means the earlier of (a) May 29, 2001, subject to the extension thereof pursuant to Section 2.19, and (b) the date of termination in whole of the aggregate Commitments pursuant to Section 2.05 or 6.01; provided, however, that the Termination Date of any Lender that is a Non-Consenting Lender to any requested extension pursuant to Section 2.19 shall be the Termination Date in effect immediately prior to the applicable Extension Date for all purposes of this Agreement.

(c) Section 4.01(i) of the Existing Credit Agreement is deleted in its entirety.

(d) Section 5.02(e)(ii) of the Existing Credit Agreement is amended by deleting the figure "\$200,000,000" and substituting therefor the figure "\$300,000,000".

(e) Section 5.03 of the Existing Credit Agreement is amended in full to read as follows:

SECTION 5.03. Financial Covenant. So long as any Advance shall remain unpaid or any Lender shall have any Commitment hereunder, the Borrower will maintain a ratio of Debt for Borrowed Money to Consolidated EBITDA of the Borrower and its Subsidiaries for the preceding four fiscal quarters of not more than 3.00 to 1.00.

(f) Schedule I to the Existing Credit Agreement is deleted in its entirety and replaced with Schedule I to this Amendment and Restatement.

SECTION 2. Conditions of Effectiveness of this Amendment and Restatement. This Amendment and restatement shall become effective as of the date first above written (the "RESTATEMENT EFFECTIVE DATE") when and only if:

(a) The Administrative Agent shall have received counterparts of this Amendment and Restatement executed by the Borrower and all of the Initial Lenders or, as to any of the Initial Lenders, advice satisfactory to the Administrative Agent that such Initial Lender has executed this Amendment and Restatement.

(b) The Administrative Agent shall have received on or before the Restatement Effective Date the following, each dated such date and (unless otherwise specified below) in form and substance satisfactory to the Administrative Agent and in sufficient copies for each Initial Lender:

(i) A certificate of the Secretary or an Assistant Secretary of the Borrower certifying the names and true signatures of the officers of the Borrower authorized to sign this Amendment and Restatement and the Notes, if any, and the other documents to be delivered hereunder by the Borrower.

(ii) A favorable opinion of Weil, Gotshal & Manges LLP, counsel for the Borrower, in form and substance reasonably satisfactory to the Agent.

(c) The representations and warranties contained in Section 4.01 of the Existing Credit Agreement shall be correct on and as of the Restatement Effective Date, before and after giving effect to the Restatement Effective Date, as though made on and as of such date.

(d) No event shall have occurred and be continuing, or shall occur as a result of the occurrence of the Restatement Effective Date, that constitutes a Default.

SECTION 3. Reference to and Effect on the Existing Credit Agreement and the Notes. (a) On and after the effectiveness of this Amendment and Restatement, each reference in the Existing Credit Agreement to "this Agreement", "hereunder", "hereof" or words of like import referring to the Existing Credit Agreement, and each reference in the Notes to "the Credit Agreement", "thereunder", "thereof" or words of like import referring to the Existing Credit Agreement, shall mean and be a reference to the Existing Credit Agreement, as amended by this Amendment and Restatement.

(b) The Existing Credit Agreement and the Notes, as specifically amended by this Amendment and Restatement, are and shall continue to be in full force and effect and are hereby in all respects ratified and confirmed.

(c) Without limiting any of the other provisions of the Existing Credit Agreement, as amended by this Amendment and Restatement, any references in the Existing Credit Agreement to the phrases "on the date hereof", "on the date of this Agreement" or words of similar import shall mean and be a reference to the date of the Existing Credit Agreement (which is June 1, 1999).

SECTION 4. Costs and Expenses. The Borrower agrees to pay on demand all reasonable out-of-pocket costs and expenses of the Administrative Agent in connection with the preparation, execution, delivery and administration, modification and amendment of this Amendment and Restatement, the Notes and the other documents to be delivered hereunder (including, without limitation, the reasonable and documented fees and expenses of counsel for the Administrative Agent with respect hereto and thereto) in accordance with the terms of Section 8.04 of the Existing Credit Agreement.

SECTION 5. Execution in Counterparts. This Amendment and Restatement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Amendment and Restatement by telecopier shall be effective as delivery of a manually executed counterpart of this Amendment and Restatement.

SECTION 6. Governing Law. This Amendment and Restatement shall be governed by, and construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, THE PARTIES HERETO HAVE CAUSED THIS AMENDMENT AND
RESTATEMENT TO BE EXECUTED BY THEIR RESPECTIVE OFFICERS THEREUNTO DULY
AUTHORIZED, AS OF THE DATE FIRST ABOVE WRITTEN.

THE BORROWER

INTERNATIONAL FLAVORS & FRAGRANCES INC.

BY: /s/ D. J. WETMORE

DOUGLAS J. WETMORE
VICE PRESIDENT & CHIEF FINANCIAL OFFICER

THE AGENT

CITIBANK, N.A.
AS ADMINISTRATIVE AGENT

BY: /s/ ROBERT D. WETRUS

ROBERT D. WETRUS
VICE PRESIDENT

THE INITIAL LENDERS

CITIBANK, N.A.

