

# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## FORM 10-K

### Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2005 Commission File Number 1-4858

## INTERNATIONAL FLAVORS & FRAGRANCES INC.

(Exact name of Registrant as specified in its charter)

NEW YORK

(State or other jurisdiction  
of incorporation or organization)

13-1432060

(IRS Employer Identification No.)

521 WEST 57TH STREET, NEW YORK, N.Y.  
(Address of principal executive offices)

10019  
(Zip Code)

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

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

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
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Common Stock, par value 12½¢ per share	New York Stock Exchange
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### SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes  No

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

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

Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12B-2 of the Exchange Act).

Yes  No

For the purpose of reporting the following market value of Registrant's outstanding common stock, the term "affiliate" refers to persons, entities or groups which directly or indirectly control, are controlled by, or are under common control with the Registrant and does not include individual executive officers, directors or less than 10% shareholders. The aggregate market value of Registrant's common stock not held by affiliates as of June 30, 2005 was \$3,389,073,490.

Indicate the number of shares outstanding of each of the Registrant's classes of common stock, as of February 28, 2006: 90,738,982 shares of common stock, par value 12½¢ per share.

### DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement to be sent to shareholders in connection with the 2006 Annual Meeting (the "IFF 2006 Proxy Statement") are incorporated by reference in Part III of this Form 10-K.

## INTERNATIONAL FLAVORS & FRAGRANCES INC.

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## PART I

### ITEM 1. BUSINESS.

International Flavors & Fragrances Inc., incorporated in New York in 1909 and its subsidiaries (the “Registrant”, “IFF” or the “Company”), is a leading creator and manufacturer of flavor and fragrance products used by other manufacturers to impart or improve flavor or fragrance in a wide variety of consumer products. Fragrance products are sold principally to manufacturers of perfumes, cosmetics, toiletries, hair care products, deodorants, soaps, detergents and air care products; flavor products are sold principally to manufacturers of prepared foods, beverages, dairy foods, pharmaceuticals and confectionery products as well as the food service industry.

The present worldwide scope of the Company's business is in part the result of the 1958 combination of (i) the business conducted prior to the combination primarily in the United States by the Company under the name van Ameringen-Haebler, Inc. (“VAH”) with (ii) the business conducted prior to the combination primarily in Europe by N. V. Polak & Schwarz's Essencefabrieken, a Dutch corporation (“P & S”). The P & S enterprise, founded in Holland in 1889, was also engaged in the manufacture and sale of flavor and fragrance products, with operations in a number of countries where VAH was not an important factor. Additionally, in November 2000, the Company acquired Bush Boake Allen Inc. (“BBA”), an international flavor, fragrance and aroma chemical company.

The Company currently has 30 manufacturing facilities with the major manufacturing facilities located in the United States, Great Britain, Ireland, the Netherlands, Spain, Argentina, Brazil, Mexico, India, Australia, China, Indonesia, Japan and Singapore. The remaining manufacturing facilities are located in 8 other countries. The Company maintains its own sales and distribution facilities in 31 countries and is represented by sales agents and distributors in other countries. The Company's principal executive offices are located at 521 West 57th Street, New York, New York 10019 (212-765-5500).

### MARKETS

Fragrance products are used by customers in the manufacture of consumer products such as soaps, detergents, cosmetic creams, lotions and powders, lipsticks, after-shave lotions, deodorants, hair preparations, candles, air fresheners and all-purpose cleaners as well as in other consumer products designed solely to appeal to the sense of smell, such as perfumes and colognes. The cosmetics industry, including perfume and toiletries manufacturers, is one of the Company's two largest fragrance customer groups. Most of the major United States companies in this industry are customers of the Company, and five of the largest United States cosmetics companies are among its principal customers. The household products industry, including soaps and detergents, is the other important fragrance customer group. Four of the largest United States household product manufacturers are major customers of the Company. In the three years ended December 31, 2005, sales of fragrance products accounted for 57%, 55% and 54%, respectively, of the Company's total sales.

Flavor products are sold principally to the food and beverage industries for use in consumer products such as soft drinks, candies, baked goods, desserts, prepared foods, dietary foods, dairy products, drink powders, pharmaceuticals, snack foods and alcoholic beverages. Two of the Company's largest customers for flavor products are major producers of prepared foods and beverages in the United States. In the three years ended December 31, 2005, sales of flavor products accounted for 43%, 45% and 46%, respectively, of the Company's total sales.

### PRODUCTS

The Company's principal fragrance and flavor products consist of compounds of large numbers of ingredients blended under proprietary formulas created by its perfumers and flavorists. Most of these compounds contribute the total fragrance or flavor to the consumer products in which they are used. This fragrance or flavor characteristic is often a major factor in the public selection and acceptance of the consumer end product. A smaller number of compounds are sold to manufacturers who further

blend them to achieve the finished fragrance or flavor in their products. The Company produces thousands of compounds, and new compounds are constantly being created in order to meet the many and changing characteristics of its customers' end products. Most of the fragrance and flavor compounds are created and produced for the exclusive use of particular customers. The Company's products are sold in solid and liquid forms and in amounts ranging from a few pounds to many tons, depending upon the nature of the product.

The ingredients used by the Company in its compounds are both synthetic and natural. The Company manufactures a substantial portion of the synthetic ingredients. While the major part of the Company's production of synthetic ingredients is used in its compounds, a substantial portion is also sold to others. The natural ingredients are derived from flowers, fruits and other botanical products as well as from animal products. They contain varying numbers of organic chemicals, which are responsible for the fragrance or flavor of the natural product. The natural products are purchased for the larger part in processed or semi-processed form. Some are used in compounds in the state in which they are purchased and others after further processing. Natural products, together with various chemicals, are also used as raw materials for the manufacture of synthetic ingredients by

chemical processes. The Company's flavor products also include extracts and seasonings derived from various fruits, vegetables, nuts, herbs and spices as well as microbiologically-derived ingredients.

## **MARKET DEVELOPMENTS**

The demand for consumer products utilizing flavors and fragrances has been stimulated and broadened by changing social habits resulting from various factors such as increases in personal income, and dual-earner households, teenage population, leisure time, health concerns and urbanization and by the continued growth in world population. In the fragrance field, these developments have expanded the market for hair care, candles and air care products and deodorant and personal wash products with finer fragrance quality, as well as the market for colognes, toilet waters, men's toiletries and other products beyond traditional luxury items such as perfumes. In the flavor field, similar market characteristics have stimulated the demand for products such as convenience foods, soft drinks and low-fat food products that must conform to expected tastes. New and improved methods of packaging, application and dispensing have been developed for many consumer products that utilize some of the Company's flavor or fragrance products. These developments have called for the creation of new compounds and ingredients compatible with the newly introduced materials and methods of application.

## **PRODUCT DEVELOPMENT AND RESEARCH**

The development of new flavors and fragrances is a complex artistic and technical process calling upon the combined knowledge and skill of the Company's creative perfumers and flavorists, and its scientists. With extensive experience, the perfumers and flavorists continuously advance their skills for creating fragrances or flavors best suited to the market requirements of the customers' products.

Scientists from various disciplines work in project teams with the perfumers and flavorists to develop fragrance and flavor products with consumer preferred performance characteristics. Scientific expertise includes: natural products research, plant science, organic chemistry, analytical chemistry, biochemistry, microbiology, process engineering, food science, material science and sensory science. Analytical and sensory science is applied to understand the complex interactions of the many ingredients in a consumer product in order to optimize the flavor or fragrance performance at all points of use. Material science technology is applied to create controlled release and delivery systems to enhance flavor and fragrance performance in consumer products. An important contribution to the creation of new fragrances and flavors is the discovery and development of new ingredients having improved fragrance or flavor value. The ingredients research program discovers molecules found in natural substances and creates new molecules that are subsequently tested for their fragrance or flavor value. The new molecules that meet rigorous requirements for commercial development are subsequently transferred to manufacturing operations for production.

Creative and technical product development is conducted in 32 fragrance and flavor laboratories in 23 countries. The Company maintains a research and development center at Union Beach,

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New Jersey. The Company spent \$179,812,000 in 2005, \$175,173,000 in 2004 and \$159,286,000 in 2003 on its research and development activities. These expenditures are currently expected to increase in 2006 to approximately \$190,000,000. Of the amount expended in 2005 on such activities, 68% was for fragrances and the balance was for flavors. The Company employed 1,095 persons in 2005 and 1,056 persons in 2004 in such activities.

The business of the Company is not materially dependent upon any patents, trademarks or licenses.

## **DISTRIBUTION**

Most of the Company's sales are through its own sales force, operating from 4 sales offices in the United States and 48 sales offices in 30 foreign countries. Sales in additional countries are made through agents and distributors. For the year ended December 31, 2005, 29% of the Company's sales were to customers in North America, 37% in Europe, 17% in Asia Pacific, 13% in Latin America and 4% in the India Region. For additional information with respect to the Company's operations by major geographical region, see Note 13 of the Notes to the Company's Consolidated Financial Statements.

During 2005, the Company's 30 largest customers accounted for 56% of its sales; its five largest customers accounted for approximately 10%, 8%, 6%, 5% and 3%, respectively, of its sales, and no other single customer accounted for more than 3% of sales.

## **GOVERNMENTAL REGULATION**

Manufacture and sale of the Company's products are subject to regulation in the United States by the Food and Drug Administration, the Agriculture Department, the Bureau of Alcohol, Tobacco and Firearms, the Environmental Protection Agency, the Occupational Safety and Health Administration, the Drug Enforcement Administration and state authorities. Foreign subsidiaries are subject to similar regulation in a number of countries. Compliance with existing governmental requirements regulating the discharge of materials into the environment has not materially affected the Company's operations, earnings or competitive position. The Company expects to spend in 2006 approximately \$6,200,000 in capital projects and \$15,200,000 in operating expenses and governmental charges for the purpose of complying with such requirements.

## **RAW MATERIAL PURCHASES**

More than 5,000 different raw materials are purchased from many sources all over the world. The principal natural raw material purchases consist of essential oils, extracts and concentrate derived from fruits, vegetables, flowers, woods and other botanicals, animal products and raw fruits. The principal synthetic raw material purchases consist of organic chemicals. The Company believes that alternate sources of materials are available to enable it to maintain its competitive position in the event of any interruption in the supply of raw materials from present sources.

## **COMPETITION**

The Company has more than 50 competitors in the United States and world markets. While no single factor is responsible, the Company's competitive position is based principally on the creative skills of its perfumers and flavorists, the technological advances resulting from its research and development, the quality of its customer service, the support provided by its marketing and application groups, and its understanding of consumers. The Company believes that it is one of the largest companies producing and marketing on an international basis a wide range of fragrance and flavor products for sale to manufacturers of consumer products. In particular countries and localities, the Company faces competition from numerous companies specializing in certain product lines, among which are some companies larger than the Company and some more important in a particular product line or lines. Most of the Company's customers do not buy all their fragrance or flavor products

from the same supplier, and some customers make their own fragrance or flavor compounds with ingredients supplied by the Company or others.

## EMPLOYEE RELATIONS

At December 31, 2005, the Company employed 5,160 persons, of whom 1,486 were employed in the United States. The Company has never experienced a work stoppage or strike and considers its employee relations to be satisfactory.

## EXECUTIVE OFFICERS OF REGISTRANT:

<u>Name</u>	<u>Office and Other Business Experience (1)</u>	<u>Age</u>	<u>Year First Became Officer</u>
Richard A. Goldstein <sup>(2)</sup>	Chairman of the Board and Chief Executive Officer since June 2000; Director, Fiduciary Trust Company International; Director, The Interpublic Group of Companies, Inc.; Director, Continuum Health Partners, Inc.	64	2000
James H. Dunsdon	Chief Operating Officer since October 2004; Senior Vice President, Global Business Development, Flavors and Functional Fragrances since March 2004; Vice President, Global Account Sales and Regional Manager North America since January 2003; Regional Vice President, North America from January 2001 to January 2003.	59	2003
Clint D. Brooks	Senior Vice President, Research and Development since December 2002; Vice President, Research and Development prior thereto.	54	2000
Steven J. Heaslip	Senior Vice President, Human Resources since December 2002; Vice President, Human Resources from September 2001 to December 2002; Senior Vice President, Human Resources, Elizabeth Arden, a manufacturer of prestige beauty products, prior thereto.	48	2001
Dennis M. Meany	Senior Vice President, General Counsel and Secretary since January 2004; Associate General Counsel prior thereto.	58	2004
Nicolas Mirzayantz	Senior Vice President, Fine Fragrance and Beauty Care and Regional Manager, North America Region since April 2005; Senior Vice President, Fine Fragrance and Beauty Care from October 2004 to March 2005; Vice President, Global Business Development, Fine Fragrance and Toiletries from December 2002 to September 2004; Vice President, Global Business Development Fine Fragrances and Toiletries prior thereto.	43	2002
Douglas J. Wetmore	Senior Vice President and Chief Financial Officer.	48	1992
Arun Bewoor	Vice President, India Region since January 2003; Managing Director of IFF India Ltd. and Regional Vice President, India Region from June 2002 to January 2003; Managing Director, BBA India Ltd., prior thereto.	61	2003

<u>Name</u>	<u>Office and Other Business Experience (1)</u>	<u>Age</u>	<u>Year First Became Officer</u>
Rob J. M. Edelman	Senior Vice President, Aroma Chemicals since January 2006; Vice President, Europe Region from January 2003 to January 2006; Regional Vice President, Europe prior thereto.	44	2003
Robert Burns	Senior Vice President and Regional Manager, Europe Region since January 2006; Vice President, Strategic Sales, Asia Pacific Region from December 2004 to December 2005; Vice President, Asia Pacific Region from January 2003 to November 2004; Regional Vice President, Asia Pacific prior thereto.	48	2003
Christopher E. Gibson	Vice President, Global Accounts since April 2005; Vice President, North America Region from October 2004 to March 2005; Vice President, Global Category Manager, Savory Flavors prior thereto.	49	2004
Hernan Vaisman	Vice President, Latin America Region since October 2004; Regional Financial Director, Latin America Region prior thereto.	47	2004
Dennis J. Wall	Vice President, Asia Pacific Region since December 2004; Regional Sales Manager, Asia Pacific Region from July 2003 to December 2004; Business Development Manager and Asia Pacific Region Account Manager for Unilever prior thereto.	48	2004
Joseph Faranda	Vice President and Chief Marketing Officer since March 2005; Vice President, Strategic Marketing, The Home Depot, Inc. from February 2002 to March 2005; Senior Vice President, Strategy and Business Development, Avon Products, Inc. prior thereto.	52	2005

(1) Employed by the Company or an affiliated company for the last five years, except as otherwise indicated.

(2) Will cease as Chairman and Chief Executive Officer effective May 9, 2006, as previously announced.

## AVAILABLE INFORMATION

The Company makes available free of charge on or through the investor relations link on its website, [www.iff.com](http://www.iff.com), all materials that it files electronically with the SEC, including its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports, filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practicable after electronically filing such materials with, or furnishing them to, the SEC. During the period covered by this Form 10-K, the Company made all such materials available through its website as soon as reasonably practicable after filing such materials with the SEC.

You may also read and copy any materials filed by the Company with the SEC at the SEC's Public Reference Room at 100 F. Street, N.E., Washington, DC 20549, and you may obtain information on the operation of the Public Reference Room by calling the SEC in the U.S. at 1-800-SEC-0330. In addition, the SEC maintains an Internet website, [www.sec.gov](http://www.sec.gov), that contains reports, proxy and information statements and other information that the Company files electronically with the SEC.

A copy of the Company's Corporate Governance Guidelines, its Code of Business Conduct and Ethics, and the charters of the Audit Committee, Compensation Committee, and Nominating and Governance Committee of the Board of Directors are posted on the Investor Relations section of the Company's website, [www.iff.com](http://www.iff.com) and are available in print to any shareholder who requests copies by contacting Dennis M. Meany, Senior Vice President, General Counsel and Secretary, at the Company's principal executive office set forth above.

### Item 1A. Risk Factors.

#### **Competitive factors may negatively impact our sales and marketability.**

The market for flavor and fragrance products is fragmented and highly competitive. IFF competes with many companies and some of the Company's competitors specialize in one or more of our product lines while others sell many of the same product lines. In addition, some competitors may have greater financial and technical resources. Increased competition by existing or future competitors, including aggressive price competition, could result in the need for the Company to reduce prices or increase spending and this could have an impact on sales and profitability.

#### **The Company is subject to economic and social changes which may impact sales.**

Demand for consumer products using flavors and fragrances has been stimulated and broadened by changing social habits resulting from factors such as increases in personal income, dual-earner households, teenage population, leisure time, health concerns and urbanization and by the continued growth in world population. Changes in any number of external economic factors, or changes in social or consumer preferences, could adversely impact our results of operations.

#### **Results may be negatively impacted by the price, quality and availability of raw materials.**

Raw materials are purchased from many sources from all over the world, including essential oils, extracts and concentrate derived from fruits, vegetables, flowers, woods and other botanicals, animal products, raw fruits and organic chemicals. Disruptions in the supply or quality of ingredients or rising prices for ingredients purchased could adversely impact results of operations and profitability of the Company.

#### **Results may be negatively impacted by the inability to implement the Company's business strategy, including the achievement of anticipated cost savings, profitability or growth targets.**

The Company is committed to those particular business strategies which have been identified as likely to drive profitable future growth and improve operations and customer service. If the Company is unable to successfully and timely implement these strategies, it would adversely impact the financial condition and results of operations of the Company.

#### **Results may be negatively impacted by the impact of currency fluctuation or devaluation in principal foreign markets and the effectiveness of hedging and risk management strategies.**

The Company's operations are conducted in many countries, the results of which are reported in the local currency and then translated into U.S. dollars at applicable exchange rates. The exchange rates between these currencies and the U.S. dollar have fluctuated and may continue to do so in the future. The Company employs a variety of techniques to reduce the impact of exchange rate fluctuations, including foreign currency hedging activities. However, volatility in currency exchange rates may adversely impact the Company's reported results of operations, financial condition or liquidity.

#### **The Company's results may be negatively impacted by the outcome of uncertainties related to litigation.**

The Company is involved in a number of legal claims. While the Company believes that related insurance coverage is adequate with respect to such claims, the Company cannot predict the ultimate outcome of such litigation. In addition, the Company cannot provide assurance that future events will not require an increase in the amount accrued for any such claims, or require accrual for one or more claims that has not been previously accrued.

#### **The Company's results and cash flows may be negatively impacted by future pension funding and other postretirement obligations.**

The Company establishes assumptions concerning discount rates and actuarial assumptions regarding pension funding and other postretirement benefit obligations based on current market conditions, plan participants, asset returns, interest rates and other factors. Changes in pension and other postretirement benefits, and associated expenses, may occur in the future due to changes in demographics and assumptions. These changes may adversely impact the Company's financial condition, results of operations or liquidity.

#### **The Company's results may be negatively impacted by the effect of legal and regulatory requirements, as well as restrictions imposed on operations by foreign and domestic governmental entities.**

Manufacture and sale of the Company's products are subject to regulation in the United States by the Food and Drug Administration, the Agriculture Department, the Bureau of Alcohol, Tobacco and Firearms, the

Environmental Protection Agency, the Occupational Safety and Health Administration, the Drug Enforcement Administration and state authorities. Foreign operations of the Company are subject to similar governmental regulation in a number of countries. Compliance with existing governmental requirements and future governmental regulations may adversely impact the Company's financial condition, results of operations or liquidity.

**The Company may face risks associated with events which may affect the world economy.**

World events such as terrorist attacks, the current U.S. military action in the Middle East and elsewhere, and hostilities in the Middle East, Asia and other geographical areas, have and may in the future weaken the U.S. and world economies. Any resulting weaknesses in these economies may adversely affect the Company's business or the businesses of our customers, with a resultant negative impact on the Company's financial condition, results of operations or liquidity.

**ITEM 1B. Unresolved SEC Staff Comments.**

None

**ITEM 2. PROPERTIES.**

The principal properties of the Company are as follows:

<u>Location</u>	<u>Operation</u>
<b>United States</b>	
Augusta, GA	Production of fragrance chemical ingredients.
Carrollton, TX(1)	Production of flavor compounds.
Hazlet, NJ(1)	Production of fragrance compounds; fragrance laboratories.
Jacksonville, FL	Production of fragrance chemical ingredients.
New York, NY(1)	Fragrance laboratories.
South Brunswick, NJ(1)	Production of flavor compounds and ingredients; flavor laboratories.
Union Beach, NJ	Research and development center.
<b>France</b>	
Neuilly(1)	Fragrance laboratories.
Grasse	Production of flavor and fragrance ingredients; fragrance laboratories.
<b>Great Britain</b>	
Haverhill	Production of flavor compounds and ingredients, and fragrance chemical ingredients; flavor laboratories.
<b>Ireland</b>	
Drogheda	Production of fragrance compounds.
<b>Netherlands</b>	
Hilversum	Flavor and fragrance laboratories.
Tilburg	Production of flavor compounds and ingredients, and fragrance compounds.
<b>Spain</b>	
Benicarlo	Production of fragrance chemical ingredients.
<b>Argentina</b>	
Garin	Production of flavor compounds and ingredients, and fragrance compounds; flavor laboratories.
<b>Brazil</b>	
Rio de Janeiro	Production of fragrance compounds.
São Paulo	Fragrance laboratories.
Taubate	Production of flavor compounds and ingredients; flavor laboratories.
<b>Mexico</b>	
Tlalnepantla	Production of flavor and fragrance compounds; flavor and fragrance laboratories.
<b>India</b>	
Chennai(2)	Production of flavor compounds and ingredients and fragrance compounds; flavor laboratories.
<b>Australia</b>	
Dandenong	Production of flavor compounds and flavor ingredients.
<b>China</b>	
Guangzhou(4)	Production of flavor and fragrance compounds; flavor laboratories.
Shanghai(4)	Flavor and fragrance laboratories.
Xin'anjiang (5)	Production of fragrance chemical ingredients.

<u>Location</u>	<u>Operation</u>
<b>Indonesia</b>	
Jakarta(3)	Production of flavor compounds and ingredients, and fragrance compounds and ingredients; flavor and fragrance laboratories.
<b>Japan</b>	
Gotemba	Production of flavor compounds.
Tokyo	Flavor and fragrance laboratories.
<b>Singapore</b>	
Jurong	Production of flavor and fragrance compounds.

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- (1) Leased.
  - (2) The Company has a 93.1% interest in the subsidiary company that owns this facility.
  - (3) Land is leased and building is partially leased and partially owned.
  - (4) Land is leased and building and machinery and equipment are owned.
  - (5) The Company has a 90% interest in the subsidiary Company that leases the land and owns the buildings and machinery.

The principal executive offices of the Company and its New York laboratory facilities are located at 521 West 57th Street, New York City.

### ITEM 3. LEGAL PROCEEDINGS.

The Company is subject to various claims and legal actions in the ordinary course of its business.

In September 2001, the Company was named as a defendant in a purported class action brought against it in the Circuit Court of Jasper County, Missouri, on behalf of employees of a plant owned and operated by Gilster-Mary Lee Corp. in Jasper, Missouri (Benavides case). The plaintiffs alleged that they sustained respiratory injuries in the workplace due to the use by Gilster-Mary Lee of a BBA and/or IFF flavor. For purposes of reporting these actions, BBA and/or IFF are referred to as the "Company".

In January 2004, the Court ruled that class action status was not warranted. As a result of this decision, each of the 47 plaintiff cases was to be tried separately. Subsequently, 8 cases were tried to a verdict, 4 verdicts resulted for the plaintiffs and 4 verdicts resulted for the Company, all of which were appealed by the losing party. The 4 cases which resulted in a defense verdict and 1 of the cases which resulted in a plaintiff verdict were subsequently settled, as were the 39 other cases which did not go to trial and/or reach a verdict, the terms of all such settlements being confidential. The 3 remaining plaintiffs' verdicts are Moening (\$2.74 million), Brand (\$15 million) and McNeely (\$15 million). The appeal of each of these cases is pending.

Thirteen other actions based on similar claims of alleged respiratory illness due to workplace exposure to flavor ingredients are currently pending against the Company and other flavor suppliers and related companies. The parties remain in the discovery phase in the action brought against the Company and another flavor supplier by 24 former and current workers at a popcorn factory in Marion, Ohio. This case was filed in March 2003 and is pending in the Court of Common Pleas of Hamilton County, Ohio (Arthur case). In May 2004, the Company and another flavor supplier were named defendants in a lawsuit by 4 former workers at a Ridgeway, Illinois factory in an action brought in the Circuit Court for the Second Judicial Circuit, Gallatin County, Illinois (Barker case) and another concerning 11 other workers at this same plant was filed in July 2004 and is pending in this same Court against the Company and another flavor supplier (Batteese case). In an action filed in June 2004, the Company, 3 other flavor suppliers, a flavor trade association and a consulting agency are defendants in a lawsuit by 1 worker at a Sioux City, Iowa facility which is pending in U.S. District Court for the Northern District of Iowa (Remmes case). In June 2004, the Company and 3 other

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flavor suppliers were named defendants in a lawsuit by 1 plaintiff brought in the Court of Common Pleas, Hamilton County, Ohio (Mitchell case). In June 2004, the Company and 3 other flavor suppliers were named defendants in a lawsuit by 1 former worker at a Northlake, Illinois facility in an action brought in the Circuit Court of Cook County, Illinois (Lopez case). In August 2004, the Company and another flavor supplier were named defendants in a lawsuit by 16 former workers at a Marion, Ohio factory in an action brought in the Court of Common Pleas, Marion County, Ohio (Williams case). In March 2005, the Company and 10 other companies were named defendants in a lawsuit by 1 former employee of one of the defendants in an action brought in the Circuit Court of Cook County, Illinois (Robinson case). In July 2005, the Company and 9 other flavor and chemical suppliers were named defendants in a lawsuit by 1 former worker of a Chicago area facility alleging respiratory injuries due to alleged exposure in the workplace of such facility (Campbell case). In August 2005, the Company and 8 other companies were named defendants in a lawsuit by 3 former employees of the Gilster-Mary Lee facility in McBride, Missouri in the City of St. Louis Circuit Court (Fults case). In September 2005, the Company and 9 other companies were named defendants in a lawsuit by 2 former employees of the Gilster-Mary Lee facility in McBride, Missouri in the Circuit Court of St. Louis County (Bowling case). In November 2005, the Company, a flavor trade association and a consulting agency were named defendants in a lawsuit by 1 former employee of a popcorn facility in Breda, Iowa brought in U.S. District Court for the Northern District of Iowa, Western Division (Weimer case). In January 2006, the Company, three other flavor suppliers, a flavor trade association and a consulting agency were named defendants in a lawsuit by one worker at a Sioux City, Iowa facility filed in U.S. District Court for the Northern District of Iowa (Kuiper case). All these cases remain in the pretrial stage.

The Company believes that all IFF and BBA flavors at issue in these matters meet the requirements of the U.S. Food and Drug Administration and are safe for handling and use by workers in food manufacturing plants when used according to specified safety procedures. These procedures are detailed in instructions that IFF and BBA provided to all their customers for the safe handling and use of their flavors. It is the responsibility of IFF's customers to ensure that these instructions, which include the use of appropriate engineering controls, such as adequate ventilation, proper handling procedures and respiratory protection for workers, are followed in the workplace.

At each balance sheet date, or more frequently as conditions warrant, the Company reviews the status of each pending claim, as well as its insurance coverage for such claims with due consideration given to potentially applicable deductibles, retentions and reservation of rights under its insurance policies, and the advice of its outside legal counsel and a third party expert in modeling insurance deductible amounts with respect to all these matters. While the ultimate outcome of any litigation cannot be predicted, management believes that adequate provision has been made with respect to all known claims. Based on information presently available and in light of the merits of its defenses and the availability of insurance, the Company does not expect the outcome of the above cases, singly or in the aggregate, to have an adverse effect on the Company's financial condition, results of operations or liquidity. There can be no assurance that future events will not require the Company to increase the amount it has accrued for any matter or accrue for a matter that has not been previously accrued. See Note 17 of the Notes to the Consolidated Financial Statements.

Over the past 20 years, various federal and state authorities and private parties have claimed that the Company is a potentially responsible party as a generator of waste materials for alleged pollution at a number of waste sites operated by third parties located principally in New Jersey and seek to recover costs incurred and to be incurred to clean up the sites.

The waste site claims and suits usually involve million dollar amounts, and most of them are asserted against many potentially responsible parties. Remedial activities typically consist of several phases carried out over a

period of years. Most site remedies begin with investigation and feasibility studies, followed by physical removal, destruction, treatment or containment of contaminated soil and debris, and sometimes by groundwater monitoring and treatment. To date, the Company's financial responsibility for some sites has been settled through agreements granting the Company, in exchange for one or more cash payments made or to be made, either complete release of liability or, for certain sites, release from further liability for early and/or later remediation phases, subject to certain

"re-opener" clauses for later-discovered conditions. Settlements in respect of some sites involve, in part, payment by the Company and other parties of a percentage of the site's future remediation costs over a period of years.

The Company believes that the amounts it has paid and anticipates paying in the future for clean-up costs and damages at all sites are not and will not be material to the Company's financial condition, results of operations or liquidity, because of the involvement of other large potentially responsible parties at most sites, because payment will be made over an extended time period and because, pursuant to an agreement reached in July 1994 with three of the Company's liability insurers, defense costs and indemnity amounts payable by the Company in respect of the sites will be shared by the insurers up to an agreed amount.

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

None.

**PART II**

**ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED SECURITY HOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.**

(a) Market Information.

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

Quarter	2005		2004	
	High	Low	High	Low
First	\$ 42.90	\$ 38.82	\$ 38.40	\$ 32.77
Second	41.29	34.90	37.87	34.37
Third	38.85	34.34	39.97	35.24
Fourth	35.72	31.19	43.20	36.12

(b) Approximate Number of Equity Security Holders.

(A) Title of Class	(B) Number of record holders as of December 31, 2005
Common stock, par value 12 ½¢ per share	3,207

(c) Dividends.

Cash dividends declared per share for each quarter since January 2004 were as follows:

	2006	2005	2004
First	\$ 0.185	\$ 0.175	\$ 0.160
Second		0.185	0.175
Third		0.185	0.175
Fourth		0.185	0.175

(e) Issuer Purchases of Equity Securities.

	Total Number of Shares Purchased(1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs(2)	Maximum Dollar Value of Shares that may yet be Purchased under the Programs(3)
October 1-31, 2005	425,000	\$ 34.60	425,000	\$ 177,223,565
November 1-30, 2005	—	\$ —	—	\$ 177,223,565
December 1-31, 2005	—	\$ —	—	\$ 177,223,565

(1) An aggregate of 2,587,000 shares of common stock were repurchased during 2005; 1,941,482 and 645,518 shares of common stock were purchased under repurchase programs announced in July 2004 and May 2005, respectively.

(2) In July 2004, the Board of Directors approved the repurchase of up to \$100.0 million of the Company's common stock. This program was completed in August 2005.

(3) In May 2005, the Board of Directors approved the repurchase of up to \$200.0 million of the Company's common stock.

**ITEM 6. SELECTED FINANCIAL DATA.**

**INTERNATIONAL FLAVORS & FRAGRANCES INC.**  
**QUARTERLY FINANCIAL DATA (UNAUDITED)**  
**(DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)**

Quarter	Net Sales		Gross Profit		Net Income(a)		Net Income Per Share(b)			
	2005	2004	2005	2004	2005	2004	Basic		Diluted	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
First	\$ 523,052	\$ 535,015	\$ 214,655	\$ 228,229	\$ 52,543	\$ 56,358	\$ 0.56	\$ 0.60	\$ 0.55	\$ 0.59
Second	515,578	524,177	216,513	228,461	56,713	56,502	0.60	0.60	0.60	0.59
Third	493,118	506,229	206,406	217,177	68,572	42,305	0.73	0.45	0.72	0.44
Fourth	461,645	468,232	186,827	199,551	15,238	40,906	0.16	0.43	0.16	0.43
	<u>\$ 1,993,393</u>	<u>\$ 2,033,653</u>	<u>\$ 824,401</u>	<u>\$ 873,418</u>	<u>\$ 193,066</u>	<u>\$ 196,071</u>	<u>\$ 2.06</u>	<u>\$ 2.08</u>	<u>\$ 2.04</u>	<u>\$ 2.05</u>

(a) Net income in the 2005 third quarter includes a tax benefit of \$23,290 relating to the repatriation of \$242,000 of dividends from foreign subsidiaries under the provisions of the American Jobs Creation Act of 2004; see Note 10 of the Notes to the Consolidated Financial Statements for further discussion. Net income in the 2005 fourth quarter includes the after-tax effects of certain charges of \$15,857. Net income for the 2004 second, third and fourth quarters includes the after-tax effects of certain charges of \$5,015, \$12,690 and \$2,665, respectively. See Note 2 of the Notes to the Consolidated Financial Statements for further discussion.

(b) The sum of the 2005 quarters' net income per share does not equal the earnings per share for the full year 2005 due to changes in average shares outstanding.

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**INTERNATIONAL FLAVORS & FRAGRANCES INC.**  
**FIVE-YEAR SUMMARY**  
**(DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)**

	2005	2004	2003	2002	2001
<b>Consolidated Statement of Income Data</b>					
Net sales	\$ 1,993,393	\$ 2,033,653	\$ 1,901,520	\$ 1,809,249	\$ 1,843,766
Cost of goods sold	1,168,992	1,160,235	1,092,456	1,035,835	1,063,433
Research and development expenses	179,812	175,173	159,286	144,027	135,248
Selling and administrative expenses	339,323	341,306	308,951	305,156	313,335
Amortization of goodwill and other intangibles	15,071	14,830	12,632	12,632	46,089
Restructuring and other charges(a)	23,319	31,830	42,421	11,737	30,069
Interest expense	23,956	24,002	28,477	37,036	70,424
Other (income) expense, net	(3,268)	5,275	5,437	(3,591)	(2,609)
	<u>1,747,205</u>	<u>1,752,651</u>	<u>1,649,660</u>	<u>1,542,832</u>	<u>1,655,989</u>
Income before taxes on income	246,188	281,002	251,860	266,417	187,777
Taxes on income	53,122	84,931	79,263	90,473	71,775
Net income	<u>\$ 193,066</u>	<u>\$ 196,071</u>	<u>\$ 172,597</u>	<u>\$ 175,944</u>	<u>\$ 116,002</u>
Percentage of net sales	9.7	9.6	9.1	9.7	6.3
Percentage of average shareholders' equity	21.1	23.7	26.2	32.0	20.1
Net income per share – basic	\$ 2.06	\$ 2.08	\$ 1.84	\$ 1.86	\$ 1.21
Net income per share – diluted	\$ 2.04	\$ 2.05	\$ 1.83	\$ 1.84	\$ 1.20
Average number of shares (thousands)	93,584	94,143	93,718	94,511	95,770
<b>Consolidated Balance Sheet Data</b>					
Cash and short-term investments	\$ 272,897	\$ 32,995	\$ 12,555	\$ 15,165	\$ 48,905
Receivables, net	368,519	358,361	339,725	338,607	340,358
Inventories	430,794	457,204	454,631	421,603	415,984
Property, plant and equipment, net	499,145	501,334	510,612	520,499	532,473
Goodwill and intangible assets, net	772,651	789,676	799,413	794,079	795,920
Total assets	2,638,196	2,363,294	2,306,892	2,232,694	2,268,051
<b>Bank borrowings, overdrafts and</b>					
current portion of long-term debt	819,392	15,957	194,304	49,663	227,945
Long-term debt	131,281	668,969	690,231	1,007,085	939,404
Shareholders' equity	915,347	910,487	742,631	574,678	524,170
<b>Other Data</b>					
Current Ratio	1.0	2.4	1.7	2.4	1.6
Gross additions to property, plant and equipment	\$ 93,433	\$ 70,607	\$ 65,955	\$ 81,815	\$ 52,016
Depreciation and amortization expense	91,928	90,996	86,721	84,458	123,493
Cash dividends declared	68,397	64,789	59,032	56,749	57,219
per share	\$ 0.730	\$ 0.685	\$ 0.630	\$ 0.600	\$ 0.600
Number of shareholders of record at year-end	3,207	3,419	3,655	3,875	3,394
Number of employees at year-end	5,160	5,212	5,454	5,728	5,929

(a) Restructuring and other charges (\$15,857 after tax) in 2005, (\$20,370 after tax) in 2004, (\$27,514 after tax) in 2003,

(\$7,745 after tax) in 2002 and (\$19,101 after tax) in 2001 as a result of various reorganization programs of the Company.

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**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.**

**(DOLLARS IN MILLIONS EXCEPT PER SHARE AMOUNTS)**

**Organization of Information**

Management's Discussion and Analysis provides a narrative on the Company's operating performance, financial condition and liquidity and should be read in conjunction with the accompanying financial statements. It includes the following sections:

- Executive Overview
- Sales Commentary
- Operating Results
- Acquisitions and Divestitures
- Restructuring and Other Charges
- Financial Condition
- Market Risk
- Critical Accounting Policies and Use of Estimates
- New Accounting Standards
- Non-GAAP Financial Measures
- Cautionary Statement Under the Private Securities Litigation Reform Act of 1995

**Executive Overview**

The Company is a leading creator and manufacturer of flavor and fragrance compounds used to impart or improve the flavor or fragrance in a wide variety of consumer products. The precise size of the global market for flavors and fragrances is difficult to determine because the industry is highly fragmented, both geographically and along product lines; there are few publicly traded companies in the industry; certain customers maintain in-house capabilities fulfilling a portion of their flavor or fragrance needs; and the quality and depth of market information in developing regions of the world is limited. Analysts generally estimate the global market to be \$11 - \$12 billion of which IFF represents 16 - 18%; the Company's nearest sized competitor is of similar size. The five largest companies in the industry combined represent approximately 65 - 70% of the global market.

Fragrance compounds are used in perfumes, cosmetics, toiletries, hair care products, deodorants, soaps, detergents and softeners as well as air care products. Major fragrance customers include the cosmetics industry, including perfume and toiletries manufacturers, and the household products industry, including manufacturers of soaps, detergents, household cleaners and air fresheners. Flavor products are sold to the food and beverage industries for use in consumer products such as prepared foods, beverages, dairy, food and confectionery products. The Company is also a leading manufacturer of synthetic ingredients used in making fragrances. Approximately 60% of the Company's ingredient production is consumed internally; the balance is sold to third party customers.

Changing social habits resulting from such factors as increases in personal income and dual-earner households, leisure time, health concerns, urbanization and population growth stimulate demand for consumer products utilizing flavors and fragrances. These developments expand the market for products with finer fragrance quality, as well as the market for colognes and toiletries. Such developments also stimulate demand for convenience foods, soft drinks and low-fat food products that must conform to expected tastes. These developments necessitate the creation and development of flavors and fragrances and ingredients that are compatible with newly introduced materials and methods of application used in consumer products.

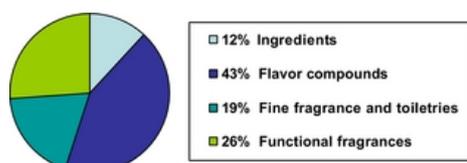
Flavors and fragrances are generally:

- created for the exclusive use of a specific customer;
- sold in solid or liquid form, in amounts ranging from a few pounds to several tons depending on the nature of the end product in which they are used;
- a small percentage of the volume and cost of the end product sold to the consumer; and
- a major factor in consumer selection and acceptance of the product.

Flavors and fragrances have similar economic and operational characteristics, including research and development, the nature of the creative and production processes, the manner in which products are distributed and the type of customer; many of the Company's customers purchase both flavors and fragrances.

A breakdown of sales by principal product category is depicted in the graph below.

*2005 Sales by Category*



The Company's five largest customers comprise 32% of consolidated sales and its top thirty customers 56%; these percentages have remained fairly constant for several years. No customer accounts for 10% or more of

sales. A key factor for success is inclusion on major customers' core supplier lists opening opportunities to win new business. The Company is currently on the majority of core supplier lists of its major customers; participation in such lists is key to the Company's strategy for growth.

The flavor and fragrance industry is impacted by macroeconomic factors in all product categories and geographic regions. In addition, pricing pressure placed on the Company's customers by large and powerful retailers and distributors is inevitably passed along to the Company and its competitors. Leadership in innovation and creativity mitigates, to an extent, the impact of pricing pressure. Success and growth in the industry is dependent upon creativity and innovation in meeting the many and varied needs of the customers' products in a cost-efficient and effective manner, and with a consistently high level of timely service and delivery.

The Company produces more than 33,000 unique compounds, of which approximately 60% are flavors and 40% fragrances. The Company continually creates new compounds to meet the changing characteristics and needs of its customers' end products. No single compound represents more than 1.5% of net sales. Development of fragrances and flavors is a complex artistic and technical process calling upon the combined knowledge and talents of creative perfumers and flavorists, and application and research chemists. An important contribution to the creation of new fragrances and flavors is the development of new ingredients. The Company bears essentially all costs incurred in connection with the creation and development of new flavors and fragrances and such formulae are generally protected under trade secrecy. The Company is not materially dependent on any patents, trademarks or licenses.

The Company's recent strategic focus has been:

- To integrate Bush Boake Allen Inc. ("BBA"), acquired in November 2000, and to reorganize the integrated organization under two global umbrellas of Business Development and Operations. Business Development encompasses consumer and market research, product category strategy, product development, global sales and marketing and technical application. Operations are responsible for the customer supply chain.
- To improve customer service, in terms of both on-time deliveries and responsiveness to new product development initiatives, and to improve the win rate for new business with the Company's customers.
- To critically evaluate the profitability and growth potential of the Company's product portfolio, and to focus on those categories and customers considered to be the best opportunities for long-term profitable growth.
- To focus research and development initiatives on those areas considered to be most likely, in the long-term, to yield the greatest value to the Company's customers and shareholders.

In the Company's view, considerable progress against these strategic initiatives has been achieved. The BBA integration was completed quickly and associated savings exceeded those anticipated at the time the acquisition was announced. Customer service levels have improved to the point where on time deliveries exceed the 95% level, with further improvement targeted. The Company has exited certain non-core businesses, the last of which was sold in 2004. The quality and depth of the Company's research and development efforts have improved significantly. In the period 2003 - 2005, the Company patented numerous new, commercially-viable ingredients for use in flavors and fragrances; fifteen were patented in 2003, nine in 2004 and fifteen in 2005. A number of these newly developed ingredients have been used in flavor and fragrance compounds, and in 2006 new ingredients and technologies are expected to play an important role in meeting the Company's growth objectives.

Moving forward, the Company is committed to:

- Research and development efforts in those aspects of flavors and fragrances and associated delivery mechanisms which the Company has identified as most likely to drive profitable future growth. The Company anticipates that much of this research will be conducted internally, but such efforts may be augmented by joint research undertakings and through acquisition of technology. An essential aspect of the overall research efforts is the Company's continued leadership in sensory science and consumer insight, enabling the creation of consumer-preferred flavors and fragrances.
- The quality, safety and suitability of its products for inclusion in its customers' end products; an essential element is the consistent assurance of the quality and safety of raw materials through a combination of steps including but not limited to vendor certification and quality assurance testing.
- Continuous improvement in operations and customer service supported by the global implementation of the enterprise requirements planning software package ("SAP"), and related initiatives.

As implementation of the strategy progresses, setting strategic initiatives requires regular establishment and reassessment of identified priorities and necessitates choices in order to provide the best opportunity for continuous improvement in shareholder value.

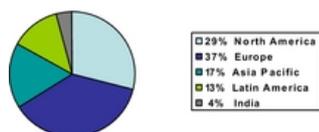
## Sales Commentary

Net sales for 2005, 2004 and 2003 were as follows:

Net Sales	2005	Percent Change	2004	Percent Change	2003
Flavors	\$ 857.7	(6)%	\$ 910.6	5%	\$ 866.5
Fragrances	1,135.7	1 %	1,123.1	9%	1,035.0
Total net sales	\$ 1,993.4	(2)%	\$ 2,033.7	7%	\$ 1,901.5

The Company manages its operations by major geographical region and considers destination sales a key performance measure. Although reported sales and earnings are affected by the weakening or strengthening of the U.S. dollar, this has not had a long-term effect on the underlying strength of the Company's business.

#### 2005 Sales by Destination



The Company acquired BBA effective November 3, 2000. In conjunction with the integration of BBA, and as part of restructuring the Company, certain non-core businesses (hereinafter referred to as the "non-core businesses") were disposed of including the fruit preparations businesses in Europe, North and Latin America; the North American concentrates business and a portion of the aroma chemicals business acquired in the BBA transaction. The non-core businesses were disposed of in a series of transactions with third parties; disposal of these businesses did not materially impact the Company's operating results. The North American concentrates business was disposed of in 2002 and the European fruit preparation business in 2004; the other non-core businesses were disposed of in 2001.

The following table summarizes reported sales on a geographic basis and reflects adjustments, as appropriate, to exclude sales attributable to the non-core businesses; adjusted sales are the basis on which the Company measures its operating performance:

Sales by Destination	2005	Percent Change	2004	Percent Change	2003
North America	\$ 571.7	(4)%	\$ 598.6	9%	\$ 550.1
Europe	739.0	(6)%	790.3	4%	761.7
Asia Pacific	348.1	2 %	342.9	10%	311.9
Latin America	262.4	10 %	238.6	7%	223.6
India	72.2	14 %	63.3	17%	54.2
Total net sales, as reported	\$ 1,993.4	(2)%	\$ 2,033.7	7%	\$ 1,901.5
Less: European fruit preparations	—	—	(58.3)	—	(92.3)
Total net sales, as adjusted	\$ 1,993.4	1 %	\$ 1,975.4	9%	\$ 1,809.2

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Net sales below are adjusted to exclude all sales associated with the non-core businesses:

Net Sales	As Adjusted 2005	Percent Change	As Adjusted 2004	Percent Change	As Adjusted 2003
Flavors	\$ 857.7	1%	\$ 852.3	10%	\$ 774.2
Fragrances	1,135.7	1%	1,123.1	9%	1,035.0
Total net sales, as adjusted	\$ 1,993.4	1%	\$ 1,975.4	9%	\$ 1,809.2

#### 2005 in Comparison to 2004

In 2005, reported sales declined 2% in dollars and 3% in local currency compared to 2004. The sales performance was led by strong growth in fine fragrances driven mainly by new product wins. Flavor sales comparisons in 2005 were impacted by the disposition, in the second half of 2004, of the Company's European fruit preparations business. On an as-adjusted basis, excluding sales attributable to the fruit business from 2004 results, both 2005 consolidated sales and flavor sales would have increased 1% in dollars and been flat in local currency. Flavor sales, most notably in North America and Europe, were also unfavorably impacted by lower selling prices for naturals, mainly vanilla.

Regional sales performance for 2005 was as follows:

- North America fragrance and flavor sales declined 1% and 7%, respectively; in total, regional sales declined 4%. Fine fragrance and aroma chemical sales increased 4% and 3%, respectively, while functional fragrance sales declined 8%. Fine fragrance growth resulted from \$14.5 in new wins, although this growth was partially offset by erosion of existing products of \$10.2. Functional fragrance sales realized new wins of \$10.2 though such growth was offset by erosion in existing products of \$20.5. Flavors reported new product introductions of \$21.3 partially offset by erosion in existing products of \$18.6.
- Europe sales declined 6% in dollars and 8% in local currency; reported dollar sales benefited from the strength of the Euro and the Pound Sterling versus the U.S. dollar. Fragrance sales increased 2% in dollars and were flat in local currency. Local currency fine fragrance sales increased 13%, driven primarily by new wins, while functional fragrances and aroma chemicals declined 6% and 7%, respectively. Flavor sales declined 18% in dollars and 19% in local currency, mainly as a result of the disposition of the fruit preparations business. On an as-adjusted basis, excluding sales attributable to the fruit business from 2004 results, 2005 flavor sales would have been flat in dollars and decreased 1% in local currency.
- Asia Pacific sales increased 2% in dollars and 1% in local currency; flavor sales increased 4% in dollars and 3% in local currency, while fragrance sales declined 2% in both dollars and local currency. Flavor sales were strongest in Greater China, Indonesia and Vietnam, with respective local currency increases of 15%, 7% and 46%; flavor growth was driven by new wins of \$4.5. Fragrance sales growth was strongest in Taiwan, South Korea, Vietnam and the Philippines with respective local currency increases of 16%, 16%, 56% and 8%; this growth was offset by local currency sales declines in Australia, Thailand and Singapore/Malaysia of 12%, 17% and 16%, respectively. Fragrance wins in the region totaled \$2.9.
- Latin American sales increased 10% with fragrance and flavor sales increasing 7% and 21%, respectively. Flavor sales were strongest in Mexico, Brazil and Argentina, which grew 33%, 27% and

22%, respectively, while fragrances were led by an 8% increase in Mexico and increases of 12% in Argentina and 7% in Brazil. Fragrance sales grew in all categories with functional fragrance sales increasing 7% while fine fragrance and aroma chemicals increased 4% and 7%, respectively. The performance was driven mainly by new wins of \$17.7 in fragrances and \$9.2 in flavors.

- India sales increased 14% in both local currency and reported dollars. This performance was led by a 16% local currency increase in flavor sales with fragrance sales increasing 12%. In both flavors and fragrances, the sales performance reflected the benefit of new wins and continued strong economic conditions.

*2004 in Comparison to 2003*

In 2004, reported sales increased 7%. Reported sales benefited from the strengthening of various currencies in relation to the U.S. dollar; had exchange rates remained constant, sales would have increased 2% in comparison to the prior year. Reported sales were strongest in fragrances, led by a 13% increase in fine fragrance sales; sales of aroma chemicals and fragrances used in functional products each increased 7%. The sales performance was impacted by the disposition of the Company's European fruit preparations business, which was sold to Frutarom Industries Ltd. ("Frutarom") in the second half of the year. On an as-adjusted basis, excluding sales attributable to the European fruit businesses from the 2004 and 2003 results, consolidated sales would have increased 5% in local currency and 9% in reported dollars.

Flavor and fragrance sales increased in all geographic regions, although growth in Europe resulted from currency translation; sales performance by region was as follows:

- North America fragrance sales grew 9% while flavor sales increased 8%; the region grew 9%, mainly driven by new wins. Fragrance sales increased in all categories, led by a 20% increase in aroma chemical sales, while fine and functional fragrance sales increased 6% and 7%, respectively. The aroma chemical sales increase was volume driven while growth in fine fragrances resulted from \$7.0 in new wins. Functional fragrance sales realized new wins of \$16.0, partially offset by erosion in existing products of \$6.0. Flavors reported new product introductions of \$30.0, partially offset by volume and erosion in existing products.
- European fragrance sales increased 8%, although this performance was partially offset by a 2% decline in flavor sales; in total, regional sales increased 4%. Reported sales benefited from the strength of the Euro and Pound Sterling; local currency sales declined 5%. Local currency fragrance sales declined 2%; fine fragrance sales increased 5% offset by a 1% decrease in sales of functional fragrances and a 10% decline in aroma chemical sales. The fine fragrance performance was driven by a number of new product wins. Fine and functional fragrances reported new product introductions of \$40.0, partially offset by the effects of erosion in existing products. Local currency flavor sales declined 10%, mainly as a result of the disposition of the fruit preparations business. On an as-adjusted basis, excluding sales attributable to the fruit business for 2004 and 2003, flavor sales would have increased 11% in dollars and 2% in local currency, mainly due to new wins.
- Reported sales in Asia Pacific increased 10%, based on 6% sales growth in local currency; the currency benefit was mainly attributable to the strength of the Japanese Yen and the Australian dollar. Local currency fragrance sales increased 3% in comparison to the prior year, resulting in a 7% increase in reported dollars, driven mainly by new wins of \$6.0. Local currency flavor sales increased 7%, resulting in a 13% increase in reported dollars. The performance reflects the benefit of both new wins and volume increases in existing products. For the region, sales growth was strongest in Greater China, Vietnam, Indonesia and Taiwan, with respective local currency increases of 17%, 47%, 9% and 8%, while Japan sales grew 3%.
- Latin American sales increased 7%; fragrance and flavor sales increased 9% and 3%, respectively. Sales growth was strongest in Venezuela, Central America, Argentina and Colombia which grew 33%, 15%, 12% and 9%, respectively. Fragrance sales were led by a 23% increase in aroma chemicals, while sales of fine and functional fragrances increased 12% and 6%, respectively. Fragrance sales were driven by new wins and volume increases while the flavor increase was mainly volume driven.
- India sales increased 15% in local currency and 17% in reported dollars. Local currency fragrance sales increased 12%, resulting in a 16% increase in reported dollars. Flavor sales increased 18% in local currency, resulting in a 19% increase in reported dollars. In both flavors and fragrances, the sales performance reflected the benefit of new wins.

**Operating Results**

The percentage relationship of cost of goods sold and other operating expenses to reported sales is detailed in the following table.

	2005	2004	2003
Cost of goods sold	58.6%	57.1%	57.5%
Research and development expenses	9.0%	8.6%	8.4%
Selling, general and administrative expenses	17.0%	16.8%	16.2%

Cost of goods sold includes the cost of materials and manufacturing expenses; raw materials generally constitute 70% of the total. Research expenses are for the development of new and improved products, technical product support, compliance with governmental regulations, and help in maintaining relationships with customers who are often dependent on technological advances. Selling, general and administrative expenses support the Company's sales and operating levels.

Segment profit, which excludes the effect of restructuring and other charges, was \$290.2 in 2005, \$342.1 in 2004 and \$328.2 in 2003. The Company recorded restructuring and other charges of \$23.3, \$31.8 and \$42.4 in

2005, 2004 and 2003, respectively. Operating profit totaled \$266.9, \$310.3 and \$285.8 in 2005, 2004 and 2003, respectively.

#### *2005 in Comparison to 2004*

Cost of goods sold, as a percentage of sales, increased 150 basis points compared with 2004, mainly due to higher raw material costs which the Company was not able to fully recover through increased selling prices; overall, the average cost of raw materials purchased by the Company increased 5% – 6% in comparison to the prior year. Gross margin was also negatively impacted by costs attributable to a vendor-supplied raw material contamination issue; cost of sales include \$3.0 in related costs, comprised mainly of associated testing costs and the write-off of affected materials. Cost of goods sold was also impacted by lower expense absorption attributable to the facility closure in Dijon and the cost of transfer of related production to other manufacturing locations; production at the Dijon facility ceased in March 2005.

Research and Development (“R&D”) expenses increased to 9.0% of sales, consistent with the Company’s stated intention to expand its research initiatives; spending in 2006 is expected to remain at approximately 9.0% of sales.

Selling, General and Administrative (“SG&A”) expenses, as a percentage of sales, increased to 17.0% from 16.8%. SG&A expenses include \$8.5 million related to the cost of customer damages attributable to the raw material contamination issue. The Company is seeking full indemnification from its supplier, the supplier’s insurers and, to the extent necessary, its own insurers, but no related insurance receivable has been recorded. SG&A expenses also include \$5.1 in equity compensation expense compared to \$5.0 million in the prior year. These costs were partially offset by lower accruals under the Company’s various incentive plans.

In 2005, cost of goods sold and SG&A include \$2.2 and \$4.5, respectively, incurred in connection with the implementation of SAP; these costs relate to training and data conversion and are charged to operating expenses as incurred. Implementation of SAP is essentially complete at December 31, 2005.

#### *2004 in Comparison to 2003*

Cost of goods sold, as a percentage of sales, declined 40 basis points compared with 2003. The improvement resulted from a combination of improved sales performance, and better product mix from improved fine fragrance sales and the disposition of the lower margin European fruit business. The Company benefited from the elimination of 48 manufacturing positions in North America and Europe which resulted in savings of approximately \$2.1. The above benefits were partially offset by poor operating performance by the European fruit business for the period of time owned by the Company, and by weak absorption of expenses resulting from the transfer of production from the Company’s facility in Dijon, France to other manufacturing plants.

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R&D expenses increased to 8.6% of sales, as the Company continued to expand its research initiatives. This increase is mainly as a result of the elimination of the fruit preparations business; relative to other parts of the Company’s business, fruit preparations required less R&D as a percentage of sales.

SG&A expenses, as a percentage of sales, increased to 16.8% from 16.2%; mainly from inclusion of \$5.0 in equity compensation expense for which there was no comparable amount in the 2003 results, and higher expense accruals under the Company’s incentive compensation plans, based on sales and operating performance. The increase in Global Expenses, as reported in Note 13 of the Notes to the Consolidated Financial Statements, mainly related to these expenses. In May 2004, the Company began using Restricted Stock Units (“RSU’s”), rather than stock options, as an element of the Company’s incentive compensation plans for all eligible U.S. - based employees and a majority of eligible overseas employees; previously, options had not been expensed as permitted under applicable accounting guidance. Vesting of the RSU’s for senior management is performance and time based; for the remainder of eligible employees, vesting is time based (generally over a three-year period).

In 2004, cost of goods sold and SG&A include \$1.4 and \$3.8, respectively, incurred in connection with the implementation of SAP.

#### *Interest Expense*

Interest expense totaled \$24.0, \$24.0 and \$28.5 in 2005, 2004 and 2003, respectively. The average interest rate was 3.3%, 3.2% and 3.0% in 2005, 2004 and 2003, respectively. Gross borrowings at December 31, 2005 increased in comparison to the prior year in connection with repatriation of foreign earnings under the American Jobs Creation Act of 2004 (“AJCA”). More information on debt and interest rate management is contained in Note 9 and Note 15 of the Notes to the Consolidated Financial Statements.

#### *Other (Income) Expense, Net*

Other (income) expense, net was \$3.3 income in 2005, \$5.3 expense in 2004 and \$5.4 expense in 2003. In 2005, income resulted primarily from exchange gains and higher levels of interest income earned on higher cash balances. Exchange gains or (losses) were \$2.8, (\$2.9) and \$1.6 in 2005, 2004 and 2003, respectively. The exchange losses in 2004 were mainly the result of the Company having U.S. dollar positions in Europe and Latin America which resulted in exchange losses upon the weakening of the U.S. dollar in comparison to the Euro and other currencies. In 2003, the Company repurchased \$200.7 of long-term notes otherwise scheduled to mature in May 2006; purchases were made through a series of open market transactions, funded with commercial paper. As a result, the Company incurred a net loss of \$4.2 which is included in Other (income) expense, net.

#### *Income Taxes*

The effective tax rate for 2005 was 21.6%, compared to 30.2% for 2004 and 31.5% for 2003. The 2005 rate was significantly reduced as a result of a tax benefit associated with the AJCA. The AJCA, enacted on October 22, 2004, provided for a special one-time tax deduction of 85% of dividends received on eligible repatriated foreign earnings; the deduction resulted in an approximate 5.25% federal tax rate on these earnings. Full year 2005 results include a net tax benefit of \$24.7 relating to the Company’s repatriation of \$242.0 million of dividends from foreign subsidiaries under the provisions of AJCA. Excluding the benefit of AJCA, the effective tax rate for 2005 would have been 31.6%.

The fluctuating rate over the three-year period is primarily the result of tax planning initiatives and the benefit of combining various IFF and BBA legal entities into a single tax structure. In the period 2003 - 2005, the tax rate also benefited from restructuring and other charges, most of which were incurred in higher tax jurisdictions.

#### **Acquisitions and Divestitures**

In 2004, the Company sold its European fruit preparations business which manufactured processed fruit and other natural product preparations used in a variety of food products. Sales of

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fruit preparations in 2004, 2003 and 2002 were \$58.3, \$92.3 and \$72.2; operating profit was \$5.6, \$12.4 and \$6.3, respectively. Proceeds from the sale were \$40.0, including assumption of certain liabilities; cash proceeds were used to reduce borrowings.

In 2003, the Company acquired 70% of the outstanding shares of Celescence International Ltd. (“Celescence”), a company engaged in the development and distribution of encapsulation and delivery systems for use in fragrance and other applications, for \$6.4. The acquisition was accounted for as a purchase business combination. The principal Celescence asset is a process technology patent included in other intangible assets that is being amortized over its estimated remaining useful life. Celescence results, which are not material, are included in the consolidated results of the Company from acquisition date.

Movements in acquisition accounting accruals were:

	Employee- Related	Asset-Related and Other	Total
Balance January 1, 2003	\$ 6.0	\$ 1.1	\$ 7.1
Cash and other costs	(3.6)	(1.1)	(4.7)
Balance December 31, 2003	2.4	—	2.4
Cash and other costs	(2.4)	—	(2.4)
Balance December 31, 2004	\$ —	\$ —	\$ —

At December 31, 2005 and 2004, goodwill and other intangible assets, net of accumulated amortization, totaled \$772.7 and \$789.7, respectively. The Company completed its annual assessments in 2005, 2004 and 2003, concluding that it has no impairment of goodwill or other intangible assets. Additional details are contained in Note 5 of the Notes to the Consolidated Financial Statements.

### Restructuring and Other Charges

Since 1999, the Company has undertaken a series of actions associated with the closure of Company facilities and elimination of various employee positions. As an element of this program, the Company offered a voluntary early retirement incentive to certain U.S. - based employees in the fourth quarter of 1999 with notification of acceptance in the first quarter of 2000; 71 employees accepted, resulting in pre-tax charges of \$9.3 in 2000.

In mid-2000, senior management changed, after which the Company conducted a comprehensive analysis of its business development, research and development, and operating activities and associated staffing levels. In October 2000, the Company announced a significant reorganization entailing the elimination of multiple layers of management, closure of certain manufacturing facilities to improve capacity utilization, and the intended disposal of certain non-core businesses. The integration of BBA into IFF and the reorganization proceeded concurrently.

An element of the reorganization was a second voluntary early retirement program extended to U.S. - based employees, which 85 employees accepted, resulting in pre-tax charges of \$14.5. An additional 41 employees were terminated by eliminating duplicate management positions at corporate, regional and affiliate locations, resulting in the Company recording pre-tax charges of \$17.5. In 2000, a total of 197 employees were severed and the Company recorded pre-tax charges totaling \$41.3, comprised of:

- The first early retirement plan – \$9.3;
- The second early retirement plan – \$14.5; and
- Other reorganization costs – \$17.5.

During 2001, the Company sold its fruit preparation business in the United States and Brazil and closed IFF operations in Hong Kong, South Africa, Chile, Venezuela, Kenya, Texas and Oregon. As a result, 465 employees were severed and the Company recorded pre-tax charges totaling \$30.1; \$10.1 related to employee terminations and \$20.0 related to location closures and asset write-downs.

During 2002, the Company closed IFF operations in Australia, discontinued fragrance compounding in Japan and sold its fruit concentrate business. As a result, 148 employees were severed and the Company recorded pre-tax charges of \$11.7; \$4.3 related to employee severance and \$7.4 related to location closures and asset write-downs.

In 2003, the Company further eliminated duplicate employment functions and processes, including several senior corporate positions as well as at global, regional and local levels. The Company eliminated 321 positions and recorded pre-tax charges of \$42.4; \$38.0 related to employee terminations and \$4.4 related to location closures and asset write-downs. The 2003 asset-related charges related principally to final quantification of costs for previous actions taken.

In 2004, the Company disposed of its European fruit preparations business. In addition, the Company closed its Canadian manufacturing facility and committed to the closure of its manufacturing facility in Dijon, France; the Dijon facility closed in 2005, on completion of transfer of production to other plants. As a result, the Company eliminated 302 positions, and recognized pre-tax charges of \$31.8, of which \$25.8 related to employee terminations and \$6.0 to location closures and asset write-downs, and other related reorganization actions; the asset-related charges were net of gains of \$16.3 related to the sale of the fruit businesses and Canadian facility. An additional 129 employees left the Company in 2005 on closure of the Dijon facility.

In 2005, the Company undertook to eliminate approximately 300 positions in manufacturing, selling, research and administration functions, principally in its European and North American operating regions. The majority of affected positions involve employee separation while the balance relates to open positions that will not be filled. As a result of these actions, the Company anticipates recording pre-tax restructuring charges of \$25 million to \$30 million relating primarily to employee separation expenses; \$23.3 million was recognized in 2005. The remaining charges are expected to be recognized in 2006. Annual savings from these actions are expected to approximate \$16 million to \$18 million.

With respect to all restructuring and other charges:

- Separation costs for the employees relate primarily to severance, outplacement and other benefit costs;

- Asset write-down charges relate to establishment of the new carrying value for assets held for sale or disposal; and
- Other costs include lease termination costs and other reorganization expenses incurred to affect either the employee separation or location closure.

The charges above exclude all charges associated with the integration of BBA where such costs were incurred in connection with the closure of BBA facilities or the elimination of BBA employees.

In Europe, the total reductions include 194 positions eliminated with the sale of the Fruit business in 2004 and, in 2005 the elimination of 129 positions related to the closure of the Dijon facility. Positions eliminated by region in each of the three years in the period ended December 31, 2005 were as follows.

	2005	2004	2003
North America	140	56	81
Europe	261	234	97
Asia Pacific	22	11	120
Latin America	4	1	19
India	2	—	4
Total	<u>429</u>	<u>302</u>	<u>321</u>

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Charges by region in each of the three years in the period ended December 31, 2005 were:

	2005	2004	2003
North America	\$ 10.0	\$ 7.6	\$ 20.2
Europe	10.6	23.5	16.9
Asia Pacific	1.2	0.7	3.6
Latin America	0.5	—	1.3
India	1.0	—	0.4
Total	<u>\$ 23.3</u>	<u>\$ 31.8</u>	<u>\$ 42.4</u>

Movements in related accruals in each of the three years in the period ended December 31, 2005 were:

	Employee-Related	Asset-Related and Other	Total
Balance January 1, 2003	\$ 3.4	\$ 0.4	\$ 3.8
Additional charges	38.0	4.4	42.4
Cash and other costs	<u>(21.8)</u>	<u>(3.3)</u>	<u>(25.1)</u>
Balance December 31, 2003	19.6	1.5	21.1
Additional charges	25.8	22.3	48.1
Cash and other costs	<u>(17.2)</u>	<u>(8.9)</u>	<u>(26.1)</u>
Balance December 31, 2004	28.2	14.9	43.1
Additional charges	22.0	1.3	23.3
Cash and other costs	<u>(20.7)</u>	<u>(11.3)</u>	<u>(32.0)</u>
Balance December 31, 2005	<u>\$ 29.5</u>	<u>\$ 4.9</u>	<u>\$ 34.4</u>

The 2004 asset-related charges exclude gains of \$16.3 arising on the sale of the fruit businesses and Canadian facility; such gains were accounted for in determining Restructuring and other charges of \$31.8 reported in 2004.

The employee-related liabilities are expected to be utilized by 2008 as obligations are satisfied; asset-related charges are expected to be utilized in 2007 on final decommissioning and disposal of affected equipment.

#### Financial Condition

Cash, cash equivalents and short-term investments totaled \$272.9 at December 31, 2005 compared to \$33.0 and \$12.6 at December 31, 2004 and 2003, respectively. The cash balance at December 31, 2005 increased as a result of the repatriation of funds under AJCA. Working capital totaled (\$11.4) at year-end 2005, compared to \$561.8 and \$376.6 at December 31, 2004 and 2003, respectively. The change in 2005 relates primarily to an increase in current debt due to the maturity in May 2006 of the \$499.3 in 6.45% Notes. Gross additions to property, plant and equipment were \$93.4, \$70.6 and \$66.0 in 2005, 2004 and 2003, respectively, and are expected to approximate \$70.0 in 2006.

At December 31, 2005, the Company had \$950.7 of debt outstanding, including \$7.9 in deferred gains and mark-to-market adjustments on interest rate swap transactions. Debt, excluding the deferred swap gains, includes \$499.2 of 6.45% Notes maturing in May 2006, \$314.6 in bank borrowings and overdrafts and \$129.0 in long-term Japanese Yen denominated debt. The Company is developing plans for both short-term financing and the potential issuance of additional long-term instruments on maturity of the Notes.

In 2005, the Company and certain of its subsidiaries entered into a revolving credit agreement (the "Agreement" or the "Facility") with certain banks which replaced existing credit facilities. The Agreement provides for a five-year US \$350,000,000 ("Tranche A") and Euro 400,000,000 ("Tranche B") multi-currency revolving credit facility. Tranche A is available for commercial paper backstop and general corporate purposes; Tranche B is available to European subsidiaries for general corporate

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purposes. Borrowings under the Facility bear interest at an annual rate of LIBOR (London Inter Bank Offer Rate) (or in relation to any Euro-denominated loans, EURIBOR, European Inter Bank Offer Rate) plus a margin, currently 20 basis points, linked to the credit rating of the Company. The Company pays a commitment fee on the

aggregate unused commitments and a utilization fee based on amounts outstanding under the Facility; such fees are not material. The Facility contains various affirmative and negative covenants customary in a facility of this type, including a covenant requiring the Company to maintain, at the end of each fiscal quarter, a ratio of net debt for borrowed money to EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) in respect of the previous 12-month period of not more than 3.25 to 1. The Company has complied with this covenant at all times.

Unless extended, the Agreement will expire on November 22, 2010. The Company may request an extension of the Facility for up to two years beyond the original term. In the event of default, the lenders may terminate the Agreement and declare any principal amount then outstanding and all accrued interest, fees and other amounts payable under the Agreement to be immediately due and payable. Defaults under the Agreement which could result in the acceleration by the lenders of the obligations of the Company Parties include a change of control of the Company (as defined in the Facility Agreement) and certain acquisitions made in contemplation of a merger where, as a direct result of the acquisition, the public debt rating of the Company quoted by Moody's or S&P (including any change in terms of its outlook) is a lower rating than its public debt rating immediately prior to such acquisition.

In July 2004 and May 2005, the Company's Board of Directors authorized share repurchase programs of \$100.0 and \$200.0, respectively. Under various programs, the Company repurchased 2.6 million shares in 2005 and 1.8 million shares in each of 2004 and 2003, at a cost of \$98.3, \$66.5 and \$55.4, respectively. Average per share cost of shares acquired in 2005, 2004 and 2003 was \$38.01, \$36.89 and \$31.66, respectively. The Company completed the July 2004 repurchase plan in August 2005 and as of December 31, 2005 had repurchased approximately 0.6 million shares under the May 2005 plan. At December 31, 2005, the Company had \$177.2 remaining under the May 2005 plan, representing approximately 5.1 million shares based on a stock price of \$35.00 per share. Repurchased shares will be available for use in connection with the Company's employee benefit plans and for other general corporate purposes.

The dividend paid per share in 2005, 2004 and 2003 was \$.72, \$.67 and \$.62, respectively. In January and April 2005, the Company paid a quarterly cash dividend of \$.175 per share to shareholders. In May 2005, the Board of Directors increased the annual dividend by 5.7% to \$.74 per share effective with the dividend paid in July 2005. The Company paid dividends totaling \$67.8, \$63.2 and \$58.2 in 2005, 2004 and 2003. The Company's current intention is to pay dividends approximating 30 - 35% of yearly earnings; however, the payment of dividends is determined by the Board in its discretion based on various factors.

The cumulative translation adjustment component of Accumulated other comprehensive income was (\$47.4) at December 31, 2005, compared to \$8.2 at December 31, 2004. The change results principally from the strengthening of the U.S. dollar against the Euro, the Japanese Yen and the Australian dollar during 2005. The Minimum pension liability adjustment component of Accumulated other comprehensive income was (\$100.4) at December 31, 2005, compared to (\$110.7) at December 31, 2004. The accumulated loss on derivatives qualifying as hedges was (\$2.6) at December 31, 2005 compared to (\$5.7) at December 31, 2004.

Compliance with existing governmental requirements regulating the discharge of materials into the environment has not materially affected the Company's operations, earnings or competitive position. In 2005, the Company spent \$20.4 on capital projects and \$14.7 in operating expenses and governmental charges for the purpose of complying with such regulations. Expenditures for these purposes will continue for the foreseeable future. In addition, the Company is party to a number of proceedings brought under the Comprehensive Environmental Response, Compensation and Liability Act or similar state statutes. It is expected that the impact of any judgments in or voluntary settlements of such proceedings will not be material to the Company's financial condition, results of operations or liquidity.