BY: /s/ DIANE L. POCKAJ

DIANE L. POCKAJ
VICE PRESIDENT

BANK OF TOKYO-MITSUBISHI TRUST COMPANY

BY: /s/ R. L. VAN DE BERGHE

R. L. VAN DE BERGHE
VICE PRESIDENT

BANCA COMMERCIALE ITALIANA-NEW YORK BRANCH

BY: /s/ CHARLES DAUGHERTY J. CARLANI

 CHARLES DAUGHERTY J. CARLANI
 VICE PRESIDENT VICE PRESIDENT

FIRST UNION NATIONAL BANK

BY: /s/ CHRISTOPHER STRAUSS

 CHRISTOPHER STRAUSS
 VICE PRESIDENT

ABN AMRO BANK N.V.

BY: /s/ DONALD SUTTON

 DONALD SUTTON
 VICE PRESIDENT

FLEET NATIONAL BANK FKA BANKBOSTON, N.A.

BY: /s/ WILLIAM F. HAMILTON

 WILLIAM F. HAMILTON
 DIRECTOR

THE BANK OF NEW YORK

BY: /s/ RUSSELL A. BURR

 RUSSELL A. BURR
 SENIOR VICE PRESIDENT

FORTIS FINANCIAL SERVICES LLC

BY: /s/ JOSEPH FRANZESE

 JOSEPH FRANZESE
 SENIOR VICE PRESIDENT

SCHEDULE I TO THE AMENDMENT AND RESTATEMENT

COMMITMENTS AND APPLICABLE LENDING OFFICES

Name of Initial Lender	Commitment	Domestic Lending Office	Eurodollar Lending Office
ABN AMRO BANK N.V.	\$30,000,000	208 South LaSalle, Suite 1500 Chicago, IL 60604-1003 Attn: Loan Administration T: 312 992-5151 F: 312 992-5156	208 South LaSalle, Suite 1500 Chicago, IL 60604-1003 Attn: Loan Administration T: 312 992-5151 F: 312 992-5156
FLEET NATIONAL BANK (FKA BANKBOSTON, N.A.)	\$30,000,000	100 Federal Street Mail Code: 01-10-04 Boston, MA 02110 Attn: Deborah Dobbins T: 617 434-5455 F: 617 434-1574	100 Federal Street Mail Code: 01-10-04 Boston, MA 02110 Attn: Deborah Dobbins T: 617 434-5455 F: 617 434-1574
THE BANK OF NEW YORK	\$30,000,000	One Wall Street New York, NY 10286 Attn: Rose Leonard T: 212 635-1471 F: 212 635-6397/6426	One Wall Street New York, NY 10286 Attn: Rose Leonard T: 212 635-1471 F: 212 635-6397/6426
BANK OF TOKYO- MITSUBISHI TRUST COMPANY	\$40,000,000	1251 Avenue of the Americas 12th Floor New York, NY 10020 Attn: Mr Rolando T: 212 782-5637 F: 212 782-5635	1251 Avenue of the Americas 12th Floor New York, NY 10020 Attn: Mr. Rolando T: 212 782-5637 F: 212 782-5635
BANCA COMMERCIALE ITALIANA-NEW YORK BRANCH	\$40,000,000	One William Street New York, NY 10004 Attn: Charles Dougherty T: 212 607-3656 F: 212 809-2124	One William Street New York, NY 10004 Attn: Charles Dougherty T: 212 607-3656 F: 212 809-2124
CITIBANK, N.A.	\$60,000,000	Two Penns Way New Castle, DE 19720 Attn: Anne Heironimus T: 302 894-0034 F: 302 894-6130	Two Penns Way New Castle, DE 19720 Attn: Anne Heironimus T: 302 894-0034 F: 302 894-6130
FIRST UNION NATIONAL BANK	\$40,000,000	50 Main Street White Plains, NY 10606 Attn: David Ring T: 914 286-5039 F: 914 681-8755	50 Main Street White Plains, NY 10606 Attn: David Ring T: 914 286-5039 F: 914 681-8755
FORTIS FINANCIAL SERVICES LLC	\$30,000,000	520 Madison Avenue New York, NY 10022 Attn: Douglas Riahi T: 212 481-8736 F: 212 750-7597	520 Madison Avenue New York, NY 10022 Attn: Douglas Riahi T: 212 418-8736 F: 212 750-7597

The schedule contains summary financial information extracted from the Consolidated Balance Sheet & Consolidated Statement of Income and is qualified in its entirety by reference to such financial statements. Amounts in thousands of dollars, except per share amounts.

1000	
6-MOS	
	DEC-31-2000 JUN-30-2000
	52,403
	983
	334,870
	10,393
	370,443
	828,787
	960,232
	439,679
	1,384,587
	462,660
	17,002
	0
	0
	14,470
	719,814
1,384,587	
	738,671
	738,671
	400,377
	585,499
	9,228
	0
	5,211
	138,733
	46,041
	92,692
	0
	0
	0
	92,692
	0.90
	0.90