At December 31, 2005, the Company has contractual payment obligations due within the time periods as specified in the following table:

Contractual Obligations	Payments Due				
	Total	2006	2007-2008	2009-2010	2011 and thereafter
Borrowings(1)	\$ 680.0	\$ 551.0	\$ 113.4	\$ —	\$ 15.6
Interest on borrowings(1)	31.5	24.2	6.0	0.9	0.4
Operating leases(2)	309.6	21.7	38.2	30.8	218.9
Purchase commitments(3)	13.9	13.7	0.2	—	—
Pension funding obligations(4)	49.1	24.8	5.4	5.4	13.5
Post-retirement obligations(4)	48.8	3.9	8.3	9.1	27.5
<b>Total</b>	<b>\$ 1,132.9</b>	<b>\$ 639.3</b>	<b>\$ 171.5</b>	<b>\$ 46.2</b>	<b>\$ 275.9</b>

(1) See Note 9 of the Notes to the Consolidated Financial Statements for a further discussion of the Company's various borrowing facilities.

(2) Operating leases include facility and other lease commitments executed in the normal course of the business. Additional details concerning the United States facilities are contained in Note 8 of the Notes to the Consolidated Financial Statements and further details concerning worldwide aggregate operating leases are contained in Note 17 of the Notes to the Consolidated Financial Statements.

(3) Purchase obligations and capital project commitments not recorded on the Company's consolidated balance sheet.

(4) See Note 14 of the Notes to the Consolidated Financial Statements for a further discussion of the Company's retirement plans. Anticipated funding obligations are based on current actuarial assumptions. Funding requirements reported in the above table do not extend beyond 2015.

The Company anticipates that all financing requirements will be funded from operations and credit facilities currently in place. Cash flows from operations or credit facilities are currently expected to be sufficient to fund the Company's anticipated capital spending, dividends and other requirements for the next 12 - 18 months. The Company currently anticipates reducing borrowings by approximately \$200.0 in 2006. In comparison, borrowings were reduced by approximately \$185.0 and \$145.0 in 2004 and 2003, respectively.

## Market Risk

The Company is exposed to market risk from foreign currency exchange rates, interest rates and commodity price fluctuations. The Company evaluates and manages volatility relating to these exposures on a global basis to take advantage, where applicable, of netting opportunities that may exist. Identified net exposures are managed employing a number of techniques including, but not limited to, borrowings in local currencies and the use of certain derivative instruments.

The Company operates on a global basis and is exposed to currency fluctuation related to the manufacture and sale of its products in currencies other than the U.S. dollar. The major foreign currencies involve the markets in the European Union, Mexico, Brazil, China, Indonesia, Australia and Japan, although all regions are subject to

foreign currency fluctuations versus the U.S. dollar. The Company actively monitors its foreign currency exposures in all major markets in which it operates, and employs a variety of techniques to mitigate the impact of exchange rate fluctuations, including foreign currency hedging activities. The Company enters into foreign currency forward contracts with the objective of reducing exposure to cash flow volatility associated with foreign currency receivables and payables, and with anticipated purchases of certain raw materials used in operations. These contracts, the counterparties to which are major international financial institutions, generally involve the exchange of one currency for a second currency at a future date, and have maturities not exceeding six months. The notional amount and maturity dates of such contracts match those of the underlying transactions. The gain or loss on the hedging instrument is recorded in earnings at the same time as the transaction being hedged is recorded in earnings. The associated asset or liability on the open hedge instrument is recorded in Current Assets or Current Liabilities, as applicable.

The Company employs various interest rate swaps and debt issuances with the objective of managing and optimizing its interest rate exposure. In 2001, the Company entered into certain interest

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swap agreements effectively converting the fixed coupon rate on its 6.45% Notes to a variable short-term rate based on the LIBOR plus an interest markup. In response to changes in market conditions and the value of the swaps, and in 2003, in connection with the Company's debt repurchase, the Company periodically amended the swap agreements, changing the related interest spread. As a result of these amendments, the counterparty paid the Company \$11.6 and \$56.5 in 2003 and 2002, respectively, including accrued interest of \$3.7 and \$6.5, respectively. The net realized gains on the swaps have been deferred, classified as a separate component of debt, and are amortized as a reduction in interest expense over the remaining term of the Notes. In 2003, the Company terminated all such swap agreements; as a result, the interest rate on the Notes, including amortization of the deferred swap gains, was fixed at 3.4% through maturity.

The Company has executed a 10-year Yen - U.S. dollar currency swap related to the monthly sale and purchase of products between the U.S. and Japan. The annual notional value of this swap is approximately \$5.0. Gains and losses related to this swap are recorded currently, and the mark-to-market adjustment related to the value of the swap is reflected as a component of Accumulated other comprehensive income.

In 2002, the Company entered into certain interest rate swap agreements effectively converting the fixed rate on its long-term Japanese Yen borrowings to a variable short-term rate based on the Japanese Yen LIBOR rate plus an interest markup. These swaps are designated as qualified fair value hedges. During 2003 and 2005, the Company amended the swaps and the counterparty paid the Company \$3.0 and \$0.8, respectively, including accrued interest of \$0.5 and \$0.1, respectively. In both cases, these net gains have been deferred, are classified as a separate component of debt and are being amortized over the remaining term of the debt. To the extent the Company has not received cash or otherwise amended or settled any swap agreements, any applicable mark-to-market adjustment relating to that swap is included as a separate component of debt. The Company had no ineffective interest rate swaps at December 31, 2005.

#### **Critical Accounting Policies and Use of Estimates**

Preparation of financial statements in accordance with accounting principles generally accepted in the United States ("GAAP") requires management to make estimates and assumptions that affect reported amounts and accompanying disclosures. These estimates are based on management's best judgment of current events and actions that the Company may undertake in the future. Actual results may ultimately differ from estimates, although management does not believe such changes will materially affect the financial statements in any individual year.

Those areas requiring the greatest degree of management judgment or deemed most critical to the Company's financial reporting involve:

*The periodic assessment of potential impairment of intangible assets acquired in business combinations.* The Company currently has net intangible assets, including goodwill, of \$772.7. Goodwill is evaluated for impairment annually. In assessing its intangible assets, management uses the most current actual and forecasted operating data available, current market based assumptions and independent valuation experts. A two step approach is employed. The first step involves estimating the value of reporting units based on the present value of estimated future cash flows. The second step, if necessary, is to measure the value of the impairment loss, if any. Management's most subjective assumptions relate to the estimated/projected sales and operating growth values employed in the forecast.

*The analysis and evaluation of collectibility of accounts receivable.* The Company sells to large global and regional firms. The majority of sales are either made-to-order or products that the Company also employs in its own manufacturing process as a raw material. Judgment is required in assessing the realization of receivable balances, including assessment of the creditworthiness of the customers, and in evaluating varying circumstances that may impact the financial stability of a customer. Allowances for loss on collection are established based on currently available relevant facts, and are reevaluated and adjusted as additional information becomes available. The Company's historical experience indicates the allowance recorded has been sufficient to cover any reasonably expected potential loss.

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*The analysis and evaluation of income taxes.* The Company accounts for taxes in accordance with Statement of Financial Accounting Standard No. 109 ("FAS 109"), Accounting for Income Taxes. Under FAS 109, deferred tax assets and liabilities are determined based on temporary differences between financial reporting and tax bases of assets and liabilities, based on tax laws as currently enacted. The provision for income taxes is based on domestic and international statutory income taxes rates and planning opportunities available in the various tax jurisdictions where the Company operates. Significant judgment is required in determining income tax provisions and tax positions. The Company may be challenged upon review by the applicable taxing authority and positions taken by the Company may not be sustained. The Company regularly updates these accruals in light of changing facts and circumstances.

*The evaluation of potential legal and environmental liabilities, where changing circumstances, rules and regulations require regular reassessment of related practices and anticipated costs.* The Company is subject to certain legal claims regarding products and other matters, as well as environmental-related matters. Significant management judgment is involved in determining when it is probable that a liability has been incurred and the extent to which it can be reasonably estimated.

The Company regularly assesses potential liabilities with respect to all legal claims based on the most recent available information, in consultation with outside counsel handling the defense of such matters, and other relevant independent experts. To the extent a liability is deemed to have been incurred and can be reasonably estimated, the Company recognizes a corresponding liability; if the reasonably estimated liability is a range, the Company recognizes that amount considered most likely, or in the absence of such a determination, the minimum reasonably expected liability. To the extent such claims are covered by various insurance policies, the Company separately evaluates the likelihood of recovery and accounts for any related insurance receivable. Management judgments involve determination as to whether a liability has been incurred, the reasonably estimated amount of that liability, and any potential insurance recovery.

The Company regularly evaluates its potential environmental exposure in terms of total estimated cost and with respect to the viability of other potentially responsible parties ("PRP's") associated with its exposure. Recorded liabilities are adjusted periodically as remediation efforts progress and additional information becomes available. Critical management assumptions relate to expected total costs to remediate and the financial viability of PRP's to share such costs.

Determination of the various assumptions employed in the valuation of pension and retiree health care expense and associated obligations. Amounts recognized in the Consolidated Financial Statements related to pension and other postretirement benefits are determined from actuarial valuations. Inherent in such valuations are assumptions including expected return on plan assets, discount rates at which the liabilities could be settled, rates of increase in future compensation levels, mortality rates and health care cost trend rates. These assumptions are updated annually and are disclosed in Note 14 of the Notes to the Consolidated Financial Statements. In accordance with GAAP, actual results that differ from the assumptions are accumulated and amortized over future periods and, therefore, affect expense recognized and obligations recorded in future periods.

With respect to the U.S. plans, the expected return on plan assets was determined based on an asset allocation model using the current benchmark allocation, real rates of return by asset class and an anticipated inflation rate. The benchmark asset allocation was: 10 - 20% in cash and fixed income investments expected to yield 1.1%; 10 - 20% employed in corporate and government bonds expected to yield 1.7 - 2.8%; and 65 - 75% in equity investments with a long-term expected yield of 8.5 - 9.1%. The inflation rate assumed in the model was 2.5%. The plan has achieved a compound annual rate of return of 9.2% over the previous 15 years. The expected annual rate of return for the non-U.S. plans employs a similar set of criteria adapted for local investments, inflation rates and in certain cases specific government requirements. The discount rate used for determining future pension obligations for each individual plan is based on a review of long-term bonds that receive a high rating from a recognized rating agency. Additionally, for the U.S. Plan,

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the discount rate was based on the internal rate of return for a portfolio of Moody's Aa3-rated high quality bonds with maturities that are consistent with the projected future benefit payment obligations of the plan. The rate of compensation increase for all plans and the medical cost trend rate for the applicable U.S. plans are based on plan experience.

Management establishes the assumptions concerning discount rates and actuarial assumptions based on current market conditions, including asset returns and other factors applicable under the circumstances. Changes in pension and other post-employment benefits, and associated expenses, may occur in the future due to changes in these assumptions. The impact that a .25% decrease in the discount rate or a 1% change in the medical cost trend rate would have on the Company's pension and other post-employment benefit expense, as applicable, is discussed in Note 14 of the Notes to the Consolidated Financial Statements.

The ongoing assessment of the valuation of inventory, given the large number of natural ingredients employed, the quality of which may be diminished over time. The Company maintains between 40% and 55% of its inventory as raw materials, providing the greatest degree of flexibility in manufacture and use. Materials are evaluated based on shelf life, known uses and anticipated demand based on forecasted customer order activity and changes in product/sales mix. Management policy provides for an ongoing assessment of inventory with adjustments recorded when an item is deemed to be slow moving or obsolete.

Management believes that it has considered relevant circumstances that the Company may be currently subject to, and the financial statements accurately reflect management's best estimate of the results of operations, financial condition and cash flows of the Company for the years presented. Management has discussed the decision process and selection of these critical accounting policies with the Audit Committee of the Board of Directors.

#### **New Accounting Standards**

Statement of Financial Accounting Standards ("SFAS") No. 123(R) Share-Based Payment ("FAS 123R") was issued in December 2004. FAS 123R is effective for the first reporting period beginning after December 15, 2005. FAS 123R supersedes Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees ("APB 25") and establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. Under FAS 123R, the Company must determine the fair value model to be used for valuing share-based payments, the amortization method for compensation cost and the transition method to be used at date of adoption. The Company will adopt the new requirements using the modified prospective transition method in the first quarter which ends March 31, 2006. Adoption of the standard is currently expected to reduce 2006 annual earnings by \$2.0- \$3.0 million based on unvested options currently outstanding. This impact does not contemplate awards to be issued, cancelled or forfeited in 2006 or the potential tax impact related to the initial adoption of this standard.

SFAS No. 151, Inventory Costs, an amendment of ARB No. 43, Chapter 4 ("FAS 151"), was issued in November 2004. FAS 151 clarifies the accounting for abnormal amounts of idle facility expense, freight, handling costs and wasted materials. Additionally, FAS 151 requires that allocation of fixed production overheads to the costs of conversion be based on normal capacity of production facilities. This statement is effective January 1, 2006 and the Company believes its adoption will not have a material impact on reported results.

In March 2005, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 47, Accounting for Conditional Asset Retirement Obligations, which clarifies that a conditional asset retirement obligation, as used in SFAS No. 143, Accounting for Asset Retirement Obligations, refers to a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the Company. This Statement was effective for 2005 and did not have a material impact on reported results.

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## Non-GAAP Financial Measures

The discussion of the Company's historical results include and, where indicated, exclude the impact of sales and operating results attributable to certain non-core businesses disposed of in 2004, the impact of certain restructuring and other charges recorded in 2004, the impact of the Company repatriation of certain dividends from foreign subsidiaries under the AJCA, as well as the effects of exchange rate fluctuations. Such information is supplemental to information presented in accordance with GAAP and is not intended to represent a presentation in accordance with GAAP. In discussing its historical and expected future results and financial condition, the Company believes it is meaningful for investors to be made aware of and to be assisted in a better understanding of, on a period-to-period comparative basis, the relative impact of restructuring and other charges, the impact of sales and operating results attributable to certain non-core businesses disposed of, the impact of such restructuring charges and repatriation of dividends, as well as the impact of exchange rate fluctuations on operating results and financial condition. The Company believes such additional non-GAAP information provides investors with an overall perspective of the period-to-period performance of the Company's core business. In addition, management internally reviews each of these non-GAAP measures to evaluate performance on a comparative period-to-period basis in terms of absolute performance, trends and expected future performance with respect to its core continuing business.

## Cautionary Statement Under the Private Securities Litigation Reform Act of 1995

Statements in this Annual Report, which are not historical facts or information, are "forward-looking statements" within the meaning of The Private Securities Litigation Reform Act of 1995. Such forward-looking statements which may be identified by such words as "expect," "believe," "anticipate," "outlook," "may," and similar forward-looking terminology, involve significant risks and uncertainties. Actual results of the Company may be materially different from any future results or conditions expressed or implied by such forward-looking statements. Actual results may differ materially from management's expectations. Such factors include, among others, the following: general economic and business conditions in the Company's markets, including economic, population health and political uncertainties; weather; geopolitical and region specific uncertainties; interest rates; the price and availability of raw materials; the Company's ability to implement its business strategy, including the achievement of anticipated cost savings, profitability and growth targets; the impact of currency fluctuation or devaluation in the Company's principal foreign markets and the success of the Company's hedging and risk management strategies; the impact of possible pension funding obligations and increased pension expense on the Company's cash flow and results of operations; and the effect of legal and regulatory proceedings, as well as restrictions imposed on the Company, its operations or its representatives by foreign governments; and the fact that the outcome of litigation is highly uncertain and unpredictable and there can be no assurance that the triers of fact or law, at either the trial level or at any appellate level, will accept the factual assertions, factual defenses or legal positions of the Company or its factual or expert witnesses in any such litigation or other proceedings. The Company intends its forward-looking statements to speak only as of the time of this report and does not undertake to update or revise any such statements as more information becomes available or to reflect changes in expectations, assumptions or results.

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The Company enters into foreign currency forward contracts with the objective of reducing exposure to cash flow volatility associated with foreign currency receivables and payables, and with anticipated purchases of certain raw materials used in operations. These contracts, the counterparties to which are major international financial institutions, generally involve the exchange of one currency for a second currency at a future date, and have maturities not exceeding six months.

The Company also uses derivative financial instruments to hedge foreign currency exposures resulting from forecasted purchase commitments. The Company enters into these hedge contracts generally for periods ranging from one to three months. The gain or loss on the hedging instrument is

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recorded in earnings at the same time as the transaction being hedged is recorded in earnings. The associated asset or liability related to the open hedge instrument is recorded in Current Assets or Current Liabilities, as applicable.

The Company has executed a 10-year Yen - U.S. dollar currency swap related to the monthly sale and purchase of products between the U.S. and Japan. The annual notional value of this swap is approximately \$5.0 million. Gains and losses related to this swap are recorded currently, and the mark-to-market adjustment related to the value of the swap is reflected as a component of Accumulated other comprehensive income.

In 2002, the Company entered into certain interest rate swap agreements effectively converting the fixed rate on its long-term Japanese Yen borrowings to a variable short-term rate based on the Japanese Yen LIBOR rate plus an interest markup. These swaps are designated as qualified fair value hedges. During 2003 and 2005, the Company amended the swaps and the counterparty paid the Company \$3.0 million and \$0.8 million, respectively, including accrued interest of \$0.5 million and \$0.1 million, respectively. In both cases, these net gains have been deferred, are classified as a separate component of debt and are being amortized over the remaining term of the debt. To the extent the Company has not received cash or otherwise amended or settled any swap agreements, any applicable mark-to-market adjustment relating to that swap is included as a separate component of debt. The Company had no ineffective interest rate swaps at December 31, 2005.

The Company uses foreign currency-rate and interest rate-sensitive instruments to hedge a certain portion of its existing and forecasted transactions. The Company expects that any change in value for the hedging instrument would be offset by a change in value related to the underlying transaction.

The Company's hedges of its foreign currency exposure are not designed to and therefore cannot entirely eliminate the effect of changes in foreign exchange rates on the Company's consolidated financial position, results of operations and cash flows. The Company's foreign currency swaps were analyzed at year-end to determine their sensitivity to exchange rate changes. Based on the outstanding balance of these financial instruments at December 31, 2005, a hypothetical 10% change (either an increase or a decrease) in rates prevailing at that date, sustained for up to a year, would not represent a material potential change in fair value, earnings or cash flows.

At December 31, 2005, the Company had \$950.7 million of debt outstanding, including \$7.9 million in deferred gains and mark-to-market adjustments on interest rate swap transactions. Debt, excluding the deferred swap gains, includes \$499.2 million of 6.45% Notes maturing in May 2006, \$314.6 million in bank borrowings and overdrafts and \$129.0 million in long-term Japanese Yen denominated debt. The Company's borrowings and interest rate swaps were analyzed at year-end to determine their sensitivity to interest rate changes. Based on the outstanding balance of all these financial instruments at December 31, 2005, a hypothetical 10% change (either

an increase or a decrease) in interest rates prevailing at that date, sustained for one year, would not represent a material potential change in fair value, earnings or cash flows.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.**

See index to Consolidated Financial Statements on page 37. See Item 6 for supplemental quarterly data on page 15.

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.**

None.

**ITEM 9A. CONTROLS AND PROCEDURES.**

*Evaluation of Disclosure Controls and Procedures and Changes in Internal Control over Financial Reporting.*

The Company's Chief Executive Officer and Chief Financial Officer, with the assistance of other members of the Company's management, have evaluated the effectiveness of the Company's

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disclosure controls and procedures as of the end of the period covered by this Annual Report on Form 10-K. Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective.

The Company's Chief Executive Officer and Chief Financial Officer have concluded that there have not been any changes in the Company's internal control over financial reporting during the Company's fourth quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Management's Report of Management is contained in Part IV of this Annual Report on Form 10-K and is incorporated herein by reference.

*Management's Report on Internal Control Over Financial Reporting.*

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2005. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in *Internal Control – Integrated Framework*.

Based on this assessment, management determined that, as of December 31, 2005, the Company's internal control over financial reporting was effective.

PricewaterhouseCoopers LLP, the Company's independent registered public accounting firm, has audited management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2005 as stated in their report which is included herein.

The Company's Chief Executive Officer certification was timely filed with the NYSE as required by NYSE Rule 303A(12). The Company's Chief Executive Officer and Chief Financial Officer have each filed with the Securities and Exchange Commission the required certifications regarding the quality of the Company's public disclosures.

**ITEM 9B. OTHER INFORMATION.**

None.

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**PART III**

**ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.**

The information relating to directors and nominees of the Company is set forth under the caption "Election of Directors" in the IFF 2006 Proxy Statement and is incorporated by reference herein. The information under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" that appears in the IFF 2006 Proxy Statement is also incorporated by reference herein. See Part I, Item 1 of this Form 10-K for information relating to the Company's Executive Officers.

The Company has adopted a Code of Business Conduct and Ethics (the "Code of Ethics") that applies to the Company's chief executive officer, principal financial officer, principal accounting officer, and to all other Company directors, officers and employees. The Code of Ethics is available on the Company's website [www.iff.com](http://www.iff.com). A waiver from any provision of the Code of Ethics in favor of a director or Executive Officer may only be granted by the Board and any such waiver will be publicly disclosed. The Company will disclose substantive amendments to, and any waivers from, the Code of Ethics provided to the Company's chief executive officer, principal financial officer or principal accounting officer, as well as any other executive officer or director, on the Company's Internet website: [www.iff.com](http://www.iff.com).

The information regarding the Company's Audit Committee and its designated audit committee financial expert is set forth under the caption "Board and Committee Meetings" in the IFF 2006 Proxy Statement and such information is incorporated by reference herein.

**ITEM 11. EXECUTIVE COMPENSATION.**

The information relating to executive compensation is set forth under the captions “Summary Compensation Table”, “Option/SAR Grants in 2005”, “Aggregated Option Exercises in 2005 and Option/SAR Values at December 31, 2005”, “Directors’ Compensation”, “Employment Contracts and Termination of Employment and Change-in-Control Arrangements”, “Compensation Committee Interlocks and Insider Participation” and “Related Party Matters”, “Executive Separation Policy” and “Pension Plans” in the IFF 2006 Proxy Statement and such information is incorporated by reference herein.

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.**

The information relating to security ownership of management and certain beneficial owners is set forth under the caption “Security Ownership of Management, Directors and Certain Other Persons” in the IFF 2006 Proxy Statement and such information is incorporated by reference herein. The information relating to the Company’s equity plans is set forth under the caption “Equity Compensation Plans” in the IFF 2006 Proxy Statement and such information is incorporated by reference herein.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.**

The information regarding certain relationships and related party transactions is set forth under the caption “Compensation Committee Interlocks and Insider Participation” and “Related Party Matters” in the IFF’s 2006 Proxy Statement and such information is incorporated by reference herein.

**ITEM 14. INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FEES AND SERVICES.**

The information regarding the independent registered public accounting firm (“independent accountant”) fees and services and the Company’s pre-approval policies and procedures for audit and non-audit services provided by the Company’s independent accountant are set forth under the captions “Principal Accountant Fees and Services” and “Audit Committee Pre-Approval Policies and Procedures” in the IFF 2006 Proxy Statement and such information is incorporated by reference herein.

**PART IV**

**ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.**

(a)(1) FINANCIAL STATEMENTS: The following consolidated financial statements, related notes, management’s report and independent registered public accounting firm’s report are included in this report on Form 10-K:

Report of Independent Registered Public Accounting Firm	38-39
Consolidated Statement of Income for the three years ended December 31, 2005	40
Consolidated Balance Sheet – December 31, 2005 and 2004	41
Consolidated Statement of Cash Flows for the three years ended December 31, 2005	42
Consolidated Statement of Shareholders’ Equity for the three years ended December 31, 2005	43
Notes to Consolidated Financial Statements	44-64
(a)(2) FINANCIAL STATEMENT SCHEDULES	65

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Shareholders of International Flavors & Fragrances Inc.:

We have completed integrated audits of International Flavors & Fragrances Inc.’s 2005 and 2004 consolidated financial statements and of its internal control over financial reporting as of December 31, 2005 and an audit of its 2003 consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits, are presented below.

Consolidated financial statements

In our opinion, the consolidated financial statements listed in the index appearing under item 15(a)(1) present fairly, in all material respects, the financial position of International Flavors & Fragrances Inc. and its subsidiaries at December 31, 2005 and 2004, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2005 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Internal control over financial reporting

Also, in our opinion, management’s assessment, included in Management’s Report on Internal Control Over Financial Reporting appearing under Item 9A, that the Company maintained effective internal control over financial reporting as of December 31, 2005 based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on criteria established in *Internal Control – Integrated Framework* issued by the COSO. The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management’s assessment and on the effectiveness of the Company’s internal control over financial



Allowance for doubtful accounts	(14,821)	(17,663)
Other	63,696	22,582
Inventories	430,794	457,204
Deferred income taxes	75,366	79,267
Prepaid expenses	43,698	33,543
<b>Total Current Assets</b>	<b>1,191,274</b>	<b>961,370</b>
<b>Property, Plant and Equipment, net</b>	<b>499,145</b>	<b>501,334</b>
<b>Goodwill</b>	<b>665,582</b>	<b>665,582</b>
<b>Other Intangible Assets, net</b>	<b>107,069</b>	<b>124,094</b>
<b>Other Assets</b>	<b>175,126</b>	<b>110,914</b>
<b>Total Assets</b>	<b>\$ 2,638,196</b>	<b>\$ 2,363,294</b>

	December 31,	
	2005	2004
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current Liabilities:</b>		
Bank borrowings, overdrafts and current portion of long-term debt	\$ 819,392	\$ 15,957
Accounts payable	98,588	103,978
Accrued payrolls and bonuses	23,260	53,452
Dividends payable	17,189	16,571
Income taxes	41,089	30,339
Restructuring and other charges	30,099	38,312
Other current liabilities	173,079	140,913
<b>Total Current Liabilities</b>	<b>1,202,696</b>	<b>399,522</b>
<b>Other Liabilities:</b>		
Long-term debt	131,281	668,969
Deferred gains	67,713	70,428
Retirement liabilities	207,452	226,695
Other liabilities	113,707	87,193
<b>Total Other Liabilities</b>	<b>520,153</b>	<b>1,053,285</b>
<b>Commitments and Contingencies (Note 17)</b>		
<b>Shareholders' Equity:</b>		
Common stock 12½¢ par value; authorized 500,000,000 shares; issued 115,761,840 shares	14,470	14,470
Capital in excess of par value	71,894	79,498
Restricted stock	—	(870)
Retained earnings	1,752,055	1,627,386
<b>Accumulated other comprehensive income:</b>		
Cumulative translation adjustment	(47,369)	8,227
Accumulated losses on derivatives qualifying as hedges (net of tax)	(2,606)	(5,694)
Minimum pension liability adjustment (net of tax)	(100,380)	(110,705)
	1,688,064	1,612,312
Treasury stock, at cost – 23,047,349 shares in 2005 and 21,088,993 shares in 2004	(772,717)	(701,825)
<b>Total Shareholders' Equity</b>	<b>915,347</b>	<b>910,487</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 2,638,196</b>	<b>\$ 2,363,294</b>

See Notes to Consolidated Financial Statements

**International Flavors & Fragrances Inc.**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

	Year Ended December 31,		
	2005	2004	2003
<i>(DOLLARS IN THOUSANDS)</i>			
<b>Cash flows from operating activities:</b>			
Net income	\$ 193,066	\$ 196,071	\$ 172,597
Adjustments to reconcile to net cash provided by operations:			
Depreciation and amortization	91,928	90,996	86,721
Deferred income taxes	(32,882)	(6,464)	(11,565)
Gain on disposal of assets	(2,108)	(19,774)	(1,614)
Changes in assets and liabilities:			
Current receivables	(1,897)	(2,203)	35,956
Inventories	(117)	363	7,690
Current payables	(6,369)	31,259	(32,252)
Changes in other assets, net	(46,225)	18,232	(1,263)
Changes in other liabilities, net	(18,236)	(12,633)	13,326
<b>Net cash provided by operations</b>	<b>177,160</b>	<b>295,847</b>	<b>269,596</b>
<b>Cash flows from investing activities:</b>			
Net change in short-term investments	35	132	(128)
Acquisitions and purchase of minority interest	—	—	(6,400)
Additions to property, plant and equipment	(93,433)	(70,607)	(65,955)
Proceeds from disposal of assets	2,787	38,997	97,675
<b>Net cash (used in) provided by investing activities</b>	<b>(90,611)</b>	<b>(31,478)</b>	<b>25,192</b>
<b>Cash flows from financing activities:</b>			

Cash dividends paid to shareholders	(67,779)	(63,214)	(58,174)
Net change in bank borrowings and overdrafts	312,094	(28,447)	12,551
Net change in commercial paper outstanding	—	(162,933)	124,954
Proceeds from long-term debt	—	—	35,984
Repayments of long-term debt	(11,653)	(759)	(386,399)
Proceeds from issuance of stock under stock plans	23,015	76,452	26,278
Purchase of treasury stock	(98,319)	(66,469)	(55,447)
Net cash provided by (used in) financing activities	157,358	(245,370)	(300,253)
Effect of exchange rate changes on cash and cash equivalents	(3,958)	1,516	2,688
<b>Net change in cash and cash equivalents</b>	<b>239,949</b>	<b>20,515</b>	<b>(2,777)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>32,596</b>	<b>12,081</b>	<b>14,858</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 272,545</b>	<b>\$ 32,596</b>	<b>\$ 12,081</b>

**Non-Cash investing activity:**

Asset write-down charges associated with the Company's restructuring activities	\$ —	\$ 6,814	\$ 2,308
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See Notes to Consolidated Financial Statements

**International Flavors & Fragrances Inc.**

**CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY**

(DOLLARS IN THOUSANDS)	Common stock	Capital in excess of par value	Restricted stock	Retained earnings	Accumulated other comprehensive income	Treasury Shares	stock Cost	Note receivable from officer	Total Comprehensive income
Balance at January 1, 2003	\$ 14,470	\$ 109,735	\$ (5,723)	\$1,382,539	\$ (212,480)	(21,507,668)	\$ (712,876)	\$ (987)	
Net Income				172,597					\$ 172,597
Cumulative translation adjustment					92,987				92,987
Accumulated gains on derivatives qualifying as hedges; net of tax: (\$368)					(4,411)				(4,411)
Minimum pension liability adjustment; net of tax: \$3,753					(7,777)				(7,777)
Total comprehensive income									\$ 253,396
Cash dividends declared				(59,032)					
Stock options		(14,597)				1,226,836	40,875		
Reacquired shares						(1,751,300)	(55,447)		
Repayment of loan								987	
Amortization			1,771						
Balance at Dec. 31, 2003	14,470	95,138	(3,952)	1,496,104	(131,681)	(22,032,132)	(727,448)	—	
Net Income				196,071					\$ 196,071
Cumulative translation adjustment					53,415				53,415
Accumulated losses on derivatives qualifying as hedges; net of tax: \$89					(2,016)				(2,016)
Minimum pension liability adjustment; net of tax: \$11,297					(27,890)				(27,890)
Total comprehensive income									\$ 219,580
Cash dividends declared				(64,789)					
Stock options		(15,640)				2,745,039	92,092		
Reacquired shares						(1,801,900)	(66,469)		
Restricted stock award			387						
Amortization			2,695						
Balance at Dec. 31, 2004	14,470	79,498	(870)	1,627,386	(108,172)	(21,088,993)	(701,825)	—	
Net Income				193,066					\$ 193,066
Cumulative translation adjustment					(55,596)				(55,596)
Accumulated losses on derivatives qualifying as hedges; net of tax: \$674					3,088				3,088
Minimum pension liability adjustment; net of tax: (\$2,262)					10,325				10,325
Total comprehensive income									\$ 150,883
Cash dividends declared				(68,397)					
Stock options		(7,604)				828,644	34,094		
Reacquired shares						(2,587,000)	(98,319)		
Restricted stock award						(200,000)	(6,667)		
Amortization			870						
Balance at Dec. 31, 2005	\$ 14,470	\$ 71,894	\$ —	\$1,752,055	\$ (150,355)	(23,047,349)	(772,717)	\$ —	

See Notes to Consolidated Financial Statements

**INTERNATIONAL FLAVORS & FRAGRANCES INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Use of Estimates** Preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts and accompanying disclosures. These estimates are based on management's best knowledge of current events and actions the Company may undertake in the future. Actual results may ultimately differ from estimates.

**Nature of Operations** The Company is a leading creator and manufacturer of flavor and fragrance compounds used to impart or improve flavor or fragrance in a wide variety of consumer products. The Company's products are sold principally to manufacturers of perfumes and cosmetics, hair and other personal care products, soaps and detergents, cleaning products, dairy, meat and other processed foods, beverages, snacks and savory foods, confectionery, sweet and baked goods, and pharmaceutical and oral care products.

**Principles of Consolidation** The Consolidated Financial Statements include the accounts of the Company and all subsidiaries. All intercompany balances and transactions have been eliminated. To the extent a subsidiary is not wholly-owned, any related minority interest is included in Other liabilities and applicable (income) expense attributable to the minority interest is included in Other (income) expense, net.

**Revenue Recognition** The Company recognizes revenue when the earnings process is complete. This generally occurs when (i) products are shipped to the customer in accordance with the terms of sale, (ii) title and risk of loss have been transferred and (iii) collectibility is reasonably assured. Accruals are made for sales returns and other allowances based on the Company's historical experience.

**Foreign Currency Translation** The assets and liabilities of non-U.S. subsidiaries are translated into U.S. dollars at year-end exchange rates. Income and expense items are translated at average exchange rates during the year. Cumulative translation adjustments are shown as a separate component of Shareholders' Equity.

**Research and Development** All research and development costs are expensed as incurred.

**Inventories** Inventories are stated at the lower of cost (on an average basis) or market.

**Cash Equivalents** Cash equivalents include highly liquid investments with maturities of three months or less at date of purchase.

**Property, Plant and Equipment** Property, plant and equipment are recorded at cost. Depreciation is calculated on a straight-line basis, principally over the following estimated useful lives: buildings and improvements, 10 to 40 years; machinery and equipment, 3 to 10 years; information technology hardware and software, 3 to 7 years; and leasehold improvements which are included in buildings and improvements, the estimated life of the improvements or the remaining term of the lease, whichever is shorter.

The Company reviews its long-lived assets for impairment when events or changes in business conditions indicate that their full carrying value may not be recovered. An estimate of undiscounted future cash flows produced by an asset or group of assets is compared to the carrying value to determine whether impairment exists. If assets are determined to be impaired, the loss is measured based on an estimate of fair value using various valuation techniques, including a discounted estimate of future cash flows.

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**Goodwill and Other Intangible Assets** Identifiable intangible assets include patents, trademarks and other intellectual property valued at acquisition primarily through independent appraisals, and are amortized on a straight-line basis over periods ranging from 7 to 20 years. For purposes of assessing impairment, the fair values for goodwill and indefinite-lived intangibles are determined based on discounted cash flows, market multiples or appraised values, as appropriate. The Company completed its annual goodwill impairment assessment and no adjustments to goodwill were necessary.

**Income Taxes** Deferred income taxes reflect the impact of temporary differences between the amount of assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes, based on tax laws as currently enacted. Additional taxes which would result from distributions by subsidiary companies to the parent are provided to the extent anticipated. No provision is made for additional taxes on undistributed earnings of subsidiary companies that are intended to be indefinitely invested in such subsidiaries. No income tax benefit is attributed to the currency translation component of Accumulated other comprehensive income.

**Retirement Benefits** Current service costs of retirement plans and postretirement health care and life insurance benefits are accrued currently. Prior service costs resulting from plan improvements are amortized over periods ranging from 10 to 20 years.

**Financial Instruments** The Company enters into derivative instruments with terms that match the underlying exposure being hedged. The Company's derivative instruments that qualify for hedge accounting treatment are designated as cash flow hedges and are considered highly effective. The net gain or loss from hedge ineffectiveness is not material. The changes in value of the derivative are recorded in Accumulated other comprehensive income and are recognized in earnings when the offsetting effect of the hedged item is recognized in earnings. The Company also uses derivative financial instruments to manage interest and foreign currency exposures. The gain or loss on the hedging instrument is recorded in earnings at the same time as the transaction being hedged is recorded in earnings. The associated asset or liability related to the open hedge instrument is recorded in Current Assets or Current Liabilities, as applicable.

**Risks and Uncertainties** The diversity of the Company's products, customers and geographic operations significantly reduces the risk that a severe impact will occur in the near term as a result of changes in its customer base, competition, sources of supply or markets.

**Software Costs** The Company capitalizes direct internal and external development costs associated with internal-use software. Neither preliminary evaluation costs nor costs associated with the software after implementation are capitalized.

**Shipping and Handling Costs** Net sales include shipping and handling charges billed to customers. Cost of goods sold includes all costs incurred in connection with shipping and handling.

**Net Income Per Share** Net income per share is based on the weighted average number of shares outstanding. A reconciliation of shares used in the computations of basic and diluted net income per share is as follows:

(SHARES IN THOUSANDS)	Number of Shares		
	2005	2004	2003
Basic	93,584	94,143	93,718

Dilution under stock plans	1,242	1,275	701
Diluted	<u>94,826</u>	<u>95,418</u>	<u>94,419</u>

Net income used in the computation of net income per share is unaffected by the assumed issuance of stock under the Company's stock plans.

Options to purchase 1,018,892, 761,750, and 4,440,455 shares were outstanding at December 31, 2005, 2004 and 2003, respectively, but not included in the computation of diluted net income per share because the exercise prices were greater than the average market price of the common shares in the respective years.

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**Stock Plans** The Company has stock-based compensation plans which are described more fully in Note 12. The Company has applied the recognition and measurement principles of APB 25 and related Interpretations in accounting for these plans. No compensation expense for employee stock options is reflected in net income, as all options granted under such plans had an exercise price not less than the market value of the common stock on the date of the grant. Net income, as reported, includes pre-tax compensation expense related to restricted stock and restricted stock units ("RSU's") of \$7.3 million, \$8.1 million, and \$1.8 million for the years ended December 31, 2005, 2004 and 2003, respectively.

The following table illustrates the effect on net income and net income per share if the Company had applied the fair value recognition provisions of FAS No. 123, "Accounting for Stock-Based Compensation," for the years ended December 31, 2005, 2004 and 2003.

<b>(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)</b>			
	2005	2004	2003
Net income, as reported	\$ 193,066	\$ 196,071	\$ 172,597
Deduct:			
Total stock-based employee compensation expense determined under fair value method for all stock option awards, net of related tax effects	6,698	13,954	15,404
Pro-forma net income	\$ 186,368	\$ 182,117	\$ 157,193
Net income per share:			
Basic – as reported	\$ 2.06	\$ 2.08	\$ 1.84
Basic – pro-forma	\$ 1.99	\$ 1.93	\$ 1.68
Diluted – as reported	\$ 2.04	\$ 2.05	\$ 1.83
Diluted – pro-forma	\$ 1.97	\$ 1.91	\$ 1.66

These pro-forma amounts may not be representative of future results because the estimated fair value of stock options is amortized to expense over the vesting period, and additional options may be granted in future years.

The Company granted annual RSU awards in 2004 and 2005 as elements of its equity compensation plans for all eligible U.S. - based employees and a majority of eligible overseas employees. Vesting of the RSU's for the Company's senior management is both performance and time based, and for the remainder of the eligible employees, vesting is time based; vesting is generally three years from date of grant.

**New Accounting Standards** Statement of Financial Accounting Standards ("SFAS") No. 123(R) Share-Based Payment ("FAS 123R") was issued in December 2004. FAS 123R is effective for the first reporting period beginning after December 15, 2005. FAS 123R supersedes Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees ("APB 25") and establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. Under FAS 123R, the Company must determine the fair value model to be used for valuing share-based payments, the amortization method for compensation cost and the transition method to be used at date of adoption. The Company will adopt the new requirements using the modified prospective transition method in the first quarter which ends March 31, 2006.

SFAS No. 151, Inventory Costs, an amendment of ARB No. 43, Chapter 4 ("FAS 151"), was issued in November 2004. FAS 151 clarifies the accounting for abnormal amounts of idle facility expense, freight, handling costs and wasted materials. Additionally, FAS 151 Statement requires that allocation of fixed production overheads to the costs of conversion be based on normal capacity of production facilities. This statement is effective January 1, 2006 and the Company believes its adoption will not have a material impact on reported results.

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In March 2005, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 47, Accounting for Conditional Asset Retirement Obligations, which clarifies that a conditional asset retirement obligation, as used in SFAS No. 143, Accounting for Asset Retirement Obligations, refers to a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the Company. This Statement was effective for 2005 and did not have a material impact on reported results.

**Reclassifications** Certain reclassifications have been made to the prior years' financial statements to conform to 2005 classifications.

## NOTE 2. RESTRUCTURING AND OTHER CHARGES

In 2005, the Company undertook to eliminate approximately 300 positions in manufacturing, selling, research and administration functions, principally in its European and North American operating regions. The majority of affected positions involve employee separation while the balance relates to open positions that will not be filled. As a result of these actions, the Company recognized pre-tax charges of \$23.3 million in 2005 related primarily to employee separation expenses.

In 2004, the Company disposed of its European fruit preparations business; proceeds from the sale were \$40.0 million, including assumption of certain liabilities. In addition, the Company closed its Canadian manufacturing facility and began the process of closing its manufacturing facility in Dijon, France. As a result,

the Company eliminated 302 positions, and recognized pre-tax charges of \$31.8 million, of which \$25.8 million related to employee terminations and \$6.0 million to location closures and asset write-downs, and other related reorganization actions; the asset-related charges were net of gains of \$16.3 million related to the sale of the fruit business and Canadian facility.

In 2003, the Company recorded pre-tax charges of \$42.4 million, of which \$38.0 million related to the elimination of 321 employee positions and \$4.4 million related to location closures and asset write-downs. The \$4.4 million asset-related charges primarily relate to updates on costs for previously commenced actions.

With respect to all restructuring and other charges:

- Separation costs for the employees relate primarily to severance, outplacement and other benefit costs;
- Asset write-down charges relate to establishment of the new carrying value for assets held for sale or disposal; and
- Other costs include lease termination costs and other reorganization expenses incurred to affect either the employee separation or location closure.

Movements in related accruals were:

(DOLLARS IN THOUSANDS)	Employee- Related	Asset-Related and Other	Total
Balance January 1, 2003	\$ 3,429	\$ 421	\$ 3,850
Additional charges	37,989	4,432	42,421
Cash and other costs	(21,809)	(3,334)	(25,143)
Balance December 31, 2003	19,609	1,519	21,128
Additional charges	25,828	22,331	48,159
Cash and other costs	(17,219)	(8,942)	(26,161)
Balance December 31, 2004	28,218	14,908	43,126
Additional charges	21,979	1,340	23,319
Cash and other costs	(20,681)	(11,315)	(31,996)
Balance December 31, 2005	<u>\$ 29,516</u>	<u>\$ 4,933</u>	<u>\$ 34,449</u>

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The 2004 asset-related accruals exclude gains of \$16.3 million arising on the sale of the fruit business and Canadian facility; such gains were considered in determining Restructuring and other charges of \$31.8 million reported in 2004.

The employee-related liabilities are expected to be utilized by 2008 as obligations are satisfied; asset-related charges will be utilized in 2007 on final decommissioning and disposal of affected equipment.

### NOTE 3. INVENTORIES

(DOLLARS IN THOUSANDS)	December 31,	
	2005	2004
Raw materials	\$ 197,268	\$ 197,782
Work in process	11,866	12,759
Finished goods	221,660	246,663
Total	<u>\$ 430,794</u>	<u>\$ 457,204</u>

### NOTE 4. PROPERTY, PLANT AND EQUIPMENT, NET

Asset Type (DOLLARS IN THOUSANDS)	Cost December 31,	
	2005	2004
Land	\$ 30,220	\$ 40,914
Buildings and improvements	226,202	214,328
Machinery and equipment	494,506	523,072
Information technology	195,367	185,026
Construction in progress	79,412	68,138
Total	<u>\$ 1,025,707</u>	<u>\$ 1,031,478</u>

Asset Type (DOLLARS IN THOUSANDS)	Accumulated Depreciation December 31,	
	2005	2004
Buildings and improvements	\$ 97,237	\$ 99,103
Machinery and equipment	304,981	309,449
Information technology	124,344	121,592
Total	<u>\$ 526,562</u>	<u>\$ 530,144</u>

Asset Type (DOLLARS IN THOUSANDS)	Net December 31,	
	2005	2004
Land	\$ 30,220	\$ 40,914
Buildings and improvements	128,965	115,225
Machinery and equipment	189,525	213,623
Information technology	71,023	63,434
Construction in progress	79,412	68,138
Total	<u>\$ 499,145</u>	<u>\$ 501,334</u>

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**NOTE 5. GOODWILL AND OTHER INTANGIBLE ASSETS, NET**

Goodwill by operating segment for 2005 and 2004 is as follows:

(DOLLARS IN THOUSANDS)	Amount
North America	\$ 218,575
Europe	258,607
India	29,209
Latin America	49,046
Asia Pacific	110,145
Total	\$ 665,582

Trademark and other intangible assets consist of the following amounts:

(DOLLARS IN THOUSANDS)	December 31,	
	2005	2004
Gross carrying value	\$ 177,498	\$ 179,452
Accumulated amortization	70,429	55,358
Total	\$ 107,069	\$ 124,094

Amortization expense for the year ended December 31, 2005 was \$15.1 million; estimated annual amortization is \$14.8 million in 2006, \$13.5 million in 2007 and \$6.8 million in 2008 thru 2010. In 2005, 2004 and 2003, the Company performed its impairment assessments and concluded there was no impairment.

**NOTE 6. OTHER ASSETS**

Other Assets consist of the following amounts:

(DOLLARS IN THOUSANDS)	December 31,	
	2005	2004
Pension payments – long term	\$ 65,190	\$ 55,042
Insurance settlement receivables	30,808	11,047
Deferred tax asset - noncurrent	53,221	14,146
Other	25,907	30,679
Total	\$ 175,126	\$ 110,914

**NOTE 7. OTHER CURRENT LIABILITIES**

Other current liabilities consist of the following amounts:

(DOLLARS IN THOUSANDS)	December 31,	
	2005	2004
Commissions and professional fees payable	\$ 11,624	\$ 10,877
Rebates and incentives	11,022	12,053
Current pension and other retiree accruals	18,739	13,072
Insurance settlement accruals	42,285	5,071
Other	89,409	99,840
Total	\$ 173,079	\$ 140,913

**NOTE 8. SALE AND LEASEBACK TRANSACTIONS**

In connection with the disposition of certain real estate assets, the Company entered into long-term operating leases with respect to the facilities disposed of. The leases are classified as operating leases in accordance with SFAS No. 13, "Accounting for Leases," and the gains realized on the sale have been deferred and are being credited to income over the initial lease term. The Company had deferred gains on disposition of real estate totaling \$70.7 million and \$73.4 million at December 31, 2005 and 2004, respectively, of which \$67.7 million and \$70.4 million, respectively, are reflected in the accompanying balance sheet under the caption Deferred gains, with the remainder included as a component of Other current liabilities.

**NOTE 9. BORROWINGS**

Debt consists of the following at December 31:

(DOLLARS IN THOUSANDS)	Rate	Maturities	2005	2004
Bank borrowings and overdrafts			\$ 314,622	\$ 3,651
Current portion of long-term debt			499,208	12,306
Current portion of deferred realized gains on interest rate swaps			5,562	—
Total current debt			819,392	15,957
U.S. dollars	6.45%	2006	—	498,938
Japanese Yen notes	2.45%	2008-11	128,945	146,126
Other		2011	40	102
Deferred realized gains on interest rate swaps			2,296	24,104
FAS 133 adjustment			—	(301)
Total long-term debt			131,281	668,969
Total debt			\$ 950,673	\$ 684,926

Commercial paper issued by the Company generally has terms of 30 days or less; there were no outstanding commercial paper borrowings at December 31, 2005 or 2004.

In 2001, the Company issued \$700.0 million of 6.45% Notes; the Notes mature May 15, 2006. During 2003, the Company repurchased \$200.7 million of these Notes in a series of open-market transactions. At December 31, 2005, these Notes represent the current portion of long-term debt.

In 2005, the Company and certain of its subsidiaries entered into a revolving credit agreement (the "Agreement" or the "Facility") with certain banks which replaced existing credit facilities. The Agreement provides for a five-year US \$350,000,000 ("Tranche A") and Euro 400,000,000 ("Tranche B") multi-currency revolving credit facility. Tranche A is available for commercial paper backstop and general corporate purposes; Tranche B is available to European subsidiaries for general corporate purposes. Borrowings under the Facility bear interest at an annual rate of LIBOR (London Inter Bank Offer Rate) (or in relation to any Euro-denominated loans, EURIBOR, European Inter Bank Offer Rate) plus a margin, currently 20 basis points, linked to the credit rating of the Company. The Company pays a commitment fee on the aggregate unused commitments and a utilization fee based on amounts outstanding under the Facility; such fees are not material. The Company may request an extension of the Facility for up to two years beyond the original term of the Agreement. The Facility contains various affirmative and negative covenants customary in a facility of this type, including a covenant requiring the Company to maintain, at the end of each fiscal quarter, a ratio of net debt for borrowed money to EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) in respect of the previous 12-month period of not more than 3.25 to 1. The Company has complied with this covenant at all times.

Short-term bank loans primarily in the form of overdrafts, in addition to the above multi-currency facility, were outstanding in several foreign countries and averaged \$33.1 million in 2005, compared with \$22.2 million in 2004. The highest levels were \$314.7 million in 2005, \$33.8 million in 2004, and

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\$37.4 million in 2003, respectively. The 2005 weighted average interest rate of these foreign bank loans, based on balances outstanding at the end of each month, was 3.4% and the average rate on loans outstanding at December 31, 2005 was 2.8%. These rates compare with 3.2% and 4.7%, respectively, in 2004 and 4.1% and 3.7%, respectively, in 2003.

Annual maturities on long-term debt outstanding at December 31, 2005 are: 2006, \$499.2 million; 2007, \$0; 2008, \$113.4 million; 2009, \$0, and 2010 and thereafter, \$15.6 million. The estimated fair value of the long-term debt at December 31, 2005 and 2004, based on borrowing rates currently available to the Company with similar terms and maturities, approximated the recorded amount.

The Company has various interest rate swaps, the market value of which is included in the caption FAS 133 adjustment. Interest rate swaps that have been monetized and will be amortized over the life of the debt are reported as Deferred realized gains on interest rate swaps.

Cash payments for interest were \$37.0 million in 2005, \$36.7 million in 2004 and \$44.6 million in 2003; such cash payments exclude the benefit of cash the Company received under its various interest rate swap agreements of \$11.6 million in 2003; there were no new swap agreements in 2005 or 2004.

At December 31, 2005 and 2004, the Company and its subsidiaries had unused lines of credit approximating \$641.0 million and \$590.0 million, respectively, in addition to the Facility.

#### NOTE 10. INCOME TAXES

The following tables show the components of consolidated income before taxes, and current and deferred income tax expense by taxing jurisdiction, both domestic and foreign:

(DOLLARS IN THOUSANDS)	2005	2004	2003
U.S. loss before taxes	\$ (52,471)	\$ (42,388)	\$ (53,200)
Foreign income before taxes	298,659	323,390	305,060
Total income before taxes	\$ 246,188	\$ 281,002	\$ 251,860

(DOLLARS IN THOUSANDS)	2005	2004	2003
Current			
Federal	\$ 5,642	\$ 6,033	\$ 4,762
State and local	(1,612)	(1,288)	902
Foreign	81,974	86,650	85,164
	86,004	91,395	90,828
Deferred			
Federal	(25,618)	(1,568)	(18,497)
State and local	778	293	(2,660)
Foreign	(8,042)	(5,189)	9,592
	(32,882)	(6,464)	(11,565)
Total income taxes	\$ 53,122	\$ 84,931	\$ 79,263

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At December 31, 2005 and 2004, gross deferred tax assets were \$162.1 million and \$165.6 million, respectively; gross deferred tax liabilities were \$33.5 million and \$72.2 million, respectively. No valuation allowance was required for deferred tax assets. At December 31, 2005 and 2004, non-current deferred tax assets of \$53.2 million and \$14.1 million, respectively, were included in Other Assets. The principal components of deferred tax assets (liabilities) were:

(DOLLARS IN THOUSANDS)	2005	2004
Employee and retiree benefits	\$ 79,700	\$ 83,900
Tax credit carryforwards	9,400	14,400

Property, plant and equipment	18,600	9,100
Trademarks and other	(28,100)	(32,300)
Foreign earnings	—	(25,300)
Other, net	49,000	43,600
	<u>\$ 128,600</u>	<u>\$ 93,400</u>

Of the tax credit carryforwards, \$1.0 million will expire in 2013; the remainder can be carried forward indefinitely.

Undistributed earnings of foreign subsidiaries for which no deferred taxes have been provided totaled \$550.9 million and \$647.1 million at December 31, 2005 and 2004, respectively. The portion of these foreign earnings which the Company intends to indefinitely reinvest in its foreign operations totaled \$139.8 million and \$228.1 million at December 31, 2005 and 2004, respectively. No federal income or foreign withholding tax has been provided on these indefinitely reinvested foreign earnings. Any additional U.S. taxes payable on the remaining foreign earnings, if remitted, would be substantially offset by credits for foreign taxes already paid.

In 2005, the effective tax rate was significantly reduced as a result of a tax benefit associated with The American Jobs Creation Act of 2004 (“AJCA”). AJCA, enacted on October 22, 2004, provided for a special one-time tax deduction of 85% of dividends received on eligible repatriated foreign earnings; the deduction resulted in an approximate 5.25% federal tax rate on these earnings. Tax expense for 2005 reflects a benefit of \$24.7 million relating to the Company’s repatriation of \$242.0 million of dividends from foreign subsidiaries under the provisions of AJCA. The benefit results from the reversal of prior accruals relating to the repatriation of foreign earnings, net of the applicable reduced U.S. tax cost of eligible repatriated foreign earnings, as provided for in AJCA.

A reconciliation between the U.S. federal income tax rate and the effective tax rate is:

	2005	2004	2003
Statutory tax rate	35.0%	35.0%	35.0%
Difference in effective tax rate on foreign earnings and remittances	(2.8)	(2.6)	(1.4)
State and local taxes	(0.2)	(0.2)	(0.5)
AJCA benefit	(10.0)	—	—
Other, net	(0.4)	(2.0)	(1.6)
Effective tax rate	<u>21.6%</u>	<u>30.2%</u>	<u>31.5%</u>

Income taxes paid were \$66.7 million in 2005, \$75.4 million in 2004 and \$96.9 million in 2003.

## NOTE 11. SHAREHOLDERS' EQUITY

On March 9, 2000, the Company adopted a shareholder protection rights agreement (the “Rights Agreement”) and declared a dividend of one right on each share of common stock outstanding on March 24, 2000 or issued thereafter.

Under the Rights Agreement, as amended, until a person or group acquires 15% or more of the Company’s common stock or commences a tender offer that would result in such person’s or group’s owning 15% or more, the rights are evidenced by the common stock certificates, automatically trade with the common stock and are not exercisable.

Thereafter, if the Company is involved in a merger or sells more than 50% of its assets or earning power, each right entitles its holder to purchase a certain number of shares for a specified exercise price. Also, under certain circumstances, the Company’s Board of Directors has the option to redeem or exchange one share of common stock for each right. Finally, in the event a new Board of Directors is elected in a successful proxy contest, (i) the rights may not be redeemed and no business combination with the Company can be effected for 180 days thereafter unless certain procedures are followed to ensure (A) that steps are taken to maximize shareholder value, or (B) that any decision to redeem the rights, if challenged, would meet an “entire fairness” test; and (ii) the Rights Agreement may not be amended during such 180-day period. To establish “entire fairness” in connection with a redemption, the new Board must be able to demonstrate that all aspects of the redemption decision were fair, including the redemption procedure and the financial terms of the redemption. The Rights Agreement expires in March 2010.

The Board of Directors authorized share repurchase programs of \$100.0 million in July 2004 and \$200.0 million in May 2005. The Company completed the 2004 program during 2005. At December 31, 2005, \$177.2 million remained under the 2005 plan. The repurchased shares may be used in connection with equity compensation programs and for other general corporate purposes.

Dividends paid per share were \$0.72, \$0.67 and \$0.62 in 2005, 2004 and 2003, respectively.

The Accumulated other comprehensive income balance includes Cumulative translation adjustments of (\$47.4) million and \$8.2 million, Accumulated (losses) gains on derivatives qualifying as hedges of (\$2.6) million and (\$5.7) million, and Minimum pension liability of (\$100.4) million and (\$110.7) million, at December 31, 2005 and 2004, respectively. Amounts are shown net of tax, where appropriate.

## NOTE 12. STOCK PLANS

The Company has various equity plans under which the Company’s officers, directors and key employees may be granted options to purchase the Company’s common stock at 100% of the market price on the day the option is granted or may receive other forms of equity-based awards. Prior to 2004, stock option plans were the primary form of equity compensation. In 2004, the Company granted RSU’s as an element of its incentive compensation plans for all eligible U.S. - based employees and a majority of eligible overseas employees. Vesting of the RSU’s for the Company’s senior management is performance and time based, and for the remainder of eligible employees, vesting is time based; the vesting period is generally three years from date of grant. Compensation expense is recognized over the vesting period.

Options granted prior to May 2001 generally become exercisable no earlier than two years after the date of grant and expire 10 years after the date of grant. Options granted after May 1, 2001 generally become exercisable no earlier than one year from the date of grant and expire 10 years after grant date, except for options granted to certain foreign employees, which may be exercised immediately.

During 2005, options were granted at exercise prices ranging from \$39.00 to \$42.12 per share. At December 31, 2005, the price range for shares under option was \$17.94 to \$49.88; options for 5,614,291 shares were exercisable at that date.

The Company maintained a Global Employee Stock Purchase Plan ("GESPP"). Eligible employees were allowed to purchase a limited number of shares of the Company's common stock at a

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discount of 15% of the market value on the grant date. The effective purchase date is one year after grant. Shares purchased under the GESPP in 2004 and 2003 were 156,256 and 188,862, respectively. There were no shares purchased under the 2005 grant as the share price at December 31, 2005 was less than the discounted grant date value.

Stock plan transactions were:

	Shares or Units of Common Stock		Weighted Average Exercise Price	Options Exercisable
	Available for Grant	Under Option or Units		
Balance at January 1, 2003	6,480,012	9,661,908	\$ 30.66	4,292,202
Granted options	(2,668,600)	2,668,600	30.08	
Exercised	—	(1,034,528)	20.81	
Terminated	754,658	(754,658)	33.38	
Lapsed	(107,883)	(117,750)	36.31	
Reserved for Units	(37,229)	—	—	
Balance at December 31, 2003	4,420,958	10,423,572	31.18	5,146,449
Granted options	(212,000)	212,000	34.87	
Exercised	—	(2,565,747)	26.88	
Terminated	570,398	(570,398)	35.66	
Lapsed	(91,749)	(80,334)	36.00	
Reserved for Units	9,682	—	—	
Restricted Stock Units Awarded	(508,660)	508,660	36.09	
Balance at December 31, 2004	4,188,629	7,927,753	32.26	4,995,161
Granted options	(266,000)	266,000	40.41	
Exercised	—	(654,256)	28.15	
Terminated	443,003	(443,003)	40.45	
Restricted Stock Units Awarded	(511,319)	511,319	38.54	
Balance at December 31, 2005	3,854,313	7,607,813	\$ 31.22	5,614,291

The weighted average exercise prices of the Company's options exercisable at December 31, 2005, 2004 and 2003 were \$32.18, \$32.82 and \$33.02, respectively. The following table summarizes information concerning currently outstanding and exercisable options:

Range of Exercise Prices	\$15-\$25	\$25-\$30	\$30-\$35	\$35-\$50
Number outstanding	70,667	2,646,547	3,120,714	860,500
Weighted average remaining contractual life, in years	4.9	6.6	5.8	4.9
Weighted average exercise price	\$18.34	\$28.93	\$33.16	\$42.39
Number exercisable	70,667	2,075,294	2,936,148	532,182
Weighted average exercisable price	\$18.34	\$28.67	\$33.19	\$42.17

Using the Black-Scholes option valuation model, the estimated fair values of options granted during 2005, 2004 and 2003 were \$10.57, \$9.42 and \$7.84, respectively. The Black-Scholes model was developed for use in estimating the fair value of traded options that have no vesting restrictions. In addition, such models require the use of subjective assumptions, including expected stock price volatility. In management's opinion, such valuation models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

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Principal assumptions used in applying the Black-Scholes model were:

	2005	2004	2003
Risk-free interest rate	4.2%	4.0%	2.6%
Expected life, in years	5	5	5
Expected volatility	26.9%	29.6%	31.7%
Expected dividend yield	1.7%	1.9%	2.0%

#### NOTE 13. SEGMENT INFORMATION

The Company manages its operations by major geographical region. Flavors and fragrances have similar economic and operational characteristics including research and development, the nature of the creative and production processes, the type of customers, and the methods by which products are distributed. Accounting policies used for segment reporting are identical to those described in Note 1.

The Company evaluates the performance of its geographic regions based on segment profit which is income before taxes on income, excluding interest expense, other income and expense and the effects of restructuring and other charges and accounting changes. The Company is divided into five geographic regions for management purposes: North America, Europe, India, Latin America and Asia Pacific. The Global Expenses caption represents corporate and headquarters-related expenses which include legal, finance, human resource and other administrative expenses not allocable to individual regions. Transfers between geographic regions are accounted

for at prices that approximate arm's-length prices. Unallocated assets are principally cash, short-term investments and other corporate and headquarters-related assets. The Company's reportable segment information follows:

2005 (Dollars in thousands)	North America	Europe	India	Latin America	Asia Pacific	Global Expenses	Eliminations	Consolidated
Sales to unaffiliated customers	\$ 610,620	\$ 754,157	\$ 57,789	\$ 244,805	\$ 326,022		\$ —	\$ 1,993,393
Transfers between areas	74,312	183,022	37	589	42,165		(300,125)	—
Total sales	\$ 684,932	\$ 937,179	\$ 57,826	\$ 245,394	\$ 368,187		\$ (300,125)	\$ 1,993,393
Segment profit	\$ 51,161	\$ 188,571	\$ 13,631	\$ 26,172	\$ 57,683	\$ (45,783)	\$ (1,240)	\$ 290,195
Restructuring and other charges	(9,978)	(10,569)	(972)	(559)	(1,241)			(23,319)
Operating profit	\$ 41,183	\$ 178,002	\$ 12,659	\$ 25,613	\$ 56,442	\$ (45,783)	\$ (1,240)	\$ 266,876
Interest expense								(23,956)
Other income (expense), net								3,268
Income before taxes on income								\$ 246,188
Segment assets	\$ 868,618	\$ 842,595	\$ 81,764	\$ 203,466	\$ 480,826	\$ 286,686	\$ (125,759)	\$ 2,638,196

2004 (Dollars in thousands)	North America	Europe	India	Latin America	Asia Pacific	Global Expenses	Eliminations	Consolidated
Sales to unaffiliated customers	\$ 635,887	\$ 812,588	\$ 50,537	\$ 219,126	\$ 315,515		\$ —	\$ 2,033,653
Transfers between areas	79,389	189,514	1,431	846	31,081		(302,261)	—
Total sales	\$ 715,276	\$ 1,002,102	\$ 51,968	\$ 219,972	\$ 346,596		\$ (302,261)	\$ 2,033,653
Segment profit	\$ 73,984	\$ 230,878	\$ 11,315	\$ 27,242	\$ 55,273	\$ (54,261)	\$ (2,322)	\$ 342,109
Restructuring and other charges	(7,648)	(23,485)	—	(33)	(664)			(31,830)
Operating profit	\$ 66,336	\$ 207,393	\$ 11,315	\$ 27,209	\$ 54,609	\$ (54,261)	\$ (2,322)	\$ 310,279
Interest expense								(24,002)
Other income (expense), net								(5,275)
Income before taxes on income								\$ 281,002
Segment assets	\$ 841,076	\$ 880,987	\$ 72,634	\$ 185,115	\$ 446,364	\$ 65,734	\$ (128,616)	\$ 2,363,294

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2003 (Dollars in thousands)	North America	Europe	India	Latin America	Asia Pacific	Global Expenses	Eliminations	Consolidated
Sales to unaffiliated customers	\$ 583,224	\$ 782,680	\$ 42,209	\$ 208,714	\$ 284,693		\$ —	\$ 1,901,520
Transfers between areas	77,471	155,305	939	683	22,512		(256,910)	—
Total sales	\$ 660,695	\$ 937,985	\$ 43,148	\$ 209,397	\$ 307,205		\$ (256,910)	\$ 1,901,520
Segment profit	\$ 67,758	\$ 209,073	\$ 10,728	\$ 32,907	\$ 50,326	\$ (42,107)	\$ (490)	\$ 328,195
Restructuring and other charges	(20,172)	(16,936)	(441)	(1,296)	(3,576)			(42,421)
Operating profit	\$ 47,586	\$ 192,137	\$ 10,287	\$ 31,611	\$ 46,750	\$ (42,107)	\$ (490)	\$ 285,774
Interest expense								(28,477)
Other income (expense), net								(5,437)
Income before taxes on income								\$ 251,860
Segment assets	\$ 785,619	\$ 978,020	\$ 59,512	\$ 156,809	\$ 385,515	\$ 43,362	\$ (101,945)	\$ 2,306,892

(DOLLARS IN THOUSANDS)	Capital Expenditures			Depreciation and Amortization		
	2005	2004	2003	2005	2004	2003
North America	\$ 21,720	\$ 20,733	\$ 21,153	\$ 40,646	\$ 41,429	\$ 43,063
Europe	33,588	24,800	21,565	29,444	32,102	29,909
India	4,216	1,217	2,318	1,211	1,088	938
Latin America	2,824	3,231	4,919	6,455	3,743	3,368
Asia Pacific	25,026	15,132	11,322	11,684	10,084	7,112
Unallocated assets	6,059	5,494	4,678	2,488	2,550	2,331
Consolidated	\$ 93,433	\$ 70,607	\$ 65,955	\$ 91,928	\$ 90,996	\$ 86,721

Sales of fragrance products were \$1,135.7 million, \$1,123.1 million, and \$1,035.0 million in 2005, 2004 and 2003, respectively. Sales of flavor products were \$857.7 million, \$910.6 million and \$866.5 million in 2005, 2004 and 2003, respectively. Sales in the United States, based on the final country of destination of the Company's products, were \$536.7 million, \$564.5 million and \$520.3 million in 2005, 2004 and 2003, respectively. No other country of destination exceeded 7% of consolidated sales. No customer accounted for 10% or more of sales. Total long-lived assets consists of net property, plant and equipment and net intangible assets and amounted to \$1,271.8 million, \$1,291.0 million and \$1,310.0 million at December 31, 2005, 2004 and 2003, respectively; of the respective totals, \$946.3 million, \$965.6 million and \$998.4 million were located in the United States. No other individual country had long-lived assets that exceeded 10% of total long-lived assets.

Net foreign exchange transactions resulted in a gain of \$2.8 million in 2005, a loss of \$2.9 million in 2004, and a gain of \$1.6 million in 2003, and are included in Other (income) expense, net.

#### NOTE 14. RETIREMENT BENEFITS

The Company and most of its subsidiaries have pension and/or other retirement benefit plans covering substantially all employees. Pension benefits are generally based on years of service and on compensation during the final years of employment. Plan assets consist primarily of equity securities and corporate and government fixed income securities. Substantially all pension benefit costs are funded as accrued; such funding is limited, where applicable, to amounts deductible for income tax purposes. Certain other retirement benefits are provided by balance sheet accruals. Contributions to defined contribution plans are mainly determined as a percentage of salary. Contributions to the Company's United States defined contribution plan match 50% of the employee's pre-tax contributions, up to plan limits.

In addition to pension benefits, certain health care and life insurance benefits are provided to qualifying United States employees upon retirement from the Company. Such coverage is provided through insurance plans with premiums based on benefits paid. The Company does not generally provide health care or life insurance coverage for retired employees of foreign subsidiaries; such benefits are provided in most foreign countries by government-sponsored plans, and the cost of these programs is not significant to the Company.

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The plan assets and benefit obligations of a majority of the Company's pension plans are measured at December 31 of each year.

Pension expense included the following components:

(DOLLARS IN THOUSANDS)	U.S. Plans			Non-U.S. Plans		
	2005	2004	2003	2005	2004	2003
Service cost for benefits earned	\$ 9,381	\$ 8,650	\$ 8,466	\$ 10,317	\$ 9,085	\$ 8,226
Interest cost on projected benefit obligation	21,218	20,225	19,771	28,701	26,313	23,564
Expected return on plan assets	(21,406)	(20,828)	(21,875)	(32,514)	(28,314)	(24,418)
Net amortization and deferrals	5,357	2,160	709	8,457	6,792	5,983
Settlement and curtailment	—	—	—	—	(3,168)	(140)
Special termination benefits	—	230	1,300	—	91	1,223
Defined benefit plans	14,550	10,437	8,371	14,961	10,799	14,438
Defined contribution and other retirement plans	2,884	2,709	2,533	3,265	3,610	3,217
Total pension expense	\$ 17,434	\$ 13,146	\$ 10,904	\$ 18,226	\$ 14,409	\$ 17,655
Weighted-average actuarial assumptions used to determine pension data:						
Discount rate	6.00%	6.25%	6.75%	5.03%	5.25%	5.48%
Expected return on plan assets	8.25%	8.25%	8.50%	6.86%	6.82%	7.37%
Rate of compensation increase	3.75%	3.75%	4.00%	2.41%	2.52%	2.80%

With respect to the U.S. plans, the expected return on plan assets was determined based on an asset allocation model using the current benchmark allocation, real rates of return by asset class and an anticipated inflation rate. The benchmark asset allocation was approximately 10 - 20% employed in cash and fixed income investments expected to yield 1.1%; 10 - 20% employed in corporate and government bonds expected to yield 1.7 - 2.8%; and 65 - 75% in equity investments with a long-term expected yield of 8.5 - 9.1%. The inflation rate assumed in the model was 2.5%. The U.S. plan has employed a similar asset allocation strategy for the prior 15 years and has achieved a compound annual return of 9.2% during this period. The expected annual rate of return for the non-U.S. plans employs a similar set of criteria adapted for local investments, inflation rates and in certain cases specific government requirements. The discount rate used for determining future pension obligations for each individual plan is based on a review of long-term bonds that receive a high rating from a recognized rating agency. Additionally, for the U.S. plans, the discount rate was based on the internal rate of return for a portfolio of Moody's Aa3-rated bonds with maturities that are consistent with the projected future benefit payment obligations of the plan. The rate of compensation increase is based on plan experience.

The Company's pension plan asset allocation for U.S. plans at December 31, 2005 and 2004, and target allocation for 2006 is:

Asset Category	Target Allocation 2006	Percentage of Plan Assets December 31,	
		2005	2004
Equity investments	65 - 75%	70%	73%
Corporate and government bonds	10 - 20%	13%	14%
Other cash and short-term investments	10 - 20%	17%	13%
Total		100%	100%

Equity investments include the Company's common stock valued at \$17.4 million (6.0% of total plan assets) and \$22.2 million (8.0% of total plan assets) at December 31, 2005 and 2004, respectively.

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In 2005, the percentage of assets held in equities decreased primarily as a result of market performance relative to fixed income investments. There has been no change in the Company's long-term target allocation.

The Company's pension plan asset allocation for Non-U.S. plans at December 31, 2005 and 2004, and target allocation for 2006 is:

Asset Category	Target Allocation 2006	Percentage of Plan Assets December 31,	
		2005	2004
Equity investments	30 - 40%	44%	37%
Corporate and government bonds	40 - 50%	41%	43%
Other cash and short-term investments	10 - 20%	15%	20%
Total		100%	100%

Total Non-U.S. plan assets consist of a blend of various asset mixes defined by each plan's liability profile and country or statutory requirements. Each plan maintains an investment policy appropriate to meet its benefit obligations.

Expense recognized for postretirement benefits other than pensions included the following components:

(DOLLARS IN THOUSANDS)	2005	2004	2003
Service cost for benefits earned	\$ 3,044	\$ 2,141	\$ 2,751
Interest on benefit obligation	6,034	4,524	6,220
Net amortization and deferrals	768	(791)	1,044
Total postretirement benefit expense	\$ 9,846	\$ 5,874	\$ 10,015

The following weighted average assumptions were used to determine the Company's postretirement benefit expense for the years ended December 31:

	2005	2004	2003
Discount rate	6.00%	6.25%	6.75%
Current medical cost trend rate	9.00%	9.00%	10.00%
Ultimate medical cost trend rate	4.75%	4.75%	5.00%
Medical cost trend rate decreases to ultimate rate in year	2011	2010	2009

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Changes in pension and postretirement benefit obligations were:

(DOLLARS IN THOUSANDS)	U.S. Pension Plans		Non-U.S. Pension Plans		Postretirement Benefits	
	2005	2004	2005	2004	2005	2004
Benefit obligation at beginning of year	\$ 345,061	\$ 322,798	\$ 619,728	\$ 513,943	\$ 83,463	\$ 84,995
Service cost for benefits earned	9,381	8,650	10,317	9,085	3,044	2,141
Interest cost on projected benefit obligation	21,218	20,225	28,701	26,313	6,034	4,524
Actuarial loss	20,867	6,535	48,899	53,363	22,885	9,221
Plan amendments	928	3,857	—	807	—	—
Plan participants' contributions	—	—	1,419	1,235	966	608
Benefits paid	(19,246)	(17,234)	(21,484)	(20,804)	(4,913)	(5,588)
Medicare Rx subsidy	—	—	—	—	—	(12,438)
Divestitures	—	—	—	(3,060)	—	—
Settlements	—	—	—	(3,277)	—	—
Curtailments	—	—	—	(1,459)	—	—
Special termination benefits	—	230	—	91	—	—
Translation adjustments	—	—	(73,369)	43,491	—	—
Benefit obligation at end of year	<u>\$ 378,209</u>	<u>\$ 345,061</u>	<u>\$ 614,211</u>	<u>\$ 619,728</u>	<u>\$ 111,479</u>	<u>\$ 83,463</u>

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The following weighted average assumptions were used to determine the Company's pension benefit obligations under the plans at December 31:

	U.S. Plans		Non-U.S. Plans	
	2005	2004	2005	2004
Discount rate	5.75%	6.00%	4.57%	5.03%
Rate of compensation increase	3.75%	3.75%	2.46%	2.41%

The following weighted average assumptions were used to determine the Company's postretirement benefit obligations at December 31:

	2005	2004
Discount rate	5.75%	6.00%
Current medical cost trend rate	8.00%	9.00%
Ultimate medical cost trend rate	4.75%	4.75%
Medical cost trend rate decreases to ultimate rate in year	2011	2011

Changes in pension plan assets were:

(DOLLARS IN THOUSANDS)	U.S. Plans		Non-U.S. Plans	
	2005	2004	2005	2004
Fair value of plan assets at beginning of year	\$ 278,646	\$ 250,094	\$ 493,385	\$ 411,198
Actual return on plan assets	10,513	25,308	69,452	37,383
Employer contributions	24,277	20,478	53,869	33,017
Participants contributions	—	—	1,419	1,235
Divestitures	—	—	—	(360)
Settlements	—	—	—	(3,277)
Benefits paid	(19,246)	(17,234)	(21,484)	(20,804)
Translation adjustments	—	—	(61,552)	34,993
Fair value of plan assets at end of year	<u>\$ 294,190</u>	<u>\$ 278,646</u>	<u>\$ 535,089</u>	<u>\$ 493,385</u>

The funded status of pension and postretirement plans at December 31 was:

(DOLLARS IN THOUSANDS)	U.S. Pension Plans		Non-U.S. Pension Plans		Postretirement Benefits	
	2005	2004	2005	2004	2005	2004
Plan assets (less than) projected benefit obligation	\$ (84,019)	\$ (66,415)	\$ (79,122)	\$ (126,343)	\$ (111,479)	\$ (83,463)
Post measurement date contributions	—	—	114	128	—	—
Remaining balance of unrecognized net (asset) liability established at adoption of FAS 87	—	—	62	195	—	—

Unrecognized prior service cost (benefit)	11,894	11,113	3,215	4,276	(21,194)	(23,389)
Unrecognized net loss	83,754	57,204	179,895	197,907	55,397	35,475
Net asset (liability)	<u>\$ 11,629</u>	<u>\$ 1,902</u>	<u>\$ 104,164</u>	<u>\$ 76,163</u>	<u>\$ (77,276)</u>	<u>\$ (71,377)</u>

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Pension assets and liabilities included in the Consolidated Balance Sheet at December 31 were:

(DOLLARS IN THOUSANDS)	U.S. Plans		Non-U.S. Plans	
	2005	2004	2005	2004
Prepaid benefit cost	\$ —	\$ —	\$ 72,184	\$ 55,989
Accrued benefit liability	(65,322)	(45,427)	(51,110)	(106,255)
Accumulated other comprehensive income	63,964	34,987	83,057	124,726
Intangible asset	12,987	12,342	33	1,703
Net amount recognized	<u>\$ 11,629</u>	<u>\$ 1,902</u>	<u>\$ 104,164</u>	<u>\$ 76,163</u>

At December 31, 2005, of the net amount recognized above, \$65.2 million of the Non-U.S. prepaid benefit cost is included in Other Assets with the remaining amount included in Prepaid expenses in the Consolidated Balance Sheet.

At the end of 2005 and 2004, the projected benefit obligation (“PBO”), accumulated benefit obligation (“ABO”), and fair value of plan assets for the U.S. pension plans and pension plans outside the U.S., where the accumulated benefit obligation exceeds the assets, were:

(DOLLARS IN THOUSANDS)	U.S. Plans		Non-U.S. Plans	
	2005	2004	2005	2004
Projected benefit obligation	\$ 378,209	\$ 345,061	\$ 299,012	\$ 407,713
Accumulated benefit obligation	359,512	324,073	294,193	391,662
Fair value of plan assets	294,190	278,646	242,970	285,290

The effect of a .25% decrease in the discount rate on the U.S. pension plan would be to increase the pension expense in the subsequent year by approximately \$0.9 million. The same change in the discount rate would result in an increase in the ABO of \$8.9 million, an increase in the additional minimum pension liability (“AML”) included in Accumulated Other Comprehensive Income (“AOCI”) of \$8.9 million, and an increase in the PBO of \$9.7 million at the 2005 year-end. The effect of a .25% decrease in the long term rate of return on plan assets would increase expense in the subsequent year by \$0.7 million.

The effect of a .25% decrease in the discount rate on the Non-U.S. pension plans would be to increase the pension expense in the subsequent year by approximately \$1.9 million. The same change would result in an increase in the ABO of \$22.6 million, an increase in the AML included in AOCI of \$36.3 million and an increase in the PBO of \$25.4 million at the 2005 year-end. The effect of a .25% decrease in the long term rate of return on plan assets would increase expense in the subsequent year by \$1.3 million.

The effect of a .25% decrease in the discount rate on the postretirement benefit plan would be to increase the expense in the subsequent year by approximately \$0.5 million. The same change in the discount rate would result in an increase in the APBO of \$4.7 million.

The special termination benefits in 2004 are the result of termination agreements in the U.S. providing for enhanced retirement benefits to eligible employees. The amounts reported as a curtailment, a settlement and a divestiture in the 2004 Non-U.S. plans is a result of the sale of the Company’s fruit businesses to Frutarom.

The Company recorded in AOCI an AML of \$147.1 million (\$100.4 million net of taxes) and \$159.7 million (\$110.7 million net of taxes) at December 31, 2005 and 2004, respectively, as required by SFAS No. 87, “Employers’ Accounting for Pensions.” The AML is reflected in Retirement liabilities and is prescribed when the accumulated benefit obligation in the plan exceeds the fair value of the underlying pension plan assets and accrued pension liabilities. The adjustment relates to plans in the United States, the United Kingdom, Germany, Ireland and Japan. Changes in the AML included in AOCI for U.S. and Non-U.S. pension plans were as follows:

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(DOLLARS IN THOUSANDS)	U.S. Plans		Non-U.S. Plans	
	2005	2004	2005	2004
Increase in additional minimum pension liability included in Other comprehensive income	\$ 28,977	\$ 905	\$ (41,669)	\$ 38,286

Information about the expected cash flows for the pension plans and postretirement benefit plans are as follows:

(DOLLARS IN THOUSANDS)	U.S. Plans	Non-U.S. Plans	Postretirement Benefits
<b>Employer Contributions</b>			
2006 (expected)	\$ 2,701	\$ 22,143	\$ 3,896
<b>Expected Benefit Payments</b>			
2006	18,061	20,425	3,896
2007	18,567	21,432	4,041
2008	19,528	22,477	4,256
2009	20,293	24,150	4,434
2010	21,294	24,964	4,673
2011 – 2015	127,615	145,192	27,544

Expected U.S. pension plan employer contributions include approximately \$2.7 million in benefit payments for a non-qualified plan. Non-U.S. plan contributions are based on current actuarial assumptions and funding plans in place.

The effect of a 1% increase in the assumed medical rate of inflation would increase the accumulated postretirement benefit obligation, and the annual postretirement expense, by approximately \$20.8 million and \$2.0 million, respectively; a 1% decrease in the rate would decrease the obligation and expense by approximately \$16.4 million and \$1.6 million, respectively.

The Company amended its postretirement medical and life insurance plan in 2003. The plan changes require retirees to increase their contribution amounts over a three-year period to a rate equal to active employees and for all retiree prescription co-payments to increase to the amounts currently paid by active employees.

On December 8, 2003, President Bush signed into law the Medicare Prescription Drug, Improvement and Modernization Act of 2003. In accordance with the Financial Accounting Standards Board Staff Position No. 106-2 ("FSP FAS 106-2"), "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003," the Company accounted for the effects of the Act and recognized the impact of the Medicare prescription drug subsidy retrospectively from January 1, 2004 beginning July 1, 2004. The subsidy reduced the January 1, 2005 and 2004 accumulated postretirement benefit obligation by \$14.5 million and \$12.4 million, respectively, and the 2005 and 2004 annual postretirement expense by \$2.0 million and \$1.8 million, respectively.

The expected benefit payments shown above are net of the Medicare Part D subsidy. The following table shows the expected benefit payments prior to reflecting the subsidy, the expected subsidy and the expected benefit payments reflecting the subsidy.

(DOLLARS IN THOUSANDS)	Not Reflecting Medicare Part D Subsidy	Medicare Part D Subsidy	Reflecting Medicare Part D Subsidy
<b>Expected Benefit Payments</b>			
2006	\$ 4,359	\$ (463)	\$ 3,896
2007	4,552	(511)	4,041
2008	4,814	(558)	4,256
2009	5,038	(604)	4,434
2010	5,317	(644)	4,673
2011 – 2015	31,442	(3,898)	27,544

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## NOTE 15. FINANCIAL INSTRUMENTS

The Company enters into foreign currency forward contracts with the objective of reducing exposure to cash flow volatility associated with foreign currency receivables and payables, and with anticipated purchases of certain raw materials used in operations. These contracts, the counterparties to which are major international financial institutions, generally involve the exchange of one currency for a second currency at a future date, and have maturities not exceeding six months. The notional amount and maturity dates of such contracts match those of the underlying transactions. The gain or loss on the hedging instrument is recorded in earnings at the same time as the transaction being hedged is recorded in earnings. The associated asset or liability related to the open hedge instrument is recorded in Current Assets or Current Liabilities, as applicable.

The Company employs various interest rate swaps and debt issuances with the objective of managing and optimizing its interest rate exposure. In 2001, the Company entered into certain interest swap agreements effectively converting the fixed coupon rate on its 6.45% Notes to a variable short-term rate based on the LIBOR plus an interest markup. In response to changes in market conditions and the value of the swaps, and in 2003, in connection with the Company's debt repurchase, the Company periodically amended the swap agreements, changing the related interest spread. As a result of these amendments, the counterparty paid the Company \$11.6 million and \$56.5 million in 2003 and 2002, respectively, including accrued interest of \$3.7 million and \$6.5 million, respectively. The net realized gains on the swaps have been deferred, classified as a separate component of debt, and are amortized as a reduction in interest expense over the remaining term of the Notes. In 2003, the Company terminated all such swap agreements; as a result, the interest rate on the Notes, including amortization of the deferred swap gains, was fixed at 3.4% through maturity of the Notes.

The Company has executed a 10-year Yen - U.S. dollar currency swap related to the monthly sale and purchase of products between the U.S. and Japan. The annual notional value of this swap is approximately \$5.0 million. Gains and losses related to this swap are recorded currently, and the mark-to-market adjustment related to the value of the swap is reflected as a component of Accumulated other comprehensive income.

In 2002, the Company entered into certain interest rate swap agreements effectively converting the fixed rate on its long-term Japanese Yen borrowings to a variable short-term rate based on the Japanese Yen LIBOR rate plus an interest markup. These swaps are designated as qualified fair value hedges. During 2003 and 2005, the Company amended the swaps and the counterparty paid the Company \$3.0 million and \$0.8 million, respectively, including accrued interest of \$0.5 million and \$0.1 million, respectively. In both cases, these net gains have been deferred, are classified as a separate component of debt and are being amortized over the remaining term of the debt. To the extent the Company has not received cash or otherwise amended or settled any swap agreements, any applicable mark-to-market adjustment relating to that swap is included as a separate component of debt. The Company had no ineffective interest rate swaps at December 31, 2005.

## NOTE 16. CONCENTRATIONS OF CREDIT RISK

The Company has no significant concentrations of risk in financial instruments. Temporary investments are made in a well-diversified portfolio of high-quality, liquid obligations of government, corporate and financial institutions. There are also limited concentrations of credit risk with respect to trade receivables because of the large number of customers spread across many industries and geographic regions.

## NOTE 17. COMMITMENTS AND CONTINGENCIES

Minimum rental commitments under non-cancelable operating leases are \$21.7 million in 2006, \$20.6 million in 2007, \$17.6 million in 2008, \$15.6 million in 2009, \$15.2 million in 2010, and thereafter through 2030, the aggregate lease obligations are \$218.9 million. The corresponding rental expense amounted to \$21.3 million, \$20.8 million and \$20.7 million in 2005, 2004 and 2003, respectively. None of the Company's leases contain step rent provisions or escalation clauses nor do they require capital improvement funding.

The Company is party to a number of lawsuits and claims related primarily to flavoring supplied by the Company to manufacturers of butter flavor popcorn. At each balance sheet date, or more frequently as conditions warrant, the Company reviews the status of each pending claim, as well as its insurance coverage for such claims with due consideration given to potentially applicable deductibles, retentions and reservation of rights under its insurance policies, and the advice of its outside legal counsel and a third party expert in modeling insurance deductible amounts with respect to all these matters. While the ultimate outcome of any litigation cannot be predicted, management believes that adequate provision has been made with respect to all known claims. There can be no assurance that future events will not require the Company to increase the amount it has accrued for any matter or accrue for a matter that has not been previously accrued.

The Company recorded its expected liability with respect to these claims in Other liabilities and expected recoveries from its insurance carrier group in Other Assets. The Company believes that realization of the insurance receivable is probable due to the terms of the insurance policies, the financial strength of the insurance carrier group and the payment experience to date of the carrier group as it relates to these claims.

(a)(2) **FINANCIAL STATEMENT SCHEDULES.** The following schedule is included in Part IV of this Annual Report on Form 10-K:

Schedule II – Valuation and Qualifying Accounts and Reserves for the three years ended December 31, 2005	S-1
Report of Independent Registered Public Accounting Firm on Financial Statement Schedule	69

All other schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

(a)(3) **EXHIBITS**

<u>Number</u>	
3(i)	Restated Certificate of Incorporation of Registrant, incorporated by reference to Exhibit 10(g) to Registrant's Report on Form 10-Q dated August 12, 2002.
3(ii)	By-laws of Registrant, incorporated by reference to Exhibit 99.1 to Registrant's Report on Form 8-K dated January 31, 2006.
4.1	Shareholder's Protection Rights Agreement dated as of March 21, 2000 between Registrant and The Bank of New York, as Rights Agent.
4.1a	First Amendment dated as of September 26, 2000, to Shareholder Protection Rights Agreement.
4.1b	Letter Agreement between the Registrant and Wachovia Bank, National Association ("Wachovia") dated as of October 31, 2002 appointing Wachovia as Successor Rights Agent pursuant to the Shareholder Protection Rights Agreement dated as of March 21, 2000 and amended as of September 26, 2000, incorporated by reference to Exhibit 4(a) to Registrant's Report on Form 10-Q dated November 12, 2002.
4.2	Specimen Certificates of Registrant's Common Stock bearing legend notifying of Shareholder Protection Rights Agreement, incorporated by reference to Exhibit 4(b) to Registrant's Registration Statement on Form S-3 dated on September 29, 2000. (Reg. No. 333-46932).
4.3	Indenture, dated as of May 1, 2001, between International Flavors & Fragrances Inc. and Bank One Trust Company, N.A. (now JPMorgan Chase Bank), as Trustee, incorporated by reference to Exhibit 4.1 to Registrant's Registration Statement on Form S-4 dated June 26, 2001 (Reg. No. 333-63910).
4.4	First Supplemental Indenture, dated as of May 7, 2001, between International Flavors & Fragrances Inc. and Bank One Trust Company, N.A. (now JPMorgan Chase Bank), as Trustee, incorporated by reference to Exhibit 4.2 to Registrant's Registration Statement on Form S-4 dated June 26, 2001 (Reg. No. 333-63910).
4.5	Form of 6.45% Note due 2006 (included in 4.4), incorporated by reference to Exhibit 4.2.1 to Registrant's Registration Statement on Form S-4 dated June 26, 2001 (Reg. No. 333-63910).
4.6	Registration Rights Agreement, dated May 7, 2001, among International Flavors & Fragrances Inc. and Salomon Smith Barney Inc., Banc One Capitals Markets, Inc., First Union Securities, Inc. and Tokyo-Mitsubishi International plc, as representatives of the Initial Purchasers, incorporated by reference to Exhibit 4.3 to Registrant's Registration Statement on Form S-4 dated June 26, 2001 (Reg. No. 333-63910).

<u>Number</u>	
*10.1	Memorandum of Understanding between Registrant and Richard A. Goldstein, Chairman of the Board and Chief Executive Officer of Registrant, approved by Registrant's Board of Directors on April 13, 2000, incorporated by reference to Exhibit 10(a) to Registrant's Report on Form 10-Q dated August 14, 2000.
*10.2	Performance Incentive Award Agreement in respect of a performance incentive award of 200,000 restricted shares of Company Common Stock approved by the Company's Board of Directors on August 1, 2002, granted to Richard A. Goldstein, Chairman of the Board and Chief Executive Officer of the Company, incorporated by reference to Exhibit 10(a) to Registrant's Report on Form 10-Q dated November 12, 2002.
*10.3	Supplemental Retirement Plan adopted by Board of Directors on October 29, 1986, including amendments effective January 1, 2001, incorporated by reference to Exhibit 10(c) to Registrant's Report on Form 10-Q dated May 13, 2003.
*10.4	2000 Stock Award and Incentive Plan adopted by the Registrant's Board of Directors on March 9, 2000 as amended and restated through November 8, 2004.

- \*10.5 2000 Supplemental Stock Award Plan adopted by the Registrant's Board of Directors on November 14, 2000 as amended and restated through November 8, 2004.
- \*10.6 Registrant's Executive Death Benefit Plan effective July 1, 1990.
- \*10.7 Registrant's Vision 2001 Compensation Program, as amended, adopted by the Registrant's Board of Directors on December 12, 2000, incorporated by reference to Exhibit 10.2 to Registrant's Report on Form 8-K dated January 28, 2005.
- \*10.8 Performance Criteria for the Company's Annual Incentive Plan for 2004 and applicable to senior management's restricted stock unit award in 2004 and for the 2003-2005 and 2004-2006 cycles under the Company's long term incentive plan, incorporated by reference to Registrant's Report on Form 8-K dated January 28, 2005, including Exhibit 10.1 thereto.
- \*10.9 Performance Criteria for the Company's Annual Incentive Plan for 2005 and applicable to senior management's restricted stock unit award in 2005 and for the 2005-2007 cycle under the Company's long term incentive plan, incorporated by reference to Exhibits 10.1, 10.2 and 10.3 to Registrant's Report on Form 8-K dated March 11, 2005.
- \*10.10 Performance Criteria for the Company's Annual Incentive Plan for 2006 and for the 2006-2008 cycle under the Company's long term incentive plan, incorporated by reference to Exhibits 10.1 and 10.2 to Registrant's Report on Form 8-K dated March 10, 2006.
- \*10.11 Form of Non-Employee Director's Restricted Stock Unit Agreement under International Flavors & Fragrances Inc. 2000 Stock Award and Incentive Plan incorporated by reference to Exhibit 10.1 to Registrant's Report on Form 8-K dated December 15, 2004.
- \*10.12 Form of U.S. Restricted Stock Units Agreement under International Flavors & Fragrances Inc. 2000 Stock Award and Incentive Plan, incorporated by reference to Exhibit 10.8a to Registrant's Report on Form 8-K dated October 7, 2004.
- \*10.13 Form of U.S. Performance-Based Restricted Stock Units Agreement under International Flavors & Fragrances Inc. 2000 Stock Award and Incentive Plan, Incorporated by reference to Exhibit 10.8b to Registrant's Report on Form 8-K dated October 7, 2004.
- \*10.14 Form of Employee Stock Option Agreement under International Flavors & Fragrances Inc. 2000 Stock Award and Incentive Plan, incorporated by reference to Exhibit 10.1 to Registrant's Report on Form 10-Q dated November 9, 2004.

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- \*10.15 Form of International Flavors & Fragrances Inc. Stock Option Agreement under 2000 Stock Option Plan for Non-Employee Directors, incorporated by reference to Exhibit 10.2 to Registrant's Report on Form 10-Q dated November 9, 2004.
- \*10.16 Restated and Amended Executive Separation Policy, incorporated by reference to Exhibit 10.3 to Registrants Report on Form 8-K dated December 15, 2004.
- \*10.17 Registrant's Employee Stock Option Plan of 1992, incorporated by reference to Exhibit 10.11 to Registrant's Report on Form 10-K for fiscal year ended December 31, 2002.
- \*10.18 1997 Employee Stock Option Plan.
- \*10.19 Amendment to 1997 Employee Stock Option Plan as amended by Registrant's Board of Directors on February 8, 2000.
- \*10.20 Deferred Compensation Plan adopted by Registrant's Board of Directors on December 12, 2000, incorporated by reference to Exhibit 99 to Registrant's Registration Statement on Form S-8 dated May 16, 2001 (Reg. No. 333-61072).
- \*10.21 Trust Agreement dated October 4, 2000 among Registrant, First Union National Bank and Buck Consultants Inc. approved by Registrant's Board of Directors on September 12, 2000.
- 10.22 Amendment dated August 2, 2005 to the Trust Agreement dated October 4, 2000 among Registrant, First Union National Bank and Buck Consultants Inc., incorporated by reference to Exhibit 10.1 to Registrant's Report on Form 10-Q dated August 4, 2005.
- 10.23 1990 Stock Option Plan for Non-Employee Directors.
- \*10.24 2000 Stock Option Plan for Non-Employee Directors as amended and restated as of December 15, 2004, incorporated by reference to Exhibit 10.2 to Registrants Report on Form 8-K dated December 15, 2004.
- \*10.25 Director Charitable Contribution Program adopted by the Board of Directors on February 14, 1995.
- \*10.26 Resolutions approving Non-Employee Directors' Annual Stock Grant Program adopted by Registrant's Board of Directors on September 12, 2000, incorporated by reference to Exhibit 99(c) to Registrant's Registration Statement on Form S-3 dated on September 29, 2000 (Reg. No. 333-46932).
- \*10.27 Non-Employee Director Compensation Arrangements, adopted by Registrant's Board of Directors on December 15, 2004, incorporated by reference to Registrant's Report on Form 8-K dated December 15, 2004.
- 10.28 Multi-currency Revolving Credit Facility Agreement dated November 22, 2005, among International Flavors & Fragrances (Luxembourg) S.A.R.L., certain subsidiaries, the banks named therein, including Citigroup Global Markets Limited, Fortis Bank S.A./N.V., Bank of America N.A., Bank of Tokyo-Mitsubishi Trust Company, BNP Paribas, ING Bank N.V., J.P. Morgan Chase and Wachovia Bank, National Association, as mandated lead arrangers, and Citibank International PLC, as Facility Agent, incorporated by reference to Exhibit 4.1 to Registrant's Report on Form 8-K dated November 29, 2005.
- 10.29 Separation Agreement dated as of January 13, 2006 between D. Wayne Howard, former Executive Vice President, Global Operations of the Company, and the Company, incorporated by reference to Exhibit 10.1 to Registrant's Report on Form 8-K dated January 18, 2006.

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- \*10.30 Form of International Flavors & Fragrances Inc. 2000 Stock Award and Incentive Plan Restricted Stock Unit Agreement incorporated by reference to Exhibit 10.6 to Registrant's Report on Form 8-K dated March 10, 2006.
- \*10.31 Form of International Flavors & Fragrances Inc. 2000 Stock Award and Incentive Plan Purchased

Restricted Stock Agreement incorporated by reference to Exhibit 10.4 to Registrant's Report on Form 8-K dated March 10, 2006.

- \*10.32 Form of International Flavors & Fragrances Inc. 2000 Stock Award and Incentive Plan Stock Settled Appreciation Rights Agreement incorporated by reference to Exhibit 10.5 to Registrant's Report on Form 8-K dated March 10, 2006.
- \*10.33 Long Term Incentive Choice Program Summary incorporated by reference to Exhibit 10.3 to Registrant's Report on Form 8-K dated March 10, 2006.
- 21 List of Principal Subsidiaries
- 23 Consent of PricewaterhouseCoopers LLP
- 31.1 Certification of Richard A. Goldstein pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Douglas J. Wetmore pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32 Certification of Richard A. Goldstein and Douglas J. Wetmore pursuant to 18 U.S.C. Section 1350 as adopted pursuant to the Sarbanes-Oxley Act of 2002.

\* Management contract or compensatory plan or arrangement

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#### REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON FINANCIAL STATEMENT SCHEDULE

To the Board of Directors of International Flavors & Fragrances Inc.:

Our audits of the consolidated financial statements, of management's assessment of the effectiveness of internal control over financial reporting and of the effectiveness of internal control over financial reporting referred to in our report dated March 13, 2006 appearing in the 2005 Annual Report to Shareholders of International Flavors and Fragrances, Inc. (which report, consolidated financial statements and assessment are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the financial statement schedule listed in Item 15(a)(2) of this Form 10-K. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ PricewaterhouseCoopers LLP

New York, New York  
March 13, 2006

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Pursuant to the requirements of Section 13 of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

#### INTERNATIONAL FLAVORS & FRAGRANCES INC.

(Registrant)

By /s/ Douglas J. Wetmore

Douglas J. Wetmore  
Senior Vice President and  
Chief Financial Officer

Dated: March 13, 2006

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated:

Principal Executive Officer:

/s/ Richard A. Goldstein  
Richard A. Goldstein  
Chairman of the Board  
and Chief Executive Officer

Principal Financial and Accounting Officer:

/s/ Douglas J. Wetmore  
Douglas J. Wetmore  
Senior Vice President  
and Chief Financial Officer

Directors:

/s/ Richard A. Goldstein  
RICHARD A. GOLDSTEIN

/s/ Margaret Hayes Adame  
MARGARET HAYES ADAME

/s/ Gunter Blobel  
GUNTER BLOBEL

/s/ J. Michael Cook  
J. MICHAEL COOK

/s/ Peter A. Georgescu  
 \_\_\_\_\_  
 PETER A. GEORGESCU

/s/ Alexandra A. Herzan  
 \_\_\_\_\_  
 ALEXANDRA A. HERZAN

/s/ Henry W. Howell, Jr.  
 \_\_\_\_\_  
 HENRY W. HOWELL, JR.

/s/ Arthur C. Martinez  
 \_\_\_\_\_  
 ARTHUR C. MARTINEZ

/s/ Burton M. Tansky  
 \_\_\_\_\_  
 BURTON M. TANSKY

**INTERNATIONAL FLAVORS & FRAGRANCES INC. AND SUBSIDIARIES**  
**SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS AND RESERVES**  
(In thousands)

	For the Year Ended December 31, 2005				Balance at end of period
	Balance at beginning of period	Additions charged to costs and expenses	Accounts written off	Translation adjustments	
Allowance for doubtful accounts	\$ 17,663	\$ 910	\$ 2,592	\$ (1,160)	\$ 14,821

	For the Year Ended December 31, 2004				Balance at end of period
	Balance at beginning of period	Additions charged to costs and expenses	Accounts written off	Translation adjustments	
Allowance for doubtful accounts	\$ 16,212	\$ 3,615	\$ 3,391	\$ 1,227	\$ 17,663

	For the Year Ended December 31, 2003				Balance at end of period
	Balance at beginning of period	Additions charged to costs and expenses	Accounts written off	Translation adjustments	
Allowance for doubtful accounts	\$ 12,933	\$ 3,146	\$ 1,846	\$ 1,979	\$ 16,212



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ME;7,Y\_ W9,H^G(Y\*J0LY!5:5-4[0^&M.9Q(VY;7AV5G3+<.\*5\$2S=\*U^V; M11W8Y7;J1U(8>H?>&^N8.IK4C)\*I7;^F\$>U,0U[[FRP]LE1#W!@\*LY+> \_> < MTY:L, Q\$Q]L4)P2\$4;=](\$78))%<DK87"FTM M9^W\*QKC&,>;];7#BE0+R?HZ65.#@CY\$IR7.8G96UK+%&6S^CDQ5RCIPN+)"HXORT MD137R\*2AU0.[\*R2B2N+?76\$&:3AQ2H5[5Z55EWANZ@VG>-I"R8]&[28]3A- M5+JF"QPB@R- 6Y\_K1(8W)3-\$>K%0SN@IRILHB9,]NMK^=@BABR^0E.WM MR?4I\_0\_6M\$I%-1MC&5FL#736GIC5-6KT^4D)U@[K;735MVPK88+L:#H;+9 MEDFB=N^V\$X,T@3=)F61150F22=HL9P>R<@)5@+AQ2HGZV9BR+/-<#2.97 M0DE#GM^OW8-9-;K^F\$MT2=MSG.:3R./UT;LFPWP9RF:D30W?@>DM>D0 MIB/&MXQ9- NK'TUT-:)]!^T!KN%5[6\_ MWG;,+ <>U52TW-\$U>Q%SF\$%>H[801]Z5-2HEL>FL;?E#66QY)AK,'ZMR8DW;PB.2\*=[2BB+V?2Z4L"4 M^F4]1.4Q>P':=P0N<;&2;L)]\$ MO#BE0D;.]'=41NC^>+ME]9>\_ ]YI2KBE=I/=M.P\*8\*I;S1.FT0\$AKZT M8B]0J6M618\*/9WQ&8D./;E?@B;7EO,&4Y;NF\!8T/\*-Z(S2E2,DP/7^7 MA1=E.LW3/<=;>@\$>KG%="IE+7+4N\$B2VZP>E"XNO;G9"R\_ [OE,-43>J;Y:A2 MB,+BMFLDQBHO" (6T];V^O(T^I3T]8KOC5;EI\_M=S],AQAR>ZDL+%"022]1[C]F=P0,4[C&^2J+-N^Y=AV3N8UAL7K=A^U" (IB)F% @ M4\_<3N+YX,F0ZA^F6: [HJ;M]W;990MT#<2;@S2^68T:12+XO9Q+&F;GQ=4X0M@P,H^O D3RQ-#V;BRH^VU\*B-/R(SZ^XT^TH^0M)]X(]"123125^I4^H\$# MAI?%;>9N]PL&06V7+:S:I^XEPMTUHLR8LA01\*%I/925)4EQIULK9?96V^PX MXRXVXHXEVV,AJU.=;50N^\*QQLM^+#GO\_ = (V#+#\$B3@^A3)GE8YE!%CL(<: MR,/?)<+H^7/DQC.P<EF&VW[6R>TQBGD\$ M?^U9(UOBS;%(?>41Z\*;7<# C.I/8MR%> [=])^#W#VHZP0;L^UYEOPNW2A= M^D];5-#QMUG:Y:JE]J9^U(O/V4X1^\$ZX'&.V,8QW/#AS:NO]#APX1 MP0?&,8SD67. 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SHAREHOLDER PROTECTION RIGHTS AGREEMENT

dated as of

March 21, 2000

between

INTERNATIONAL FLAVORS & FRAGRANCES INC.

and

THE BANK OF NEW YORK

as Rights Agent

SHAREHOLDER PROTECTION RIGHTS AGREEMENT

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EXHIBITS

Exhibit A	Form of Rights Certificate (Together with Form of Election to Exercise)
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SHAREHOLDER PROTECTION RIGHTS AGREEMENT

SHAREHOLDER PROTECTION RIGHTS AGREEMENT (as amended from time to time, this "Agreement"), dated as of March 21, 2000, between International Flavors & Fragrances Inc., a New York corporation (the "Company"), and The Bank of New York, a New York banking corporation, as Rights Agent (the "Rights Agent", which term shall include any successor Rights Agent hereunder).

WITNESSETH:

WHEREAS, the Board of Directors of the Company has (a) authorized and declared a dividend of one right ("Right") in respect of each share of Common Stock (as hereinafter defined) held of record as of the close of business on March 24, 2000 (the "Record Time") and (b) as provided in Section 2.4, authorized the issuance of one Right in respect of each share of Common Stock issued after the Record Time and prior to the Separation Time (as hereinafter defined) and, to the extent provided in Section 5.3, each share of Common Stock issued after the Separation Time;

WHEREAS, subject to the terms and conditions hereof, each Right entitles the holder thereof, after the Separation Time, to purchase securities or assets of the Company (or, in certain cases, securities of certain other entities), pursuant to the terms and subject to the conditions set forth herein; and

WHEREAS, the Company desires to appoint the Rights Agent to act on behalf of the Company, and the Rights Agent is willing so to act, in connection with the issuance, transfer, exchange and replacement of Rights Certificates (as hereinafter defined), the exercise of Rights and other matters referred to herein;

NOW THEREFORE, in consideration of the premises and the respective agreements set forth herein, the parties hereby agree as follows:

ARTICLE I  
DEFINITIONS

1.1 Definitions. For purposes of this Agreement, the following terms have the meanings indicated:

"Acquiring Person" shall mean any Person who is a Beneficial Owner of 20% or more of the outstanding shares of Common Stock; provided, however, that the term "Acquiring Person" shall not include any Person (i) who is an Existing Shareholder, including any group that is comprised solely of Existing Shareholders, until such time hereafter as any such Existing Shareholder or group of Existing Shareholders, shall become the Beneficial Owner (other than by means of a stock dividend, stock split, gift or inheritance or receipt or exercise of, or accrual of any right to exercise, any stock options or shares of Common Stock granted by the Company) by purchase of additional shares of Common Stock which additional shares, in the aggregate, exceed one percent of the outstanding Common Stock at the time of such acquisition, (ii) who shall become the Beneficial Owner of 20% or more of the outstanding shares of Common Stock solely as a result of an acquisition by the Company of shares of Common Stock, until such time hereafter or thereafter as any of such Persons shall become the Beneficial Owner (other than by means of a stock dividend or stock split) of any additional shares of Common Stock, (iii) who becomes the Beneficial Owner of 20% or more of the outstanding shares of Common Stock but who acquired Beneficial Ownership of shares of Common Stock without any plan or intention to seek or affect control of the Company, if such Person promptly divests, or enters into an agreement satisfactory to the Company, in its sole discretion, pursuant to

which it will divest (without exercising or retaining any power, including voting power, with respect to such shares), sufficient shares of Common Stock (or securities convertible into, exchangeable into or exercisable for Common Stock) so that such Person ceases to be the Beneficial Owner of 20% or more of the outstanding shares of Common Stock or (iv) who Beneficially Owns shares of Common Stock consisting solely of one or more of (A) shares of Common Stock Beneficially Owned pursuant to the grant or exercise of an option granted to such Person (an "Option Holder") by the Company in connection with an agreement to merge with, or acquire, the Company entered into prior to a Flip-in Date, (B) shares of Common Stock (or securities convertible into, exchangeable into or exercisable for Common Stock), Beneficially Owned by such Option Holder or its Affiliates or Associates at the time of grant of such option, and (C) shares of Common Stock (or securities convertible into, exchangeable into or exercisable for Common Stock) acquired by Affiliates or Associates of such Option Holder after the time of such grant which, in the aggregate, amount to less than 1% of the outstanding shares of Common Stock. In addition, the Company, any wholly-owned Subsidiary of the Company and any employee stock ownership or other employee benefit plan of the Company or a wholly-owned Subsidiary of the Company shall not be an Acquiring Person.

"Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 under the Exchange Act, as such Rule is in effect on the date of this Agreement.

"Agreement" shall have the meaning set forth in the preamble.

A Person shall be deemed the "Beneficial Owner", and to have "Beneficial Ownership" of, and to "Beneficially Own", any securities as to which such Person or any of such Person's Affiliates or Associates is or may be deemed to be the beneficial owner of pursuant to Rule 13d-3 and 13d-5 under the Exchange Act, as such Rules are in effect on the date of this Agreement, as well as any securities as to which such Person or any of such Person's Affiliates or Associates has the right to become Beneficial Owner (whether such right is

exercisable immediately or only after the passage of time or the occurrence of conditions) pursuant to any agreement, arrangement or understanding, or upon the exercise of conversion rights, exchange rights, rights (other than the Rights), warrants or options, or otherwise; provided, however, that a Person shall not be deemed the "Beneficial Owner", or to have "Beneficial Ownership" of, or to "Beneficially Own", any security (i) solely because such security has been tendered pursuant to a tender or exchange offer made by such Person or any of such Person's Affiliates or Associates until such tendered security is accepted for payment or exchange or (ii) solely because such Person or any of such Person's Affiliates or Associates has or shares the power to vote or direct the voting of such security pursuant to a revocable proxy given in response to a public proxy or consent solicitation made to more than ten holders of shares of a class of stock of the Company registered under Section 12 of the Exchange Act and pursuant to, and in accordance with, the applicable rules and regulations under the Exchange Act, except if such power (or the arrangements relating thereto) is then reportable under Item 6 of Schedule 13D under the Exchange Act (or any similar provision of a comparable or successor report). Notwithstanding the foregoing, no officer or director of the Company shall be deemed to Beneficially Own any securities of any other Person by virtue of any actions such officer

or director takes in such capacity. For purposes of this Agreement, in determining the percentage of the outstanding shares of Common Stock with respect to which a Person is the Beneficial Owner, all shares as to which such Person is deemed the Beneficial Owner shall be deemed outstanding.

"Business Day" shall mean any day other than a Saturday, Sunday or a day on which banking institutions in The City of New York are generally authorized or obligated by law or executive order to close.

"Close of business" on any given date shall mean 5:00 p.m. New York City time on such date or, if such date is not a Business Day, 5:00 p.m. New York City time on the next succeeding Business Day.

"Common Stock" shall mean the shares of Common Stock, par value \$0.12 1/2 per share, of the Company.

"Company" shall have the meaning set forth in the preamble.

"Election to Exercise" shall have the meaning set forth in Section 2.3(d) hereof.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

"Exchange Ratio" shall have the meaning set forth in Section 3.1(c) hereof.

"Exchange Time" shall mean the time at which the right to exercise the Rights shall terminate pursuant to Section 3.1(c) hereof.

"Exercise Price" shall mean, as of any date, the price at which a holder may purchase the securities issuable upon exercise of one whole Right. Until adjustment thereof in accordance with the terms hereof, the Exercise Price shall equal \$200.00.

"Existing Shareholder" shall mean any Person who is the Beneficial Owner of 20% or more of the outstanding shares of Common Stock on February 20, 1990, or any Person that is or becomes a fiduciary of any Person or Persons who is or are in the aggregate the Beneficial Owner of (or any Person for whose account were held) 20% or more of the outstanding shares of Common Stock on February 20, 1990.

"Expansion Factor" shall have the meaning set forth in Section 2.4(a) hereof.

"Expiration Time" shall mean the earliest of (i) the Exchange Time, (ii) the Redemption Time, (iii) the close of business on the tenth anniversary of the Record Time and (iv) immediately prior to the effective time of a consolidation, merger or share exchange of the Company (A) into another corporation or (B) with another corporation in which the Company is the surviving corporation but Common Stock is converted into cash and/or securities of another corporation, in either case pursuant to an agreement entered into by the Company prior to a Stock Acquisition Date.

"Flip-in Date" shall mean the tenth business day after any Stock

Acquisition Date or such earlier or later date as the Board of Directors of the Company may from time to time fix by resolution adopted prior to the Flip-in Date that would otherwise have occurred.

"Flip-over Entity," for purposes of Section 3.2, shall mean (i) in the case of a Flip-over Transaction or Event described in clause (i) of the definition thereof, the Person issuing any securities into which shares of Common Stock are being converted or exchanged and, if no such securities are being issued, the other party to such Flip-over Transaction or Event and (ii) in the case of a Flip-over Transaction or Event referred to in clause (ii) of the definition thereof, the Person receiving the greatest portion of the (A) assets or (B) operating income or cash flow being transferred in such Flip-over Transaction or Event, provided in all cases if such Person is a subsidiary of a corporation, the parent corporation shall be the Flip-Over Entity.

"Flip-over Stock" shall mean the capital stock (or similar equity interest) with the greatest voting power in respect of the election of directors (or other persons similarly responsible for direction of the business and

affairs) of the Flip-Over Entity.

"Flip-over Transaction or Event" shall mean a transaction or series of transactions after a Flip-in Date in which, directly or indirectly, (i) the Company shall consolidate or merge or participate in a share exchange with any other Person if, at the time of the consolidation, merger or share exchange or at the time the Company enters into any agreement with respect to any such consolidation, merger or share exchange, the Acquiring Person Controls the Board of Directors of the Company and either (A) any term of or arrangement concerning the treatment of shares of capital stock in such consolidation, merger or share exchange relating to the Acquiring Person is not identical to the terms and arrangements relating to other holders of the Common Stock or (B) the Person with whom the transaction or series of transactions occurs is the Acquiring Person or an Affiliate or Associate of the Acquiring Person or (ii) the Company shall sell or otherwise transfer (or one or more of its Subsidiaries shall sell or otherwise transfer) assets (A) aggregating more than 50% of the assets (measured by either book value or fair market value) or (B) generating more than 50% of the operating income or cash flow, of the Company and its Subsidiaries (taken as a whole) to any Person (other than the Company or one or more of its wholly owned Subsidiaries) or to two or more such Persons which are Affiliates or Associates or otherwise acting in concert, if, at the time of the entry by the Company (or any such Subsidiary) into an agreement with respect to such sale or transfer of assets, the Acquiring Person Controls the Board of Directors of the Company. An Acquiring Person shall be deemed to Control the Company's Board of Directors when, following a Flip-in Date, the persons who were directors of the Company (or persons nominated and/or appointed as directors by vote of a majority of such persons) before the Stock Acquisition Date shall cease to constitute a majority of the Company's Board of Directors.

"Market Price" per share of any securities on any date shall mean the average of the daily closing prices per share of such securities (determined as described below) on each of the 20 consecutive Trading Days through and including the Trading Day immediately preceding such date; provided, however, that if an event of a type analogous to any of

the events described in Section 2.4 hereof shall have caused the closing prices used to determine the Market Price on any Trading Days during such period of 20 Trading Days not to be fully comparable with the closing price on such date, each such closing price so used shall be appropriately adjusted in order to make it fully comparable with the closing price on such date. The closing price per share of any securities on any date shall be the last reported sale price, regular way, or, in case no such sale takes place or is quoted on such date, the average of the closing bid and asked prices, regular way, for each share of such securities, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange, Inc. or, if the securities are not listed or admitted to trading on the New York Stock Exchange, Inc., as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the securities are listed or admitted to trading or, if the securities are not listed or admitted to trading on any national securities exchange, as reported by the National Association of Securities Dealers, Inc. Automated Quotation System or such other system then in use, or, if on any such date the securities are not listed or admitted to trading on any national securities exchange or quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the securities selected by the Board of Directors of the Company; provided, however, that if on any such date the securities are not listed or admitted to trading on a national securities exchange or traded in the over-the-counter market, the closing price per share of such securities on such date shall mean the fair value per share of securities on such date as determined in good faith by the Board of Directors of the Company, after consultation with a nationally recognized investment banking firm, and set forth in a certificate delivered to the Rights Agent.

"Option Holder" shall have the meaning set forth in the definition of Acquiring Person.

"Person" shall mean any individual, firm, partnership, association, group (as such term is used in Rule 13d-5 under the Securities Exchange Act of 1934, as such Rule is in effect on the date of this Agreement), corporation or other entity.

"Record Time" shall have the meaning set forth in the Recitals.

"Redemption Price" shall mean an amount equal to one cent, \$0.01.

"Redemption Time" shall mean the time at which the right to exercise the Rights shall terminate pursuant to Section 5.1 hereof.

"Right" shall have the meaning set forth in the Recitals.

"Rights Agent" shall have the meaning set forth in the Preamble.

"Rights Certificate" shall have the meaning set forth in Section 2.3(c) hereof.

"Rights Register" shall have the meaning set forth in Section 2.7(a) hereof.

"Separation Time" shall mean the close of business on the earlier of (i) the tenth business day (or such later date as the Board of Directors of the Company may from time to time fix by resolution adopted prior to the Separation Time that would otherwise have occurred) after the date on which any Person commences a tender or exchange offer which, if consummated, would result in such

Person's becoming an Acquiring Person and (ii) the Flip-in Date; provided, that if the foregoing results in the Separation Time being prior to the Record Time, the Separation Time shall be the Record Time and provided further, that if any tender or exchange offer referred to in clause (i) of this paragraph is cancelled, terminated or otherwise withdrawn prior to the Separation Time without the purchase of any shares of Common Stock pursuant thereto, such offer shall be deemed, for purposes of this paragraph, never to have been made.

"Stock Acquisition Date" shall mean the first date of public announcement by the Company (by any means) that a Person has become an Acquiring Person.

"Subsidiary" of any specified Person shall mean any corporation or other entity of which a majority of the voting power of the equity securities or a majority of the equity interest is Beneficially Owned, directly or indirectly, by such Person.

"Trading Day," when used with respect to any securities, shall mean a day on which the New York Stock Exchange, Inc. is open for the transaction of business or, if such securities are not listed or admitted to trading on the New York Stock Exchange, Inc., a day on which the principal national securities exchange on which such securities are listed or admitted to trading is open for the transaction of business or, if such securities are not listed or admitted to trading on any national securities exchange, a Business Day.

## ARTICLE II

### THE RIGHTS

2.1 Summary of Rights. As soon as practicable after the Record Time, the Company will mail a letter summarizing the terms of the Rights to each holder of record of Common Stock as of the Record Time, at such holder's address as shown by the records of the Company.

2.2 Legend on Common Stock Certificates. Certificates for the Common Stock issued after the Record Time but prior to the Separation Time shall evidence one Right for each share of Common Stock represented thereby and shall have impressed on, printed on, written on or otherwise affixed to them the following legend:

Until the Separation Time (as defined in the Rights Agreement referred to below), this certificate also evidences and entitles the holder hereof to certain Rights as set forth in a Rights Agreement, dated as of March 21, 2000 (as such may be amended from time to time, the

"Rights Agreement"), between International Flavors & Fragrances Inc. the "Company") and The Bank of New York, as Rights Agent, the terms of which are hereby incorporated herein by reference and a copy of which is on file at the principal executive offices of the Company. Under certain circumstances, as set forth in the Rights Agreement, such

Rights may be redeemed, may become exercisable for securities or assets of the Company or securities of another entity, may be exchanged for shares of Common Stock or other securities or assets of the Company, may expire, may become void (if they are "Beneficially Owned" by an "Acquiring Person" or an Affiliate or Associate thereof, as such terms are defined in the Rights Agreement, or by any transferee of any of the foregoing) or may be evidenced by separate certificates and may no longer be evidenced by this certificate. The Company will mail or arrange for the mailing of a copy of the Rights Agreement to the holder of this certificate without charge after the receipt of a written request therefor.

Certificates representing shares of Common Stock that are issued and outstanding at the Record Time shall evidence one Right for each share of Common Stock evidenced thereby notwithstanding the absence of the foregoing legend.

2.3 Exercise of Rights; Separation of Rights. (a) Subject to Sections 3.1, 5.1 and 5.10 and subject to adjustment as herein set forth, each Right will entitle the holder thereof, after the Separation Time and prior to the Expiration Time, to purchase, for the Exercise Price, one share of Common Stock.

(b) Until the Separation Time, (i) no Right may be exercised and (ii) each Right will be evidenced by the certificate for the associated share of Common Stock (together, in the case of certificates issued prior to the Record Time, with the letter mailed to the record holder thereof pursuant to Section 2.1) and will be transferable only together with, and will be transferred by a transfer (whether with or without such letter) of, such associated share.

(c) Subject to the terms and conditions hereof, after the Separation Time and prior to the Expiration Time, the Rights (i) may be exercised and (ii) may be transferred independent of shares of Common Stock. Promptly following the Separation Time, and following receipt of notice of the Separation Time from the Company, the Rights Agent will, at the Company's expense, mail to each holder of record of Common Stock as of the Separation Time (other than any Person whose Rights have become void pursuant to Section 3.1(b)), at such holder's address as shown by the records of the Company (the Company hereby agreeing to furnish copies of such records to the Rights Agent for this purpose), (x) a certificate (a "Rights Certificate") in substantially the form of Exhibit A hereto appropriately completed, representing the number of Rights held by such holder at the Separation Time, in a machine printable format, and having such marks of identification or designation and such legends, summaries or endorsements printed thereon as the Company may deem appropriate and as are not inconsistent with the provisions of this Agreement, or as may be required to comply with any law or with any rule or regulation made pursuant thereto or with any rule or regulation of any national securities exchange or quotation system on which the Rights may from time to time be listed or traded, or to conform to usage, and (y) a disclosure statement describing the Rights

(d) Subject to the terms and conditions hereof, Rights may be exercised on any Business Day after the Separation Time and prior to the Expiration Time by submitting to the Rights Agent the Rights Certificate evidencing such Rights with an Election to Exercise (an "Election to Exercise") substantially in the form attached to the Rights Certificate duly completed, accompanied by payment in cash, or by certified or official bank check or money order payable to the order of the Company, of a sum equal to the Exercise Price multiplied by the number of Rights being exercised and a sum sufficient to cover any transfer tax or charge which may be payable in respect of any transfer involved in the transfer or delivery of Rights Certificates or the issuance or delivery of certificates for shares or depositary receipts (or both) in a name other than that of the holder of the Rights being exercised.

(e) Upon receipt of a Rights Certificate, with an Election to Exercise accompanied by payment as set forth in Section 2.3(d), and subject to the terms and conditions hereof, the Rights Agent will thereupon promptly (i)(A) requisition from a transfer agent stock certificates evidencing such number of shares or other securities to be purchased (the Company hereby irrevocably authorizing its transfer agents to comply with all such requisitions) and (B) if the Company elects pursuant to Section 5.5 not to issue certificates representing fractional shares, requisition from the depositary selected by the Company depositary receipts representing the fractional shares to be purchased or requisition from the Company the amount of cash to be paid in lieu of fractional shares in accordance with Section 5.5 and (ii) after receipt of such certificates, depositary receipts and/or cash, deliver the same to or upon the order of the registered holder of such Rights Certificate, registered (in the case of certificates or depositary receipts) in such name or names as may be designated by such holder.

(f) In case the holder of any Rights shall exercise less than all the Rights evidenced by such holder's Rights Certificate, a new Rights Certificate evidencing the Rights remaining unexercised will be issued by the Rights Agent to such holder or to such holder's duly authorized assigns.

(g) The Company covenants and agrees that it will (i) take all such action as may be necessary to ensure that all shares delivered upon exercise of Rights shall, at the time of delivery of the certificates for such shares (subject to payment of the Exercise Price), be duly and validly authorized, executed, issued and delivered and fully paid and nonassessable; (ii) take all such action as may be necessary to comply with any applicable requirements of the Securities Act of 1933 or the Exchange Act, and the rules and regulations thereunder, and any other applicable law, rule or regulation, in connection with the issuance of any shares upon exercise of Rights; and (iii) pay when due and payable any and all federal and state transfer taxes and charges which may be payable in respect of the original issuance or delivery of the Rights Certificates or of any shares issued upon the exercise of Rights, provided, that the Company shall not be required to pay any transfer tax or charge which may be payable in respect of any transfer involved in the transfer or delivery of Rights Certificates or the issuance or delivery of certificates for shares in a name other than that of the holder of the Rights being transferred or exercised.

2.4 Adjustments to Exercise Price; Number of Rights. (a) In the event the Company shall at any time after the Record Time and prior to the Separation Time (i) declare or pay a dividend on Common Stock payable in Common Stock, (ii) subdivide the outstanding Common Stock or (iii) combine the outstanding Common Stock into a smaller number of shares of Common Stock, (x) the Exercise Price in effect after such adjustment will be equal to the Exercise Price in effect immediately prior to such adjustment divided by the number of shares of Common Stock (the "Expansion Factor") that a holder of one share of Common Stock immediately prior to such dividend, subdivision or combination would hold thereafter as a result thereof and (y) each Right held prior to such adjustment will become that number of Rights equal to the Expansion Factor, and the adjusted number of Rights will be deemed to be distributed among the shares of Common Stock with respect to which the original Rights were associated (if they remain outstanding) and the shares issued in respect of such dividend, subdivision or combination, so that each such share of Common Stock will have exactly one Right associated with it. Each adjustment made pursuant to this paragraph shall be made as of the payment or effective date for the applicable dividend, subdivision or combination.

In the event the Company shall at any time after the Record Time and prior to the Separation Time issue any shares of Common Stock otherwise than in a transaction referred to in the preceding paragraph, each such share of Common Stock so issued shall automatically have one new Right associated with it, which Right shall be evidenced by the certificate representing such share. To the extent provided in Section 5.3, Rights shall be issued by the Company in respect of shares of Common Stock that are issued or sold by the Company after the Separation Time.

(b) In the event the Company shall at any time after the Record Time and prior to the Separation Time issue or distribute any securities or assets in respect of, in lieu of or in exchange for Common Stock (other than pursuant to a regular periodic cash dividend or a dividend paid solely in Common Stock), whether by dividend, in a reclassification or recapitalization (including any such transaction involving a merger, consolidation or share exchange), or otherwise, the Company shall make such adjustments, if any, in the Exercise Price, number of Rights and/or securities or other property purchasable upon exercise of Rights as the Board of Directors of the Company, in its sole discretion, may deem to be appropriate under the circumstances in order to adequately protect the interests of the holders of Rights generally, and the Company and the Rights Agent shall amend this Agreement as necessary to provide for such adjustments.

(c) Each adjustment to the Exercise Price made pursuant to this Section

2.4 shall be calculated to the nearest cent. Whenever an adjustment to the Exercise Price is made pursuant to this Section 2.4, the Company shall (i) promptly prepare a certificate setting forth such adjustment and a brief statement of the facts accounting for such adjustment and (ii) promptly file with the Rights Agent and with each transfer agent for the Common Stock a copy of such certificate. The Rights Agent shall be fully protected in relying on any such certificate and on any adjustment therein contained and shall not be deemed to have knowledge of such adjustment unless and until it shall have received such certificate.

(d) Rights certificates shall represent the securities purchasable under the terms of this Agreement, including any adjustment or change in the securities purchasable upon exercise of the Rights, even though such certificates may continue to express the securities purchasable at the time of issuance of the initial Rights Certificates.

2.5 Date on Which Exercise is Effective. Each person in whose name any certificate for shares is issued upon the exercise of Rights shall for all purposes be deemed to have become the holder of record of the shares represented thereby on the date upon which the Rights Certificate evidencing such Rights was duly surrendered and payment of the Exercise Price for such Rights (and any applicable taxes and other governmental charges payable by the exercising holder hereunder) was made; provided, however, that if the date of such surrender and payment is a date upon which the stock transfer books of the Company are closed, such person shall be deemed to have become the record holder of such shares on, and such certificate shall be dated, the next succeeding Business Day on which the stock transfer books of the Company are open.

2.6 Execution, Authentication, Delivery and Dating of Rights Certificates. (a) The Rights Certificates shall be executed on behalf of the Company by its Chairman of the Board, President or one of its Vice Presidents, under its corporate seal reproduced thereon attested by its Secretary or one of its Assistant Secretaries. The signature of any of these officers on the Rights Certificates may be manual or facsimile.

Rights Certificates bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Company shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the countersignature and delivery of such Rights Certificates.

Promptly after the Company learns of the Separation Time, the Company will notify the Rights Agent of such Separation Time and will deliver Rights Certificates executed by the Company to the Rights Agent for counter signature, and, subject to Section 3.1(b), the Rights Agent shall manually countersign and deliver such Rights Certificates to the holders of the Rights pursuant to Section 2.3(c) hereof. No Rights Certificate shall be valid for any purpose unless manually countersigned by the Rights Agent.

(b) Each Rights Certificate shall be dated the date of countersignature thereof.

2.7 Registration, Registration of Transfer and Exchange. (a) After the Separation Time, the Company will cause to be kept a register (the "Rights Register") in which, subject to such reasonable regulations as it may prescribe, the Company will provide for the registration and transfer of Rights. The Rights Agent is hereby appointed "Rights Registrar" for the purpose of maintaining the Rights Register for the Company and registering Rights and transfers of Rights after the Separation Time as herein provided. In the event that the Rights Agent shall cease to be the Rights Registrar, the Rights Agent will have the right to examine the Rights Register at all reasonable times after the Separation Time.

After the Separation Time and prior to the Expiration Time, upon surrender for registration of transfer or exchange of any Rights Certificate, and subject to the provisions of Section 2.7(c) and (d), the Company will execute, and the Rights Agent will countersign and deliver, in the name of the holder or the designated transferee or transferees, as required pursuant to the holder's instructions, one or more new Rights Certificates evidencing the same aggregate number of Rights as did the Rights Certificate so surrendered.

(b) Except as otherwise provided in Section 3.1(b), all Rights issued upon any registration of transfer or exchange of Rights Certificates shall be the valid obligations of the Company, and such Rights shall be entitled to the same benefits under this Agreement as the Rights surrendered upon such registration of transfer or exchange.

(c) Every Rights Certificate surrendered for registration of transfer or exchange shall be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Company or the Rights Agent, as the case may be, duly executed by the holder thereof or such holder's attorney duly authorized in writing. As a condition to the issuance of any new Rights Certificate under this Section 2.7, the Company may require the payment by the holders of Rights of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto.

(d) The Company shall not be required to register the transfer or exchange of any Rights after such Rights have become void under Section 3.1(b), been exchanged under Section 3.1(c) or been redeemed under Section 5.1.

2.8 Mutilated, Destroyed, Lost and Stolen Rights Certificates. (a) If any mutilated Rights Certificate is surrendered to the Rights Agent prior to the Expiration Time, then, subject to Sections 3.1(b), 3.1(c) and 5.1, the Company shall execute and the Rights Agent shall countersign and deliver in exchange therefor a new Rights Certificate evidencing the same number of Rights as did

the Rights Certificate so surrendered.

(b) If there shall be delivered to the Company and the Rights Agent prior to the Expiration Time (i) evidence to their satisfaction of the destruction, loss or theft of any Rights Certificate and (ii) such security or indemnity as may be required by them to save each of them and any of their agents harmless, then, subject to Sections 3.1(b), 3.1(c) and 5.1 and in the absence of notice to the Company or the Rights Agent that such Rights Certificate has been acquired by a bona fide purchaser, the Company shall execute and upon its request the Rights Agent shall countersign and deliver, in lieu of any such destroyed, lost or stolen Rights Certificate, a new Rights Certificate evidencing the same number of Rights as did the Rights Certificate so destroyed, lost or stolen.

(c) As a condition to the issuance of any new Rights Certificate under this Section 2.8, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Rights Agent) connected therewith.

(d) Every new Rights Certificate issued pursuant to this Section 2.8 in lieu of any destroyed, lost or stolen Rights Certificate shall evidence an original additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Rights Certificate shall be at any time enforceable by anyone, and, subject to Section 3.1(b) shall be entitled to all the benefits of this Agreement equally and proportionately with any and all other Rights duly issued hereunder.

2.9 Persons Deemed Owners. Prior to due presentment of a Rights Certificate (or, prior to the Separation Time, the associated Common Stock certificate) for registration of transfer, the Company, the Rights Agent and any agent of the Company or the Rights Agent may deem and treat the person in whose name such Rights Certificate (or, prior to the Separation Time, such Common Stock certificate) is registered as the absolute owner thereof and of the Rights evidenced thereby for all purposes whatsoever, including the payment of the Redemption Price and neither the Company nor the Rights Agent shall be affected by any notice to the contrary. As used in this Agreement, unless the context otherwise requires, the term "holder" of any Rights shall mean the registered holder of such Rights (or, prior to the Separation Time, the associated shares of Common Stock).

2.10 Delivery and Cancellation of Certificates. All Rights Certificates surrendered upon exercise or for registration of transfer or exchange shall, if surrendered to any person other than the Rights Agent, be delivered to the Rights Agent and, in any case, shall be promptly cancelled by the Rights Agent. The Company may at any time deliver to the Rights Agent for cancellation any Rights Certificates previously countersigned and delivered hereunder which the Company may have acquired in any manner whatsoever, and all Rights Certificates so delivered shall be promptly cancelled by the Rights Agent. No Rights Certificates shall be countersigned in lieu of or in exchange for any Rights Certificates cancelled as provided in this Section 2.10, except as expressly permitted by this Agreement. The Rights Agent may, but shall not be required to, destroy all cancelled Rights Certificates and deliver a certificate of destruction to the Company.

2.11 Agreement of Rights Holders. Every holder of Rights by accepting the same consents and agrees with the Company and the Rights Agent and with every other holder of Rights that:

(a) prior to the Separation Time, each Right will be transferable only together with, and will be transferred by a transfer of, the associated share of Common Stock;

(b) after the Separation Time, the Rights Certificates will be transferable only on the Rights Register as provided herein;

(c) prior to due presentment of a Rights Certificate (or, prior to the Separation Time, the associated Common Stock certificate) for registration of transfer, the Company, the Rights Agent and any agent of the Company or the Rights Agent may deem and treat the person in whose name the Rights Certificate (or, prior to the Separation Time, the associated Common Stock certificate) is registered as the absolute owner thereof and of the Rights evidenced thereby for all purposes whatsoever, and neither the Company nor the Rights Agent shall be affected by any notice to the contrary;

(d) Rights beneficially owned by certain Persons will, under the circumstances set forth in Section 3.1(b), become void; and

(e) this Agreement may be supplemented or amended from time to time pursuant to Section 2.4(b) or 5.4 hereof.

### ARTICLE III

#### ADJUSTMENTS TO THE RIGHTS IN THE EVENT OF CERTAIN TRANSACTIONS

3.1 Flip-in. (a) In the event that prior to the Expiration Time a Flip-in Date shall occur, except as provided in this Section 3.1, each Right shall constitute the right to purchase from the Company, upon exercise thereof in accordance with the terms hereof (but subject to Section 5.10), that number of shares of Common Stock having an aggregate Market Price on the Stock Acquisition Date equal to twice the Exercise Price for an amount in cash equal to the Exercise Price (such right to be appropriately adjusted in order to protect the interests of the holders of Rights generally in the event that on or

after such Stock Acquisition Date an event of a type analogous to any of the events described in Section 2.4(a) or (b) shall have occurred with respect to the Common Stock).

(b) Notwithstanding the foregoing, any Rights that are or were Beneficially Owned on or after the Stock Acquisition Date by an Acquiring Person or an Affiliate or Associate thereof or by any transferee, direct or indirect, of any of the foregoing shall become void and any holder of such Rights (including transferees) shall thereafter have no right to exercise or transfer such Rights under any provision of this Agreement. If any Rights Certificate is presented for assignment or exercise and the Person presenting the same will not complete the certification set forth at the end of the form of assignment or notice of election to exercise and provide such additional evidence of the identity of the Beneficial Owner and its Affiliates and Associates (or former Beneficial Owners and their Affiliates and Associates) as the Company shall reasonably request, then the Company shall be entitled conclusively to deem the Beneficial Owner thereof to be an Acquiring Person or an Affiliate or Associate thereof or a transferee of any of the foregoing and accordingly will deem the Rights evidenced thereby to be void and not transferable or exercisable.

(c) The Board of Directors of the Company may, at its option, at any time after a Flip-in Date and prior to the time that an Acquiring Person becomes the Beneficial Owner of more than 50% of the outstanding shares of Common Stock elect to exchange all (but not less than all) the then outstanding Rights (which shall not include Rights that have become void pursuant to the provisions of Section 3.1(b)) for shares of Common Stock at an exchange ratio of one share of Common Stock per Right, appropriately adjusted in order to protect the interests of holders of Rights generally in the event that after the Separation Time an event of a type analogous to any of the events described in Section 2.4(a) or (b) shall have occurred with respect to the Common Stock (such exchange ratio, as adjusted from time to time, being hereinafter referred to as the "Exchange Ratio").

Immediately upon the action of the Board of Directors of the Company electing to exchange the Rights, without any further action and without any notice, the right to exercise the Rights will terminate and each Right (other than Rights that have become void pursuant to Section 3.1(b)) will thereafter represent only the right to receive a number of shares of Common Stock equal to the Exchange Ratio. Promptly after the action of the Board of Directors electing to exchange the Rights, the Company shall give notice thereof (specifying the steps to be taken to receive shares of Common Stock in exchange for Rights) to the Rights Agent and the holders of the Rights (other than Rights that have become void pursuant to Section 3.1(b)) outstanding immediately prior thereto by mailing such notice in accordance with Section 5.9.

Each Person in whose name any certificate for shares is issued upon the exchange of Rights pursuant to this Section 3.1(c) shall for all purposes be deemed to have become the holder of record of the shares represented thereby on, and such certificate shall be dated, the date upon which the Rights Certificate evidencing such Rights was duly surrendered and payment of any applicable taxes and other governmental charges payable by the holder was made; provided, however, that if the date of such surrender and payment is a date upon which the stock transfer books of the Company are closed, such Person shall be deemed to have become the record holder of such shares on, and such certificate shall be dated, the next succeeding Business Day on which the stock transfer books of the Company are open.

(d) In the event that there shall not be sufficient treasury shares or authorized but unissued shares of Common Stock of the Company to permit the exercise or exchange in full of the Rights in accordance with Section 3.1(a) or (c), and the Company elects not to, or is otherwise unable to, make the exchange referred to in Section 3.1(c), the Company shall either (i) call a meeting of shareholders seeking approval to cause sufficient additional shares to be authorized (provided that if such approval is not obtained the Company will take the action specified in clause (ii) of this sentence) or (ii) take such action as shall be necessary to ensure and provide, to the extent permitted by applicable law and any agreements or instruments in effect on the Stock Acquisition Date to which it is a party, that each Right shall thereafter constitute the right to receive, (x) at the Company's option, either (A) in return for the Exercise Price, debt or equity securities or other assets (or a combination thereof) having a fair value equal to twice the Exercise Price, or (B) without payment of consideration (except as otherwise required by applicable law), debt or equity securities or other assets (or a combination thereof) having a fair value equal to the Exercise Price, or (y) if the Board of Directors of the Company elects to exchange the Rights in accordance with Section 3.1(c), debt or equity securities or other assets (or a combination thereof) having a fair value equal to the product of the Market Price of a share of Common Stock on the Flip-in Date times the Exchange Ratio in effect on the Flip-in Date, where in any case set forth in (x) or (y) above the fair value of such debt or equity securities or other assets shall be as determined in good faith by the Board of Directors of the Company, after consultation with a nationally recognized investment banking firm.

3.2 Flip-over. (a) Prior to the Expiration Time, the Company shall not enter into any agreement with respect to, consummate or permit to occur any Flip-over Transaction or Event unless and until it shall

have entered into a supplemental agreement with the Flip-over Entity, for the benefit of the holders of the Rights, providing that, upon consummation or occurrence of the Flip-over Transaction or Event (i) each Right shall thereafter constitute the right to purchase from the Flip-over Entity, upon exercise thereof in accordance with the terms hereof, that number of shares of Flip-over Stock of the Flip-over Entity having an aggregate Market Price on the date of consummation or occurrence of such Flip-over Transaction or Event equal to twice

the Exercise Price for an amount in cash equal to the Exercise Price (such right to be appropriately adjusted in order to protect the interests of the holders of Rights generally in the event that after such date of consummation or occurrence of an event of a type analogous to any of the events described in Section 2.4(a) or (b) shall have occurred with respect to the Flip-over Stock) and (ii) the Flip-over Entity shall thereafter be liable for, and shall assume, by virtue of such Flip-over Transaction or Event and such supplemental agreement, all the obligations and duties of the Company pursuant to this Agreement. The provisions of this Section 3.2 shall apply to successive Flip-over Transactions or Events.

(b) Prior to the Expiration Time, unless the Rights will be redeemed pursuant to Section 5.1 hereof in connection therewith, the Company shall not enter into any agreement with respect to, consummate or permit to occur any Flip-over Transaction or Event if at the time thereof there are any rights, warrants or securities outstanding or any other arrangements, agreements or instruments that would eliminate or otherwise diminish in any material respect the benefits intended to be afforded by this Rights Agreement to the holders of Rights upon consummation of such transaction.

#### ARTICLE IV

##### THE RIGHTS AGENT

4.1 General. (a) The Company hereby appoints the Rights Agent to act as agent for the Company in accordance with the specific terms and conditions hereof and the Rights Agent hereby accepts such appointment. The Company agrees to pay to the Rights Agent such compensation as agreed to in writing between the Company and the Rights Agent for all services rendered by it hereunder and, from time to time, on demand of the Rights Agent, its reasonable out-of-pocket expenses, reasonable fees and expenses of its counsel and other disbursements incurred in the administration and execution of this Agreement and the exercise and performance of its duties hereunder. The Company also agrees to indemnify the Rights Agent for, and to hold it harmless against, any loss, damage, claim, liability, or expense, incurred without gross negligence, bad faith or willful misconduct on the part of the Rights Agent, for anything done or omitted to be done by the Rights Agent in connection with the acceptance and administration of this Agreement, including the costs and expenses of defending against any claim (whether asserted by the Company, a holder of Rights or any other Person) of liability. The Company's obligation under this Section 4.1(a) shall survive for a period of three (3) years after termination of this Agreement.

(b) The Rights Agent shall be protected and shall incur no liability for or in respect of any action taken, suffered or omitted by it in connection with its administration of this Agreement in reliance

upon any certificate for securities purchasable upon exercise of Rights, Rights Certificate, certificate for other securities of the Company, instrument of assignment or transfer, power of attorney, endorsement, affidavit, letter, notice, instruction, direction, consent, certificate, statement, or other paper or document believed by it to be genuine and to be signed and executed by the proper person or persons and, where necessary, verified or acknowledged.

4.2 Merger or Consolidation or Change of Name of Rights Agent. (a) Any corporation into which the Rights Agent or any successor Rights Agent may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which the Rights Agent or any successor Rights Agent is a party, or any corporation succeeding to all or substantially all the shareholder services business of the Rights Agent or any successor Rights Agent, will be the successor to the Rights Agent under this Agreement without the execution or filing of any paper or any further act on the part of any of the parties hereto, provided that such corporation would be eligible for appointment as a successor Rights Agent under the provisions of Section 4.4 hereof. In case at the time such successor Rights Agent succeeds to the agency created by this Agreement any of the Rights Certificates have been countersigned but not delivered, any such successor Rights Agent may adopt the countersignature of the predecessor Rights Agent and deliver such Rights Certificates so countersigned; and in case at that time any of the Rights Certificates have not been countersigned, any successor Rights Agent may countersign such Rights Certificates either in the name of the predecessor Rights Agent or in the name of the successor Rights Agent; and in all such cases such Rights Certificates will have the full force provided in the Rights Certificates and in this Agreement.

(b) In case at any time the name of the Rights Agent is changed and at such time any of the Rights Certificates shall have been countersigned but not delivered, the Rights Agent may adopt the countersignature under its prior name and deliver Rights Certificates so countersigned; and in case at that time any of the Rights Certificates shall not have been countersigned, the Rights Agent may countersign such Rights Certificates either in its prior name or in its changed name, and in all such cases such Rights Certificates shall have the full force provided in the Rights Certificates and in this Agreement.

4.3 Duties of Rights Agent. The Rights Agent undertakes the duties and obligations imposed by this Agreement upon the following terms and conditions, by all of which the Company and the holders of Rights Certificates, by their acceptance thereof, shall be bound:

(a) The Rights Agent may consult with legal counsel of its selection (who may be legal counsel for the Company), and the opinion of such counsel will be full and complete authorization and protection to the Rights Agent as to any action taken or omitted by it in good faith and in accordance with such opinion.

(b) Whenever in the performance of its duties under this Agreement the Rights Agent deems it necessary or desirable that any fact or matter be proved or established by the Company prior to taking or suffering any action hereunder, such fact or matter (unless other evidence in respect thereof be herein specifically prescribed) may be

deemed to be conclusively proved and established by a certificate signed by a person believed by the Rights Agent to be the Chairman of the Board, the President or any Vice President and by the Treasurer or any Assistant Treasurer or the Secretary or any Assistant Secretary of the Company and delivered to the Rights Agent; and such certificate will be full authorization to the Rights Agent for any action taken or suffered in good faith by it under the provisions of this Agreement in reliance upon such certificate.

(c) The Rights Agent will be liable hereunder only for its own gross negligence, bad faith or willful misconduct.

(d) The Rights Agent will not be liable for or by reason of any of the statements of fact or recitals contained in this Agreement or in the certificates for securities purchasable upon exercise of Rights or the Rights Certificates (except its countersignature thereof) or be required to verify the same, but all such statements and recitals are and will be deemed to have been made by the Company only.

(e) The Rights Agent will not be under any responsibility in respect of the validity of this Agreement or the execution and delivery hereof (except the due authorization, execution and delivery hereof by the Rights Agent) or in respect of the validity or execution of any certificate for securities purchasable upon exercise of Rights or Rights Certificate (except its countersignature thereof); nor will it be responsible for any breach by the Company of any covenant or condition contained in this Agreement or in any Rights Certificate; nor will it be responsible for any change in the exercisability of the Rights (including the Rights becoming void pursuant to Section 3.1(b) hereof) or any adjustment required under the provisions of Section 2.4, 3.1 or 3.2 hereof or responsible for the manner, method or amount of any such adjustment or the ascertaining of the existence of facts that would require any such adjustment (except with respect to the exercise of Rights after the Rights Agent's actual receipt of the certificate contemplated by Section 2.4 describing any such adjustment); nor will it by any act hereunder be deemed to make any representation or warranty as to the authorization or reservation of any securities purchasable upon exercise of Rights or any Rights or as to whether any securities purchasable upon exercise of Rights will, when issued, be duly and validly authorized, executed, issued and delivered and fully paid and nonassessable.

(f) The Company agrees that it will perform, execute, acknowledge and deliver or cause to be performed, executed, acknowledged and delivered all such further and other acts, instruments and assurances as may reasonably be required by the Rights Agent for the carrying out or performing by the Rights Agent of the provisions of this Agreement.

(g) The Rights Agent is hereby authorized and directed to accept instructions with respect to the performance of its duties hereunder from any person believed by the Rights Agent to be the Chairman of the Board, the President or any Vice President or the Secretary or any Assistant Secretary or the Treasurer or any Assistant Treasurer of the Company, and to apply to such persons for advice or instructions in connection with its duties, and it shall not be liable for any action taken or suffered by it in good faith in accordance with instructions of any such person. Any application by the Rights Agent for written instructions from the

Company may, at the option of the Rights Agent, set forth in writing any action proposed to be taken or omitted by the Rights Agent under this Agreement and the date on and/or after which such action shall be taken or such omission shall be effective. The Rights Agent shall not be liable for any action taken by, or omission of, the Rights Agent in accordance with a proposal included in such application on or after the date specified in such application (which date shall not be less than five Business Days after the date any officer of the Company actually receives such application, unless any such officer shall have consented in writing to any earlier date) unless prior to taking any such action (or the effective date in the case of an omission), the Rights Agent shall have received written instructions in response to such application specifying the action to be taken or omitted.

(h) The Rights Agent and any shareholder, director, officer or employee of the Rights Agent may buy, sell or deal in Common Stock, Rights or other securities of the Company or become pecuniarily interested in any transaction in which the Company may be interested, or contract with or lend money to the Company or otherwise act as fully and freely as though it were not Rights Agent under this Agreement. Nothing herein shall preclude the Rights Agent from acting in any other capacity for the Company or for any other legal entity.

(i) The Rights Agent may execute and exercise any of the rights or powers hereby vested in it or perform any duty hereunder either itself or by or through its attorneys or agents, and the Rights Agent will not be answerable or accountable for any act, default, neglect or misconduct of any such attorneys or agents or for any loss to the Company resulting from any such act, default, neglect or misconduct, provided reasonable care was exercised in the selection and continued employment thereof.

(j) No provision of this Agreement shall require the Rights Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder or in the exercise of its rights if there shall be reasonable grounds for believing that repayment of such funds or adequate indemnification against such risk or liability is not reasonably assured to it.

(k) If, with respect to any Rights Certificate surrendered to the Rights Agent for exercise or transfer, the certificate attached to the Form of

Assignment or Form of Election to Exercise included as part of Exhibit A hereto, as the case may be, has not been executed, the Rights Agent shall not take any further action with respect to such requested transfer or exercise without first consulting with the Company.

(l) In addition to the foregoing, the Rights Agent shall be protected and shall incur no liability for, or in respect of, any action taken or omitted by it in connection with its administration of this Agreement if such acts or omissions are in reliance upon (i) the proper execution of the certification concerning beneficial ownership appended to the Form of Assignment and the Form of Election to Exercise unless the Rights Agent shall have actual knowledge that, as executed, such certification is untrue, or (ii) the non-execution of such certification including, without limitation, any refusal to honor any otherwise permissible assignment or election by reason of such non-execution.

(m) The Company agrees to give the Rights Agent prompt written notice of any event or ownership which would prohibit the exercise or transfer of the Rights Certificates.

4.4 Change of Rights Agent. The Rights Agent may resign and be discharged from its duties under this Agreement upon 60 days' notice (or such lesser notice as is acceptable to the Company) in writing mailed to the Company and, at the Company's expense, to each transfer agent of Common Stock by registered or certified mail, and to the holders of the Rights in accordance with Section 5.9. The Company may remove the Rights Agent upon 30 days' notice in writing, mailed to the Rights Agent and to each transfer agent of the Common Stock by registered or certified mail, and to the holders of the Rights in accordance with Section 5.9. If the Rights Agent should resign or be removed or otherwise become incapable of acting, the Company will appoint a successor to the Rights Agent. If the Company fails to make such appointment within a period of 30 days after such removal or after it has been notified in writing of such resignation or incapacity by the resigning or incapacitated Rights Agent or by the holder of any Rights (which holder shall, with such notice, submit such holder's Rights Certificate for inspection by the Company), then the holder of any Rights may apply to any court of competent jurisdiction for the appointment of a new Rights Agent. Any successor Rights Agent, whether appointed by the Company or by such a court, shall be a corporation organized and doing business under the laws of the United States or any state of the United States, in good standing, which is authorized under such laws to exercise the powers of the Rights Agent contemplated by this Agreement and is subject to supervision or examination by federal or state authority and which has at the time of its appointment as Rights Agent a combined capital and surplus of at least \$50,000,000. After appointment, the successor Rights Agent will be vested with the same powers, rights, duties and responsibilities as if it had been originally named as Rights Agent without further act or deed; but the predecessor Rights Agent shall deliver and transfer to the successor Rights Agent any property at the time held by it hereunder, and execute and deliver any further assurance, conveyance, act or deed necessary for the purpose. Not later than the effective date of any such appointment, the Company will file notice thereof in writing with the predecessor Rights Agent and each transfer agent of the Common Stock, and mail a notice thereof in writing to the holders of the Rights. Failure to give any notice provided for in this Section 4.4, however, or any defect therein, shall not affect the legality or validity of the resignation or removal of the Rights Agent or the appointment of the successor Rights Agent, as the case may be.

## ARTICLE V

### MISCELLANEOUS

5.1 Redemption (a) The Board of Directors of the Company may, at its option, at any time prior to the close of business on the Flip-in Date, elect to redeem all (but not less than all) the then outstanding Rights at the Redemption Price and the Company, at its option, may pay the Redemption Price either in cash or shares of Common Stock or other securities of the Company deemed by the Board of Directors, in the exercise of its sole discretion, to be at least equivalent in value to the Redemption Price.

(b) Immediately upon the action of the Board of Directors of the Company electing to redeem the Rights (or, if the resolution of the Board of Directors electing to redeem the Rights states that the redemption will not be effective until the occurrence of a specified future time or event, upon the occurrence of such future time or event), without any further action and without any notice, the right to exercise the Rights will terminate and each Right will thereafter represent only the right to receive the Redemption Price in cash or securities, as determined by the Board of Directors. Promptly after the Rights are redeemed, the Company shall give notice of such redemption to the Rights Agent and the holders of the then outstanding Rights by mailing such notice in accordance with Section 5.9.

5.2 Expiration. The Rights and this Agreement shall expire at the Expiration Time and no Person shall have any rights pursuant to this Agreement or any Right after the Expiration Time, except, if the Rights are exchanged or redeemed, as provided in Section 3.1 or 5.1 hereof, respectively.

5.3 Issuance of New Rights Certificates. Notwithstanding any of the provisions of this Agreement or of the Rights to the contrary, the Company may, at its option, issue new Rights Certificates evidencing Rights in such form as may be approved by its Board of Directors to reflect any adjustment or change in the number or kind or class of shares of stock purchasable upon exercise of Rights made in accordance with the provisions of this Agreement. In addition, in connection with the issuance or sale of shares of Common Stock by the Company following the Separation Time and prior to the Expiration Time pursuant to the terms of securities convertible or redeemable into shares of Common Stock or to

options, in each case issued or granted prior to, and outstanding at, the Separation Time, the Company shall issue to the holders of such shares of Common Stock, Rights Certificates representing the appropriate number of Rights in connection with the issuance or sale of such shares of Common Stock; provided, however, in each case, (i) no such Rights Certificate shall be issued, if, and to the extent that, the Company shall be advised by counsel that such issuance would create a significant risk of material adverse tax consequences to the Company or to the Person to whom such Rights Certificates would be issued, (ii) no such Rights Certificates shall be issued if, and to the extent that, appropriate adjustment shall have otherwise been made in lieu of the issuance thereof, and (iii) the Company shall have no obligation to distribute Rights Certificates to any Acquiring Person or Affiliate or Associate of an Acquiring Person or any transferee of any of the foregoing.

5.4 Supplements and Amendments. The Company and the Rights Agent may from time to time supplement or amend this Agreement without the approval of any holders of Rights (i) prior to the close of business on the Flip-in Date, in any respect (including terminating the Rights without the payment of any Redemption Price) and (ii) after the close of business on the Flip-in Date, to make any changes that the Company may deem necessary or desirable and which shall not materially adversely affect the interests of the holders of Rights generally or in order to cure any ambiguity or to correct or supplement any provision contained herein which may be inconsistent with any other provisions herein or otherwise defective. The Rights Agent will duly execute and deliver any supplement or amendment hereto requested by the Company which satisfies

the terms of the preceding sentence. Upon the delivery of a certificate from an appropriate officer of the Company which states that the proposed supplement or amendment is in compliance with the terms of this Section 5.4, the Rights Agent shall execute such supplement or amendment. Notwithstanding any other provision hereof, the Rights Agent's consent must be obtained regarding any amendment or supplement pursuant to this Section 5.4 which alters the Rights Agent's rights or duties.

5.5 Fractional Shares. If the Company elects not to issue certificates representing fractional shares upon exercise or redemption of Rights, the Company shall, in lieu thereof, in the sole discretion of the Board of Directors, either (a) evidence such fractional shares by depositary receipts issued pursuant to an appropriate agreement between the Company and a depositary selected by it, providing that each holder of a depositary receipt shall have all of the rights, privileges and preferences to which such holder would be entitled as a beneficial owner of such fractional share, or (b) pay to the registered holder of such Rights the appropriate fraction of the Market Price per share in cash.

5.6 Rights of Action. Subject to the terms of this Agreement (including Sections 3.1(b) and 5.14), rights of action in respect of this Agreement, other than rights of action vested solely in the Rights Agent, are vested in the respective holders of the Rights; and any holder of any Rights, without the consent of the Rights Agent or of the holder of any other Rights, may, on such holder's own behalf and for such holder's own benefit and the benefit of other holders of Rights, enforce, and may institute and maintain any suit, action or proceeding against the Company to enforce, or otherwise act in respect of, such holder's right to exercise such holder's Rights in the manner provided in such holder's Rights Certificate and in this Agreement. Without limiting the foregoing or any remedies available to the holders of Rights, it is specifically acknowledged that the holders of Rights would not have an adequate remedy at law for any breach of this Agreement and will be entitled to specific performance of the obligations under, and injunctive relief against actual or threatened violations of, the obligations of any Person subject to this Agreement.

5.7 Holder of Rights Not Deemed a Shareholder. No holder, as such, of any Rights shall be entitled to vote, receive dividends or be deemed for any purpose the holder of shares or any other securities which may at any time be issuable on the exercise of such Rights, nor shall anything contained herein or in any Rights Certificate be construed to confer upon the holder of any Rights, as such, any of the rights of a shareholder of the Company or any right to vote for the election of directors or upon any matter submitted to shareholders at any meeting thereof, or to give or withhold consent to any corporate action, or to receive notice of meetings or other actions affecting shareholders (except as provided in Section 5.8 hereof), or to receive dividends or subscription rights, or otherwise, until such Rights shall have been exercised or exchanged in accordance with the provisions hereof.

5.8 Notice of Proposed Actions. In case the Company shall propose after the Separation Time and prior to the Expiration Time (i) to effect or permit a Flip-over Transaction or Event or (ii) to effect the liquidation, dissolution or winding up of the Company, then, in each such case, the Company shall give to each holder of a Right, in accordance with Section 5.9 hereof, a notice of such proposed action, which shall

specify the date on which such Flip-over Transaction or Event, liquidation, dissolution, or winding up is to take place, and such notice shall be so given at least 20 Business Days prior to the date of the taking of such proposed action.

5.9 Notices. Notices or demands authorized or required by this Agreement to be given or made by the Rights Agent or by the holder of any Rights to or on the Company shall be sufficiently given or made if delivered or sent by first-class mail, postage prepaid, addressed (until another address is filed in writing with the Rights Agent) as follows:

International Flavors & Fragrances Inc.  
521 West 57th St.

Attention: Corporate Secretary

Any notice or demand authorized or required by this Agreement to be given or made by the Company or by the holder of any Rights to or on the Rights Agent shall be sufficiently given or made if delivered or sent by first-class mail, postage prepaid, addressed (until another address is filed in writing with the Company) as follows:

The Bank of New York  
101 Barclay Street, Floor 12 West  
New York, New York 10286

Attention: Stock Transfer Administration

Notices or demands authorized or required by this Agreement to be given or made by the Company or the Rights Agent to or on the holder of any Rights shall be sufficiently given or made if delivered or sent by first-class mail, postage prepaid, addressed to such holder at the address of such holder as it appears upon the registry books of the Rights Agent or, prior to the Separation Time, on the registry books of the transfer agent for the Common Stock. Any notice which is mailed in the manner herein provided shall be deemed given, whether or not the holder receives the notice.

5.10 Suspension of Exercisability. To the extent that the Company determines in good faith that some action will or need be taken pursuant to Section 3.1 or to comply with federal or state securities laws, the Company may suspend the exercisability of the Rights for a reasonable period in order to take such action or comply with such laws. In the event of any such suspension, the Company shall issue as promptly as practicable a public announcement stating that the exercisability or exchangeability of the Rights has been temporarily suspended. Notice thereof pursuant to Section 5.9 shall not be required.

Failure to give a notice pursuant to the provisions of this Agreement shall not affect the validity of any action taken hereunder.

5.11 Costs of Enforcement. The Company agrees that if the Company or any other Person the securities of which are purchasable upon exercise of Rights fails to fulfill any of its obligations pursuant to this Agreement, then the Company or such Person will reimburse the holder

of any Rights for the costs and expenses (including legal fees) incurred by such holder in actions to enforce such holder's rights pursuant to any Rights or this Agreement.

5.12 Successors. All the covenants and provisions of this Agreement by or for the benefit of the Company or the Rights Agent shall bind and inure to the benefit of their respective successors and assigns hereunder.

5.13 Benefits of this Agreement. Nothing in this Agreement shall be construed to give to any Person other than the Company, the Rights Agent and the holders of the Rights any legal or equitable right, remedy or claim under this Agreement and this Agreement shall be for the sole and exclusive benefit of the Company, the Rights Agent and the holders of the Rights.

5.14 Determination and Actions by the Board of Directors, etc. The Board of Directors of the Company shall have the exclusive power and authority to administer this Agreement and to exercise all rights and powers specifically granted to the Board or to the Company, or as may be necessary or advisable in the administration of this Agreement, including, without limitation, the right and power to (i) interpret the provisions of this Agreement and (ii) make all determinations deemed necessary or advisable for the administration of this Agreement. All such actions, calculations, interpretations and determinations (including, for purposes of clause (y) below, all omissions with respect to the foregoing) which are done or made by the Board in good faith, shall (x) be final, conclusive and binding on the Company, the Rights Agent, the holders of the Rights and all other parties, and (y) not subject the Board of Directors of the Company to any liability to the holders of the Rights.

5.15 Descriptive Headings. Descriptive headings appear herein for convenience only and shall not control or affect the meaning or construction of any of the provisions hereof.

5.16 Governing Law. THIS AGREEMENT AND EACH RIGHT ISSUED HEREUNDER SHALL BE DEEMED TO BE A CONTRACT MADE UNDER THE LAWS OF THE STATE OF NEW YORK AND FOR ALL PURPOSES SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF SUCH STATE APPLICABLE TO CONTRACTS TO BE MADE AND PERFORMED ENTIRELY WITHIN SUCH STATE.

5.17 Counterparts. This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

5.18 Severability. If any term or provision hereof or the application thereof to any circumstance shall, in any jurisdiction and to any extent, be invalid or unenforceable, such term or provision shall be ineffective as to such jurisdiction to the extent of such invalidity or unenforceability without invalidating or rendering unenforceable the remaining terms and provisions hereof or the application of such term or provision to circumstances other than those as to which it is held invalid or unenforceable.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly

executed as of the date first above written.

INTERNATIONAL FLAVORS & FRAGRANCES INC.

By: /s/ Douglas J. Wetmore

-----  
Name: Douglas J. Wetmore  
Title: Vice President and Chief  
Financial Officer

THE BANK OF NEW YORK  
As Rights Agent

By: /s/ John I. Sivertsen

-----  
Name: John I. Sivertsen  
Title: Vice President

EXHIBIT A

[Form of Rights Certificate]

Certificate No. W-  
Rights

THE RIGHTS ARE SUBJECT TO REDEMPTION OR MANDATORY EXCHANGE, AT THE OPTION OF THE COMPANY, ON THE TERMS SET FORTH IN THE RIGHTS AGREEMENT. RIGHTS BENEFICIALLY OWNED BY ACQUIRING PERSONS OR AFFILIATES OR ASSOCIATES THEREOF (AS SUCH TERMS ARE DEFINED IN THE RIGHTS AGREEMENT) OR TRANSFEREES OF ANY OF THE FOREGOING WILL BE VOID.

Rights Certificate

INTERNATIONAL FLAVORS & FRAGRANCES INC.

This certifies that \_\_\_\_\_, or registered assigns, is the registered holder of the number of Rights set forth above, each of which entitles the registered holder thereof, subject to the terms, provisions and conditions of the Shareholder Protection Rights Agreement, dated as of March 21, 2000 (as amended from time to time, the "Rights Agreement"), between International Flavors & Fragrances Inc., a New York corporation (the "Company"), and The Bank of New York, a New York banking corporation, as Rights Agent (the "Rights Agent", which term shall include any successor Rights Agent under the Rights Agreement), to purchase from the Company at any time after the Separation Time (as such term is defined in the Rights Agreement) and prior to the close of

business on March 24, 2010, one fully paid share of Common Stock, par value \$0.12 1/2 per share (the "Common Stock"), of the Company (subject to adjustment as provided in the Rights Agreement) at the Exercise Price referred to below, upon presentation and surrender of this Rights Certificate with the Form of Election to Exercise duly executed at the principal office of the Rights Agent in The City of New York. The Exercise Price shall initially be \$200.00 per Right and shall be subject to adjustment in certain events as provided in the Rights Agreement.

In certain circumstances described in the Rights Agreement, the Rights evidenced hereby may entitle the registered holder thereof to purchase securities of an entity other than the Company or securities of the Company, other than Common Stock or assets of the Company, all as provided in the Rights Agreement.

This Rights Certificate is subject to all of the terms, provisions and conditions of the Rights Agreement, which terms, provisions and conditions are hereby incorporated herein by reference and made a part hereof and to which Rights Agreement reference is hereby made for a full description of the rights, limitations of rights, obligations, duties and immunities hereunder of the Rights Agent, the Company and the holders of the Rights Certificates. Copies of the Rights Agreement are on file at the principal office of the Company and are available without cost upon written request.

This Rights Certificate, with or without other Rights Certificates, upon surrender at the office of the Rights Agent designated for such purpose, may be exchanged for another Rights Certificate or Rights Certificates of like tenor evidencing an aggregate number of Rights equal to the aggregate number of Rights evidenced by the Rights Certificate or Rights Certificates surrendered. If this Rights Certificate shall be exercised in part, the registered holder shall be entitled to receive, upon surrender hereof, another Rights Certificate or Rights Certificates for the number of whole Rights not exercised.

Subject to the provisions of the Rights Agreement, each Right evidenced by this Certificate may be (a) redeemed by the Company under certain circumstances, at its option, at a redemption price of \$0.01 per Right or (b) exchanged by the Company under certain circumstances, at its option, for one share of Common Stock per Right (or, in certain cases, other securities or assets of the Company), subject in each case to adjustment in certain events as provided in the Rights Agreement.

No holder of this Rights Certificate, as such, shall be entitled to vote or receive dividends or be deemed for any purpose the holder of any securities which may at any time be issuable on the exercise hereof, nor shall anything contained in the Rights Agreement or herein be construed to confer upon the holder hereof, as such, any of the rights of a shareholder of the Company or any right to vote for the election of directors or upon any matter submitted to

shareholders at any meeting thereof, or to give or withhold consent to any corporate action, or to receive notice of meetings or other actions affecting shareholders (except as provided in the Rights Agreement), or to receive dividends or subscription rights, or otherwise, until the Rights evidenced by this Rights Certificate shall have been exercised or exchanged as provided in the Rights Agreement.

This Rights Certificate shall not be valid or obligatory for any purpose until it shall have been countersigned by the Rights Agent.

WITNESS the facsimile signature of the proper officers of the Company and its corporate seal.

Date: \_\_\_\_\_

ATTEST: \_\_\_\_\_ INTERNATIONAL FLAVORS & FRAGRANCES INC.

By \_\_\_\_\_  
Secretary

Countersigned:  
THE BANK OF NEW YORK

By \_\_\_\_\_  
Authorized Signature

\_\_\_\_\_  
[Form of Reverse Side of Rights Certificate]

FORM OF ASSIGNMENT  
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(To be executed by the registered holder if such holder desires to transfer this Rights Certificate.)

FOR VALUE RECEIVED \_\_\_\_\_ hereby sells, assigns and transfers unto \_\_\_\_\_  
(Please print name and address of transferee)  
this Rights Certificate, together with all right, title and interest therein, and does hereby irrevocably constitute and appoint \_\_\_\_\_ Attorney, to transfer the within Rights Certificate on the books of the within-named Company, with full power of substitution.

Dated: \_\_\_\_\_, \_\_\_\_\_

Signature Guaranteed: \_\_\_\_\_  
Signature  
(Signature must correspond to name as written upon the face of this Rights Certificate in every particular, without alteration or enlargement or any change whatsoever).

Signatures must be guaranteed by an eligible guarantor institution (banks, stockbrokers, savings and loan associations and credit unions with membership in an approved signature guarantee Medallion program), pursuant to SEC Rule 17Ad-15.

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(To be completed if true)

The undersigned hereby represents, for the benefit of all holders of Rights and shares of Common Stock, that the Rights evidenced by this Rights Certificate are not, and, to the knowledge of the undersigned, have never been, Beneficially Owned by an Acquiring Person or an Affiliate or Associate thereof (as defined in the Rights Agreement).

-----  
Signature

NOTICE

In the event the certification set forth above is not completed in connection with a purported assignment, the Company will deem the Beneficial Owner of the Rights evidenced by the enclosed Rights Certificate to be an Acquiring Person or an Affiliate or Associate thereof (as defined in the Rights Agreement) or a transferee of any of the foregoing and accordingly will deem the Rights evidenced by such Rights Certificate to be void and not transferable or exercisable.

FORM OF ELECTION TO EXERCISE

(To be executed if holder desires to exercise the Rights Certificate.)

TO: INTERNATIONAL FLAVORS & FRAGRANCES INC.

The undersigned hereby irrevocably elects to exercise whole Rights represented by the attached Rights Certificate to purchase the shares of Common Stock issuable upon the exercise of such Rights and requests that certificates for such shares be issued in the name of:

Address:

Social Security or Other Taxpayer Identification Number:

If such number of Rights shall not be all the Rights evidenced by this Rights Certificate, a new Rights Certificate for the balance of such Rights shall be registered in the name of and delivered to:

Address:

Social Security or Other Taxpayer Identification Number:

Dated: \_\_\_\_\_, \_\_\_\_\_

Signature Guaranteed:

Signature

(Signature must correspond to name as written upon the face of the attached Rights Certificate in every particular, without alteration or enlargement or any change whatsoever).

Signatures must be guaranteed by an eligible guarantor institution (banks, stockbrokers, savings and loan associations and credit unions with membership in an approved signature guarantee Medallion program), pursuant to SEC Rule 17Ad-15.

(To be completed if true).

The undersigned hereby represents, for the benefit of all holders of Rights and shares of Common Stock, that the Rights evidenced by the attached Rights Certificate are not, and, to the knowledge of the undersigned, have never been, Beneficially Owned by an Acquiring Person or an Affiliate or Associate thereof (as defined in the Rights Agreement).

Signature

NOTICE

In the event the certification set forth above is not completed in connection with a purported exercise, the Company will deem the Beneficial Owner of the Rights evidenced by the attached Rights Certificate to be an Acquiring Person or an Affiliate or Associate thereof (as defined in the Rights Agreement) or a transferee of any of the foregoing and accordingly will deem the Rights evidenced by such Rights Certificate to be void and not transferable or exercisable.

FIRST AMENDMENT TO THE

SHAREHOLDER PROTECTION RIGHTS AGREEMENT

This FIRST AMENDMENT dated September 26, 2000 ("Amendment") to the SHAREHOLDER PROTECTION RIGHTS AGREEMENT dated as of March 21, 2000 (the "Agreement"), is made between International Flavors & Fragrances Inc., a New York corporation (the "Company"), and The Bank of New York, a New York banking corporation, as Rights Agent (the "Rights Agent"), which term shall include any successor Rights Agent hereunder). All terms having initial capital letters used herein not otherwise defined in this Amendment shall have the meanings set forth in the Agreement, as amended by this Amendment.

WHEREAS, the Company and the Rights Agent entered into the Agreement for the purposes set forth therein; and

WHEREAS, the Company and the Rights Agent have the authority to amend the Agreement in any respect prior to the Flip-in Date pursuant to Section 5.4 of the Agreement;

NOW, THEREFORE, in consideration of \$10.00 and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. The Agreement is hereby amended by replacing the definition of "Acquiring Person" contained in Section 1.1 in its entirety with the following:

"'Acquiring Person' shall mean any Person who is a Beneficial Owner of 15% or more of the outstanding shares of Common Stock; provided, however, that the term "Acquiring Person" shall not include any Person (i) who is an Existing Shareholder, including any group that is comprised solely of Existing Shareholders, until such time hereafter as any such Existing Shareholder or group of Existing Shareholders, shall become the Beneficial Owner (other than by means of a stock dividend, stock split, gift or inheritance or receipt or exercise of, or accrual of any right to exercise, any stock options or shares of Common Stock granted by the Company) by purchase of additional shares of Common Stock which additional shares, in the aggregate, exceed one percent of the outstanding Common Stock at the time of such acquisition, (ii) who shall become the Beneficial Owner of 15% or more of the outstanding shares of Common Stock solely as a result of an acquisition by the Company of shares of Common Stock, until such time hereafter or thereafter as any of such Persons shall become the Beneficial Owner (other than by means of a stock dividend or stock split) of any additional shares of Common Stock, (iii) who becomes the Beneficial Owner of 15% or more of the outstanding shares of Common Stock but who acquired Beneficial Ownership of shares of Common Stock without any plan or intention to seek or affect control of the Company, if such Person promptly divests, or enters into an agreement satisfactory to the Company, in its sole discretion, pursuant to which it will divest (without exercising or retaining any power, including voting power, with respect to such shares), sufficient shares of Common Stock (or securities convertible into, exchangeable into or exercisable for Common Stock) so that such Person ceases to be the Beneficial Owner of 15% or more of the outstanding shares of Common Stock or (iv) who Beneficially Owns shares of Common Stock consisting solely of one or more

of (A) shares of Common Stock Beneficially Owned pursuant to the grant or exercise of an option granted to such Person (an "Option Holder") by the Company in connection with an agreement to merge with, or acquire, the Company entered into prior to a Flip-in Date, (B) shares of Common Stock (or securities convertible into, exchangeable into or exercisable for Common Stock), Beneficially Owned by such Option Holder or its Affiliates or Associates at the time of grant of such option, and (C) shares of Common Stock (or securities convertible into, exchangeable into or exercisable for Common Stock) acquired by Affiliates or Associates of such Option Holder after the time of such grant which, in the aggregate, amount to less than 1% of the outstanding shares of Common Stock. In addition, the Company, any wholly-owned Subsidiary of the Company and any employee stock ownership or other employee benefit plan of the Company or a wholly-owned Subsidiary of the Company shall not be an Acquiring Person."

2. The Agreement is hereby amended by adding a new subsection (c) to Section 5.1, reading as follows:

"(c) Notwithstanding the provisions of Section 5.1(a) hereof, if, within 180 days of a public announcement by a third party of an intent or proposal to engage (without the current and continuing concurrence of the Board of Directors) in a transaction involving an acquisition of or business combination with the Company or otherwise to become an Acquiring Person, there is an election of Directors resulting in a majority of the Board of Directors being comprised of persons who were not nominated by the Board of Directors in office immediately prior to such election, then following the effectiveness of such election for a period of 180 days (the "Special Period") the Rights, if otherwise then redeemable absent the provisions of this paragraph (c), shall be redeemable upon either of the following conditions being satisfied, but not otherwise:

(i) by a vote of a majority of the Directors then in office, provided that

(A) before such vote, the Board of Directors shall have implemented the Value Enhancement Procedures (as defined below) and

(B) promptly after such vote, the Company publicly announces such vote and

(I) the manner in which the Value Enhancement Procedures

were implemented,

(II) any material financial, business, personal or other benefit or relationship (an "Interest") which each Director and each Affiliate of such Director (identifying each Director and Affiliate separately in relation to each such Interest) has in connection with any suggested, proposed or pending transaction with or involving the Company (a "Transaction"), or with any other party or Affiliate of any other party to a Transaction, where such Transaction would or might, or is intended to, be permitted or facilitated by redemption of the Rights (an "Affected Transaction"), other than treatment as a shareholder on a pro rata basis with other shareholders or pursuant to compensation arrangements as a director or employee of the Company or a subsidiary which have been previously disclosed by the Company,

(III) the individual vote of each Director on the motion to redeem the Rights, and

(IV) the statement of any Director who voted for or against the motion to redeem the Rights and desires to have a statement included in such announcement, or

(ii) if clause (i) is not applicable, by a vote of a majority of the Directors then in office, provided that (A) if there is a challenge to the Directors' action approving redemption and/or any related Affected Transaction as a breach of the fiduciary duty of care or loyalty, the Directors, solely for purposes of determining the effectiveness of such redemption pursuant to this clause (ii), are able to establish the entire fairness of such redemption and, if applicable, such related Affected Transaction, and (B) the Company shall have publicly announced the vote of the Board of Directors approving such redemption and, if applicable, such related Affected Transaction, which announcement shall set forth the information prescribed by clauses (i) (B) (II), (III) and (IV) above.

'Value Enhancement Procedures' shall mean:

(1) the selection by the Board of Directors of an independent financial advisor (the "Independent Advisor") from among financial advisors which have national standing, have established expertise in advising on mergers, acquisitions and related matters and have no Interest relating to an Affected Transaction, and have not during the preceding year provided services to, been engaged by or been a financing source for any other party to an Affected Transaction or any Affiliate of any such party or of any Director (other than the Company and its subsidiaries);

(2) whether or not there is a then-pending Affected Transaction, the receipt by the Board of Directors from its Independent Advisor of (a) such advisor's view (expressed in such form and subject to such qualifications and limitations as the Independent Advisor deems appropriate) regarding whether redemption of the Rights will serve the best interests of the Company and its shareholders or (b) such advisor's statement that it is unable to express such a view, setting forth the reasons therefor;

(3) if there is a then-pending Affected Transaction,

(A) the establishment and implementation by the Board of Directors of a process and procedures approved by its Independent Advisor which the Board of Directors and such advisor conclude would be most likely to result in the best value reasonably available to shareholders (regardless of whether such Affected Transaction involves a "sale of control" or "break-up" of the Company);.

(B) the Board of Directors (I) receiving the opinion of its Independent Advisor, in customary form and content for transactions of the type involved, that the Affected Transaction is fair to the Company's shareholders from a financial point of view and (II) determining, and the Independent Advisor confirming, that it has no

reason to believe that a superior transaction is reasonably available for the benefit of the Company's shareholders, and

(C) the execution of a definitive transaction agreement and other definitive documentation necessary to effect the Affected Transaction."

3. The Agreement is hereby amended by adding at the end of existing Section 5.4 a new sentence as follows:

"Notwithstanding anything herein to the contrary, this Agreement may not be supplemented or amended (i) during the Special Period or (ii) to lengthen the time period during which the Rights may be redeemed at a time when the Rights are not then redeemable."

4. Except as amended hereby, all of the terms of the Agreement shall remain and continue in full force and effect and hereby confirmed in all respects.

5. THIS AMENDMENT SHALL BE GOVERNED AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK AND APPLICABLE FEDERAL LAW WITHOUT REGARD TO CHOICE OF LAW RULES.

6. This Amendment may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which, when so executed and delivered, shall be an original, but all the counterparts shall together constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this First Amendment to be duly executed as of the date first above written.

INTERNATIONAL FLAVORS & FRAGRANCES INC.

By: /s/ STEPHEN A. BLOCK

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

THE BANK OF NEW YORK, as Rights Agent

By: /s/ JOHN I. SIVERTSEN

-----  
John I. Sivertsen  
Vice-President

INTERNATIONAL FLAVORS & FRAGRANCES INC.

2000 STOCK AWARD AND INCENTIVE PLAN

AS AMENDED AND RESTATED NOVEMBER 8, 2004

INTERNATIONAL FLAVORS & FRAGRANCES INC.

2000 STOCK AWARD AND INCENTIVE PLAN

AS AMENDED AND RESTATED NOVEMBER 8, 2004

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AS AMENDED AND RESTATED NOVEMBER 8, 2004

1. **PURPOSE.** The purpose of this 2000 Stock Award and Incentive Plan (the "Plan") is to aid International Flavors & Fragrances Inc., a New York corporation (the "Company"), in attracting, retaining, motivating and rewarding employees, non-employee directors, and other persons who provide substantial services to the Company or its subsidiaries or affiliates, to provide for equitable and competitive compensation opportunities, to recognize individual contributions and reward achievement of Company goals, and promote the creation of long-term value for shareholders by closely aligning the interests of Participants with those of shareholders. The Plan authorizes stock-based and cash-based incentives for Participants.

2. **DEFINITIONS.** In addition to the terms defined in Section 1 above and elsewhere in the Plan, the following capitalized terms used in the Plan have the respective meanings set forth in this Section:

(a) "Annual Incentive Award" means a type of Performance Award granted to a Participant under Section 7(c) representing a conditional right to receive cash, Stock or other Awards or payments, as determined by the Committee, based on performance in a performance period of one fiscal year or a portion thereof.

(b) "Award" means any cash award, Option, SAR, Restricted Stock, Deferred Stock, Stock granted as a bonus or in lieu of another award, Dividend Equivalent, Other Stock-Based Award, Performance Award or Annual Incentive Award, together with any related right or interest, granted to a Participant under the Plan.

(c) "Beneficiary" means any family member or members, including by marriage or adoption, any trust in which the Participant or any family member or members have more than 50% of the beneficial interest, and any other entity in which the Participant or any family member or members own more than 50% of the voting interests, in each case designated by the Participant in his most recent written Beneficiary designation filed with the Committee as entitled to exercise rights or receive benefits in connection with the Award (or any portion thereof), 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 exercise rights or receive benefits in connection with the Award on behalf or in lieu of such non-surviving designated Beneficiary.

(d) "Board" means the Company's Board of Directors.

(e) "Change in Control" and related terms have the meanings specified in Section 9.

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(f) "Code" means the Internal Revenue Code of 1986, as amended. References to any provision of the Code or regulation (including a proposed regulation) thereunder shall include any successor provisions and regulations.

(g) "Committee" means a committee of two or more directors designated by the Board to administer the Plan; provided, however, that, directors appointed or serving as members of a Board committee designated as the Committee shall not be employees of the Company or any subsidiary or affiliate. In appointing members of the Committee, the Board will consider whether a member is or will be a Qualified Member, but such members are not required to be Qualified Members at the time of appointment or during their term of service on the Committee. The full Board may perform any function of the Committee hereunder, in which case the term "Committee" shall refer to the Board.

(h) "Covered Employee" means an Eligible Person who is a Covered Employee as specified in Section 11(j).

(i) "Deferred Stock" means a right, granted to a Participant under Section 6(e), to receive Stock or other Awards or a combination thereof at the end of a specified deferral period.

(j) "Dividend Equivalent" means a right, granted to a Participant under Section 6(g), to receive cash, Stock, other Awards or other property equal in value to all or a specified portion of the dividends paid with respect to a specified number of shares of Stock.

(k) "Effective Date" means the effective date specified in Section 11(p).

(l) "Eligible Person" has the meaning specified in Section 5.

(m) "Exchange Act" means the Securities Exchange Act of 1934, as amended. References to any provision of the Exchange Act or rule (including a proposed rule) thereunder shall include any successor provisions and rules.

(n) "Fair Market Value" means the fair market value of Stock, Awards or other property as determined by the Committee or under procedures established by the Committee. Unless otherwise determined by the Committee, the Fair Market Value of Stock shall be the closing sale price reported on the composite tape of the New York Stock Exchange on the day as of which such value is being determined or, if there is no sale on that day, then on the last previous day on which a sale was reported.

(o) "Incentive Stock Option" or "ISO" means any Option designated as an incentive stock option within the meaning of Code Section 422 or any successor provision thereto and qualifying thereunder.

(p) "Option" means a right, granted to a Participant under Section 6(b), to purchase Stock or other Awards at a specified price during specified time periods.

(q) "Other Stock-Based Awards" means Awards granted to a Participant under

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Section 6(h).

(r) "Participant" means a person who has been granted an Award under the Plan which remains outstanding, including a person who is no longer an Eligible Person.

(s) "Performance Award" means a conditional right, granted to a Participant under Sections 6(i) and 7, to receive cash, Stock or other Awards or payments, as determined by the Committee, based upon performance criteria specified by the Committee.

(t) "Qualified Member" means a member of the Committee who is a "Non-Employee Director" within the meaning of Rule 16b-3(b)(3) and an "outside director" within the meaning of Regulation 1.162-27 under Code Section 162(m).

(u) "Restricted Stock" means Stock granted to a Participant under Section 6(d) which is subject to certain restrictions and to a risk of forfeiture.

(v) "Rule 16b-3" means Rule 16b-3, as from time to time in effect and applicable to Participants, promulgated by the Securities and Exchange Commission under Section 16 of the Exchange Act.

(w) "Stock" means the Company's Common Stock, and any other equity securities of the Company that may be substituted or resubstituted for Stock pursuant to Section 11(c).

(x) "Stock Appreciation Rights" or "SAR" means a right granted to a Participant under Section 6(c).

### 3. ADMINISTRATION.

(a) Authority of the Committee. The Plan shall be administered by the Committee, which shall have full and final authority, in each case subject to and consistent with the provisions of the Plan, to select Eligible Persons to become Participants; to grant Awards; to determine the type and number of Awards, the dates on which Awards may be exercised and on which the risk of forfeiture or deferral period relating to Awards shall lapse or terminate, the acceleration of any such dates, the expiration date of any Award, whether, to what extent, and under what circumstances an Award may be settled, or the exercise price of an Award may be paid, in cash, Stock, other Awards, or other property, and other terms and conditions of, and all other matters relating to, Awards; to prescribe documents evidencing or setting terms of Awards (such Award documents need not be identical for each Participant), amendments thereto, and rules and regulations for the administration of the Plan and amendments thereto; to construe and interpret the Plan and Award documents and correct defects, supply omissions or reconcile inconsistencies therein; and to make all other decisions and determinations as the Committee may deem necessary or advisable for the administration of the Plan. Decisions of the Committee with respect to the administration and interpretation of the Plan shall be final, conclusive, and binding upon all persons interested in the Plan, including Participants, Beneficiaries, transferees under Section 11(b) and other persons claiming rights from or through a Participant, and shareholders. The foregoing notwithstanding, the Board shall perform the functions of the Committee for purposes of granting Awards under the Plan to non-

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employee directors (authority with respect to other aspects of non-employee director awards is not exclusive to the Board, however).

(b) Manner of Exercise of Committee Authority. At any time that a member of the Committee is not a Qualified Member, (i) any action of the Committee relating to an Award intended by the Committee to qualify as "performance-based compensation" within the meaning of Code Section 162(m) and regulations thereunder may be taken by a subcommittee, designated by the Committee or the Board, composed solely of two or more Qualified Members, and (ii) any action relating to an Award granted or to be granted to a Participant who is then subject to Section 16 of the Exchange Act in respect of the Company may be taken either by such a subcommittee or by the Committee but with each such member who is not a Qualified Member abstaining or recusing himself or herself from such action, provided that, upon such abstention or recusal, the Committee remains composed of two or more Qualified Members. Such action, authorized by such a subcommittee or by the Committee upon the abstention or recusal of such non-Qualified Member(s), shall be the action of the Committee for purposes of the Plan. The express grant of any specific power to the Committee, and the taking of any action by the Committee, shall not be construed as limiting any power or authority of the Committee. The Committee may delegate to officers or managers of the Company or any subsidiary or affiliate, or committees thereof, the authority, subject to such terms as the Committee shall determine, to perform such functions, including administrative functions, as the Committee may determine, to the extent that such delegation will not result in the loss of an exemption under Rule 16b-3(d) for Awards granted to Participants subject to Section 16 of the Exchange Act in respect of the Company and will not cause Awards intended to qualify as "performance-based compensation" under Code Section 162(m) to fail to so qualify.

(c) Limitation of Liability. The Committee and each member thereof, and any person acting pursuant to authority delegated by the Committee, shall be entitled, in good faith, to rely or act upon any report or other information furnished by any executive officer, other officer or employee of the Company or a subsidiary or affiliate, the Company's independent auditors, consultants or any other agents assisting in the administration of the Plan. Members of the Committee, any person acting pursuant to authority delegated by the Committee, and any officer or employee of the Company or a subsidiary or affiliate acting at the direction or on behalf of the Committee or a delegee shall not be personally liable for any action or determination taken or made in good faith with respect to the Plan, and shall, to the extent permitted by law, be fully indemnified and protected by the Company with respect to any such action or determination.

### 4. STOCK SUBJECT TO PLAN.

(a) Overall Number of Shares Available for Delivery. Subject to adjustment as provided in Section 11(c), the total number of shares of Stock reserved and available for delivery in connection with Awards under the Plan shall be 9,000,000 shares plus the number of shares reserved for options under the Company's 1997 Employee Stock Option Plan (the "1997 Plan") but which have not been issued and delivered under the 1997 Plan, including such 1997 Plan shares as may become available in accordance with Section 4(b) hereof; provided, however, that the total number of shares with respect to which ISOs may be granted shall not exceed 9,000,000; and provided further, that the total number of shares which may be issued and delivered in connection with Awards other than Options

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and SARs shall not exceed 2,700,000. Any shares of Stock delivered under

the Plan shall consist of authorized and unissued shares or treasury shares.

(b) Share Counting Rules. The Committee may adopt reasonable counting procedures to ensure appropriate counting, avoid double counting (as, for example, in the case of tandem or substitute awards) and make adjustments if the number of shares of Stock actually delivered differs from the number of shares previously counted in connection with an Award; provided, however, that shares withheld in payment of taxes upon vesting of Restricted Stock and shares equal to the number of outstanding shares surrendered in payment of the exercise price or taxes relating to an Award shall not become available again under the Plan if the withholding or surrender transaction occurs more than ten years after the date of the most recent shareholder approval of the Plan, and otherwise shares shall not become available under this Section 4(b) in an event that would constitute a "material revision" of the Plan subject to shareholder approval under then applicable rules of the New York Stock Exchange. Shares subject to an Award or a 1997 Plan award that is canceled, expired, forfeited, settled in cash or otherwise terminated without a delivery of shares to the Participant will again be available for Awards, and shares withheld in payment of the exercise price or taxes relating to an Award or 1997 Plan award and shares equal to the number surrendered in payment of any exercise price or taxes relating to an Award or 1997 Plan award shall be deemed to constitute shares not delivered to the Participant and shall be deemed to again be available for Awards under the Plan. In addition, in the case of any Award granted in substitution for an award of a company or business acquired by the Company or a subsidiary or affiliate, shares issued or issuable in connection with such substitute Award shall not be counted against the number of shares reserved under the Plan, but shall be available under the Plan by virtue of the Company's assumption of the plan or arrangement of the acquired company or business. This Section 4(b) shall apply to the number of shares reserved and available for ISOs only to the extent consistent with applicable regulations relating to ISOs under the Code.

5. ELIGIBILITY; PER-PERSON AWARD LIMITATIONS. Awards may be granted under the Plan only to Eligible Persons. For purposes of the Plan, an "Eligible Person" means an employee of the Company or any subsidiary or affiliate, including any executive officer, a non-employee director of the Company, a consultant or other person who provides substantial services to the Company or a subsidiary or affiliate, and any person who has been offered employment by the Company or a subsidiary or affiliate, provided that such prospective employee, non-employee director, consultant or other person may not receive any payment or exercise any right relating to an Award until such person has commenced employment with or providing of services to the Company or a subsidiary or affiliate. An employee on leave of absence may be considered as still in the employ of the Company or a subsidiary or affiliate for purposes of eligibility for participation in the Plan. For purposes of the Plan, a joint venture in which the Company or a subsidiary has a substantial direct or indirect equity investment shall be deemed an affiliate, if so determined by the Committee. In each calendar year during any part of which the Plan is in effect, an Eligible Person may be granted Awards intended to qualify as "performance-based compensation" under Code Section 162(m) under each of Section 6(b), 6(c), 6(d), 6(e), 6(f), 6(g) or 6(h) relating to up to his or her Annual Limit (such Annual Limit to apply separately to the type of Award authorized under each specified subsection, except that the limitation applies to

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Dividend Equivalents under Section 6(g) only if such Dividend Equivalents are granted separately from and not as a feature of another Award). A Participant's Annual Limit, in any year during any part of which the Participant is then eligible under the Plan, shall equal two million shares plus the amount of the Participant's unused Annual Limit relating to the same type of Award as of the close of the previous year, subject to adjustment as provided in Section 11(c). In the case of an Award which is not valued in a way in which the limitation set forth in the preceding sentence would operate as an effective limitation satisfying Treasury Regulation 1.162-27(e)(4) (including Performance Awards under Section 7 not related to an Award specified in Section 6), the maximum amount of an Annual Incentive Award under Section 7(c) that may be earned by an Eligible Person in any year shall be 50% of the amount of the Annual Incentive Pool specified in Section 7(c)(ii), and the maximum amount of such an Award other than an Annual Incentive Award under Section 7(c) that may be earned by an Eligible Person during any calendar year shall be equal to the Participant's Annual Limit, which for this purpose shall equal \$6 million plus the amount of the Participant's unused cash Annual Limit for such Awards other than Annual Incentive Awards as of the close of the previous year. For purposes of this Section 5, (i) the limitation on share-based awards, the limitation on the earning of Annual Incentive Awards, and the limitation on the earning of non-share-based Awards other than Annual Incentive Awards each is a separate limitation, which is not decreased by the authorization or payout of Awards that are subject to the other limitations; (ii) "earning" means satisfying performance conditions so that an amount becomes payable, without regard to whether it is to be paid currently or on a deferred basis or continues to be subject to any service requirement or other non-performance condition; and (iii) a Participant's Annual Limit is used to the extent an amount or number of shares may be potentially earned or paid under an Award, regardless of whether such amount or shares are in fact earned or paid.

6. SPECIFIC TERMS OF AWARDS.

(a) General. Awards may be granted on the terms and conditions set forth in this Section 6. In addition, the Committee may impose on any Award or the exercise thereof, at the date of grant or thereafter (subject to Section 11(e)), such additional terms and conditions, not inconsistent with the provisions of the Plan, as the Committee shall determine, including terms requiring forfeiture of Awards in the event of termination

of employment or service by the Participant and terms permitting a Participant to make elections relating to his or her Award. The Committee shall retain full power and discretion with respect to any term or condition of an Award that is not mandatory under the Plan. The Committee shall require the payment of lawful consideration for an Award to the extent necessary to satisfy the requirements of the New York Business Corporation Law, and may otherwise require payment of consideration for an Award except as limited by the Plan.

(b) Options. The Committee is authorized to grant Options to Participants on the following terms and conditions:

(i) Exercise Price. The exercise price per share of Stock purchasable under an Option (including both ISOs and non-qualified Options) shall be determined by the Committee, provided that such exercise price shall be not less than the Fair Market Value of a share of Stock on the date of grant of such Option, subject to Sections 6(f) and 8(a).

(ii) Option Term; Time and Method of Exercise. The Committee shall

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determine the term of each Option, provided that in no event shall the term of any ISO or SAR in tandem therewith exceed a period of ten years from the date of grant. The Committee shall determine the time or times at which or the circumstances under which an Option may be exercised in whole or in part (including based on achievement of performance goals and/or future service requirements), the methods by which such exercise price may be paid or deemed to be paid and the form of such payment (subject to Section 11(k)), including, without limitation, cash, Stock, other Awards or awards granted under other plans of the Company or any subsidiary or affiliate, or other property (including through "cashless exercise" arrangements, to the extent permitted by applicable law, but excluding any exercise method in which a personal loan would be made from the Company to the Participant), and the methods by or forms in which Stock will be delivered or deemed to be delivered in satisfaction of Options to Participants (including deferred delivery of shares representing the Option "profit," at the election of the Participant or as mandated by the Committee, with such deferred shares subject to any vesting, forfeiture or other terms as the Committee may specify).

(iii) ISOs. The terms of any ISO granted under the Plan shall comply in all respects with the provisions of Code Section 422, including but not limited to the requirement that no ISO shall be granted more than ten years after the Effective Date.

(c) Stock Appreciation Rights. The Committee is authorized to grant SAR's to Participants on the following terms and conditions:

(i) Right to Payment. An SAR shall confer on the Participant to whom it is granted a right to receive, upon exercise thereof, the excess of (A) the Fair Market Value of one share of Stock on the date of exercise (or, in the case of a "Limited SAR," the Fair Market Value determined by reference to the Change in Control Price, as defined under Section 9(d) hereof) over (B) the grant price of the SAR as determined by the Committee.

(ii) Other Terms. The Committee shall determine at the date of grant or thereafter, the time or times at which and the circumstances under which a SAR may be exercised in whole or in part (including based on achievement of performance goals and/or future service requirements), the method of exercise, method of settlement, form of consideration payable in settlement, method by or forms in which Stock will be delivered or deemed to be delivered to Participants, and whether or not a SAR shall be free-standing or in tandem or combination with any other Award. Limited SARs that may only be exercised in connection with a Change in Control or other event as specified by the Committee may be granted on such terms, not inconsistent with this Section 6(c), as the Committee may determine.

(d) Restricted Stock. The Committee is authorized to grant Restricted Stock to Participants on the following terms and conditions:

(i) Grant and Restrictions. Restricted Stock shall be subject to such restrictions on transferability, risk of forfeiture and other restrictions, if any, as the Committee may impose, which restrictions may lapse separately or in combination at

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such times, under such circumstances (including based on achievement of performance goals and/or future service requirements), in such installments or otherwise and under such other circumstances as the Committee may determine at the date of grant or thereafter. The foregoing notwithstanding, Restricted Stock will vest over a minimum period of one year except in the event of a Participant's death, disability, or retirement, or in the event of a Change in Control or other special circumstances. For purposes of this Section 6(d), vesting over a one-year period will include periodic vesting over

such period if the rate of such vesting is proportional throughout such period. Except to the extent restricted under the terms of the Plan and any Award document relating to the Restricted Stock, a Participant granted Restricted Stock shall have all of the rights of a shareholder, including the right to vote the Restricted Stock and the right to receive dividends thereon (subject to any mandatory reinvestment or other requirement imposed by the Committee).

(ii) Forfeiture. Except as otherwise determined by the Committee, upon termination of employment or service during the applicable restriction period, Restricted Stock that is at that time subject to restrictions shall be forfeited and reacquired by the Company; provided that the Committee may provide, by rule or regulation or in any Award document, or may determine in any individual case, that restrictions or forfeiture conditions relating to Restricted Stock will lapse in whole or in part, including in the event of terminations resulting from specified causes.

(iii) Certificates for Stock. Restricted Stock granted under the Plan may be evidenced in such manner as the Committee shall determine. If certificates representing Restricted Stock are registered in the name of the Participant, the Committee may require that such certificates bear an appropriate legend referring to the terms, conditions and restrictions applicable to such Restricted Stock, that the Company retain physical possession of the certificates, and that the Participant deliver a stock power to the Company, endorsed in blank, relating to the Restricted Stock.

(iv) Dividends and Splits. As a condition to the grant of an Award of Restricted Stock, the Committee may require that any dividends paid on a share of Restricted Stock shall be either (A) paid with respect to such Restricted Stock at the dividend payment date in cash, in kind, or in a number of shares of unrestricted Stock having a Fair Market Value equal to the amount of such dividends, or (B) automatically reinvested in additional Restricted Stock or held in kind, which shall be subject to the same terms as applied to the original Restricted Stock to which it relates, or (C) deferred as to payment, either as a cash deferral or with the amount or value thereof automatically deemed reinvested in shares of Deferred Stock, other Awards or other investment vehicles, subject to such terms as the Committee shall determine or permit a Participant to elect. Unless otherwise determined by the Committee, Stock distributed in connection with a Stock split or Stock dividend, and other property distributed as a dividend, shall be subject to restrictions and a risk of forfeiture to the same extent as the Restricted Stock with respect to which such Stock or other property has been distributed.

(e) Deferred Stock. The Committee is authorized to grant Deferred Stock to

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Participants, which are rights to receive Stock, other Awards, or a combination thereof at the end of a specified deferral period, subject to the following terms and conditions:

(i) Award and Restrictions. Issuance of Stock will occur upon expiration of the deferral period specified for an Award of Deferred Stock by the Committee (or, if permitted by the Committee, as elected by the Participant). In addition, Deferred Stock shall be subject to such restrictions on transferability, risk of forfeiture and other restrictions, if any, as the Committee may impose, which restrictions may lapse at the expiration of the deferral period or at earlier specified times (including based on achievement of performance goals and/or future service requirements), separately or in combination, in installments or otherwise, and under such other circumstances as the Committee may determine at the date of grant or thereafter. Deferred Stock may be satisfied by delivery of Stock, other Awards, or a combination thereof (subject to Section 11(k)), as determined by the Committee at the date of grant or thereafter.

(ii) Forfeiture. Except as otherwise determined by the Committee, upon termination of employment or service during the applicable deferral period or portion thereof to which forfeiture conditions apply (as provided in the Award document evidencing the Deferred Stock), all Deferred Stock that is at that time subject to such forfeiture conditions shall be forfeited; provided that the Committee may provide, by rule or regulation or in any Award document, or may determine in any individual case, that restrictions or forfeiture conditions relating to Deferred Stock will lapse in whole or in part, including in the event of terminations resulting from specified causes.

(iii) Dividend Equivalents. Unless otherwise determined by the Committee, Dividend Equivalents on the specified number of shares of Stock covered by an Award of Deferred Stock shall be either (A) paid with respect to such Deferred Stock at the dividend payment date in cash or in shares of unrestricted Stock having a Fair Market Value equal to the amount of such dividends, or (B) deferred with respect to such Deferred Stock, either as a cash deferral or with the amount or value thereof automatically deemed reinvested in additional Deferred Stock, other Awards or other investment vehicles having a Fair Market Value equal to the amount of such dividends, as the Committee shall determine or permit a Participant to elect.

(f) Bonus Stock and Awards in Lieu of Obligations. The Committee

is authorized to grant Stock as a bonus, or to grant Stock or other Awards in lieu of obligations of the Company or a subsidiary or affiliate to pay cash or deliver other property under the Plan or under other plans or compensatory arrangements, subject to such terms as shall be determined by the Committee.

(g) Dividend Equivalents. The Committee is authorized to grant Dividend Equivalents to a Participant, entitling the Participant to receive cash, Stock, other Awards, or other property equivalent to all or a portion of the dividends paid with respect to a specified number of shares of Stock. Dividend Equivalents may be awarded on a free-standing basis or in connection with another Award. The Committee may provide that Dividend Equivalents shall be paid or distributed when accrued or shall be deemed to have been reinvested in additional Stock, Awards, or other investment vehicles, and subject to restrictions on transferability, risks of forfeiture and such other terms as the Committee may specify.

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(h) Other Stock-Based Awards. The Committee is authorized, subject to limitations under applicable law, to grant to Participants such other Awards that may be denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, Stock or factors that may influence the value of Stock, including, without limitation, convertible or exchangeable debt securities, other rights convertible or exchangeable into Stock, purchase rights for Stock, Awards with value and payment contingent upon performance of the Company or business units thereof or any other factors designated by the Committee, and Awards valued by reference to the book value of Stock or the value of securities of or the performance of specified subsidiaries or affiliates or other business units. The Committee shall determine the terms and conditions of such Awards. Stock delivered pursuant to an Award in the nature of a purchase right granted under this Section 6(h) shall be purchased for such consideration, paid for at such times, by such methods, and in such forms, including, without limitation, cash, Stock, other Awards, notes, or other property, as the Committee shall determine. Cash awards, as an element of or supplement to any other Award under the Plan, may also be granted pursuant to this Section 6(h).

(i) Performance Awards. Performance Awards, denominated in cash or in Stock or other Awards, may be granted by the Committee in accordance with Section 7.

#### 7. PERFORMANCE AWARDS, INCLUDING ANNUAL INCENTIVE AWARDS.

(a) Performance Awards Generally. The Committee is authorized to grant Performance Awards on the terms and conditions specified in this Section 7. Performance Awards may be denominated as a cash amount, number of shares of Stock, or specified number of other Awards (or a combination) which may be earned upon achievement or satisfaction of performance conditions specified by the Committee. In addition, the Committee may specify that any other Award shall constitute a Performance Award by conditioning the right of a Participant to exercise the Award or have it settled, and the timing thereof, upon achievement or satisfaction of such performance conditions as may be specified by the Committee. The Committee may use such business criteria and other measures of performance as it may deem appropriate in establishing any performance conditions, and may exercise its discretion to reduce or increase the amounts payable under any Award subject to performance conditions, except as limited under Sections 7(b) and 7(c) in the case of a Performance Award intended to qualify as "performance-based compensation" under Code Section 162(m).

(b) Performance Awards Granted to Covered Employees. If the Committee determines that a Performance Award to be granted to an Eligible Person who is designated by the Committee as likely to be a Covered Employee should qualify as "performance-based compensation" for purposes of Code Section 162(m), the grant, exercise and/or settlement of such Performance Award shall be contingent upon achievement of a preestablished performance goal and other terms set forth in this Section 7(b).

(i) Performance Goal Generally. The performance goal for such Performance Awards shall consist of one or more business criteria and a targeted level or levels of performance with respect to each of such criteria, as specified by

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the Committee consistent with this Section 7(b). The performance goal shall be objective and shall otherwise meet the requirements of Code Section 162(m) and regulations thereunder (including Regulation 1.162-27 and successor regulations thereto), including the requirement that the level or levels of performance targeted by the Committee result in the achievement of performance goals being "substantially uncertain." The Committee may determine that such Performance Awards shall be granted, exercised and/or settled upon achievement of any one performance goal or that two or more of the performance goals must be achieved as a condition to grant, exercise and/or settlement of such Performance Awards. Performance goals may differ for Performance Awards granted to any one Participant or to different Participants.

(ii) Business Criteria. One or more of the following business criteria for the Company, on a consolidated basis, and/or for specified subsidiaries or affiliates or other business units of the

Company shall be used by the Committee in establishing performance goals for such Performance Awards: (1) net sales; (2) earnings from operations, earnings before or after taxes, earnings before or after interest, depreciation, amortization, or extraordinary or special items; (3) net income or net income per common share (basic or diluted); (4) return on assets (gross or net), return on investment, return on capital, or return on equity; (5) cash flow, free cash flow, cash flow return on investment (discounted or otherwise), net cash provided by operations, or cash flow in excess of cost of capital; (6) economic value created; (7) operating margin or profit margin; (8) stock price or total shareholder return; (9) dividend payout as a percentage of net income; and (10) strategic business criteria, consisting of one or more objectives based on meeting specified market penetration, geographic business expansion goals, cost targets, customer satisfaction, employee satisfaction, management of employment practices and employee benefits, supervision of litigation and information technology, and goals relating to acquisitions or divestitures of subsidiaries, affiliates or joint ventures. The targeted level or levels of performance with respect to such business criteria may be established at such levels and in such terms as the Committee may determine, in its discretion, including in absolute terms, as a goal relative to performance in prior periods, or as a goal compared to the performance of one or more comparable companies or an index covering multiple companies.

(iii) Performance Period; Timing for Establishing Performance Goals; Per-Person Limit. Achievement of performance goals in respect of such Performance Awards shall be measured over a performance period of up to one year or more than one year, as specified by the Committee. A performance goal shall be established not later than the earlier of (A) 90 days after the beginning of any performance period applicable to such Performance Award or (B) the time 25% of such performance period has elapsed. In all cases, the maximum Performance Award of any Participant shall be subject to the limitation set forth in Section 5.

(iv) Performance Award Pool. The Committee may establish a Performance Award pool, which shall be an unfunded pool, for purposes of measuring performance of the Company in connection with Performance Awards. The amount of such Performance Award pool shall be based upon the achievement of a performance goal or goals based on one or more of the business criteria set forth in

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Section 7(b)(ii) during the given performance period, as specified by the Committee in accordance with Section 7(b)(iv). The Committee may specify the amount of the Performance Award pool as a percentage of any of such business criteria, a percentage thereof in excess of a threshold amount, or as another amount which need not bear a strictly mathematical relationship to such business criteria.

(v) Settlement of Performance Awards; Other Terms. Settlement of such Performance Awards shall be in cash, Stock, other Awards or other property, in the discretion of the Committee. The Committee may, in its discretion, increase or reduce the amount of a settlement otherwise to be made in connection with such Performance Awards, but may not exercise discretion to increase any such amount payable to a Covered Employee in respect of a Performance Award subject to this Section 7(b). Any settlement which changes the form of payment from that originally specified shall be implemented in a manner such that the Performance Award and other related Awards do not, solely for that reason, fail to qualify as "performance-based compensation" for purposes of Code Section 162(m). The Committee shall specify the circumstances in which such Performance Awards shall be paid or forfeited in the event of termination of employment by the Participant or other event (including a Change in Control) prior to the end of a performance period or settlement of such Performance Awards.

(c) Annual Incentive Awards Granted to Designated Covered Employees. The Committee may grant an Annual Incentive Award to an Eligible Person who is designated by the Committee as likely to be a Covered Employee. Such Annual Incentive Award will be intended to qualify as "performance-based compensation" for purposes of Code Section 162(m), and therefore its grant, exercise and/or settlement shall be contingent upon achievement of preestablished performance goals and other terms set forth in this Section 7(c).

(i) Grant of Annual Incentive Awards. Not later than the earlier of 90 days after the beginning of any performance period applicable to such Annual Incentive Award or the time 25% of such performance period has elapsed, the Committee shall determine the Covered Employees who will potentially receive Annual Incentive Awards, and the amount(s) potentially payable thereunder, for that performance period. The amount(s) potentially payable as Annual Incentive Awards may be earned and become payable under the Plan only if and to the extent the Annual Incentive Pool, specified in Section 7(c)(ii), has become hypothetically funded. The portion of the Annual Incentive Award pool potentially payable to each Covered Employee shall be preestablished by the Committee. The foregoing notwithstanding, if any portion of the Annual Incentive Pool for a given fiscal year is not allocated and paid out for that year, the Committee, at any time after such fiscal year, may allocate and pay out from such then-unallocated amounts of hypothetical funding remaining an Award to any Eligible Person other than a Covered Employee, but such allocations may not affect the allocations or

payouts to any Covered Employee. In all cases, the maximum Annual Incentive Award of any Participant shall be subject to the limitation set forth in Section 5. This Section 7(c) does not preclude the Committee from granting a Performance Award under Section 7(b) based on performance in a period of one year or less, in addition to or in lieu of an Annual Incentive Award under this Section 7(c).

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(ii) Creation of Annual Incentive Pool. The Annual Incentive Pool for each fiscal year of the Company shall equal 10% of the amount by which the "pretax consolidated earnings" (as hereinafter defined) for such year shall exceed 20% of "net capital" (as hereinafter defined) for such year; provided, however, that the Annual Incentive Pool shall not exceed for any year 10% of the amount of cash dividends paid by the Company in such year. As soon as practicable after the end of each year the amount of the Annual Incentive Pool for such year shall be audited by the Company's independent public accountants and shall be reported by them to the Committee. The term "pretax consolidated earnings" for any fiscal year means the sum of (i) the consolidated net earnings of the Company and its subsidiaries for such year before (A) extraordinary items determined in accordance with generally accepted accounting principles and (B) the cumulative effect of accounting changes, as contained in the financial statements audited by the Company's independent public accountants and reported by the Company in its annual report to shareholders for such year, (ii) the provision for all taxes on income for such year, as contained in the financial statements audited by the Company's independent public accountants and reported by the Company in its annual report to shareholders for such year, and (iii) the amount of the Annual Incentive Pool for such year, as audited by the Company's independent public accountants and reported to the Committee as contemplated above. The term "net capital" for any year shall mean the arithmetic average of the amounts of the consolidated capital and surplus of the Company as at the beginning and the end of such year before (A) and (B) above, as such consolidated capital and surplus as of each such date is audited by the Company's independent public accountants and reported by the Company in its annual report to shareholders for the prior year (with respect to the consolidated capital and surplus as at the beginning of such year) and for such year (with respect to the consolidated capital and surplus as at the end of such year). The Annual Incentive Pool shall be an unfunded pool established for the purpose of measuring performance of the Company to determine compensation in connection with Awards. Unallocated amounts of hypothetical funding of the Annual Incentive Pool for a given fiscal year will not be added to the Annual Incentive Pool for a subsequent year.

(iii) Payout of Annual Incentive Awards. After the end of each performance period, the Committee shall determine the amount, if any, of the Annual Incentive Award for that performance period payable to each Participant. The Committee may, in its discretion, determine that the amount payable to any Participant as a final Annual Incentive Award shall be reduced from the amount of his or her potential Annual Incentive Award, including a determination to make no final Award whatsoever, but may not exercise discretion to increase any such amount. The Committee shall specify the circumstances in which an Annual Incentive Award shall be paid or forfeited in the event of termination of employment by the Participant or other event (including a Change in Control) prior to the end of a performance period or settlement of such Annual Incentive Award.

(d) Written Determinations. Determinations by the Committee as to the establishment of performance goals, the amount potentially payable in respect of Performance Awards and Annual Incentive Awards, the level of actual achievement of the

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specified performance goals relating to Performance Awards and Annual Incentive Awards, the level of hypothetical funding of the Annual Incentive Pool and the amount of any final Performance Award and Annual Incentive Award shall be recorded in writing in the case of Performance Awards intended to qualify under Section 162(m). Specifically, the Committee shall certify in writing, in a manner conforming to applicable regulations under Section 162(m), prior to settlement of each such Award granted to a Covered Employee, that the performance objective relating to the Performance Award and other material terms of the Award upon which settlement of the Award was conditioned have been satisfied.

#### 8. CERTAIN PROVISIONS APPLICABLE TO AWARDS.

(a) Stand-Alone, Additional, Tandem, and Substitute Awards. Awards granted under the Plan may, in the discretion of the Committee, be granted either alone or in addition to, in tandem with, or in substitution or exchange for, any other Award or any award granted under another plan of the Company, any subsidiary or affiliate, or any business entity to be acquired by the Company or a subsidiary or affiliate, or any other right of a Participant to receive payment from the Company or any subsidiary or affiliate. Awards granted in addition to or in tandem with other Awards or awards may be granted either as of the same time as or a different time

from the grant of such other Awards or awards. Subject to Section 11(k), the Committee may determine that, in granting a new Award, the in-the-money value of any surrendered Award or award may be applied to reduce the exercise price of any Option, grant price of any SAR, or purchase price of any other Award.

(b) Term of Awards. The term of each Award shall be for such period as may be determined by the Committee, subject to the express limitations set forth in Section 6(b)(ii).

(c) Form and Timing of Payment under Awards; Deferrals. Subject to the terms of the Plan (including Section 11(k)) and any applicable Award document, payments to be made by the Company or a subsidiary or affiliate upon the exercise of an Option or other Award or settlement of an Award may be made in such forms as the Committee shall determine, including, without limitation, cash, Stock, other Awards or other property, and may be made in a single payment or transfer, in installments, or on a deferred basis. The settlement of any Award may be accelerated, and cash paid in lieu of Stock in connection with such settlement, in the discretion of the Committee or upon occurrence of one or more specified events (subject to Section 11(k)). Installment or deferred payments may be required by the Committee (subject to Section 11(e)) or permitted at the election of the Participant on terms and conditions established by the Committee. Payments may include, without limitation, provisions for the payment or crediting of reasonable interest on installment or deferred payments or the grant or crediting of Dividend Equivalents or other amounts in respect of installment or deferred payments denominated in Stock.

d) Exemptions from Section 16(b) Liability. With respect to a Participant who is then subject to the reporting requirements of Section 16(a) of the Exchange Act in respect of the Company, the Committee shall implement transactions under the Plan and administer the Plan in a manner that will ensure that each transaction with respect to such a Participant is exempt from liability under Rule 16b-3 or otherwise not subject to liability under Section 16(b)), except that this provision shall not limit sales by such a Participant, and such a Participant may engage in other non-exempt transactions under the Plan. The

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Committee may authorize the Company to repurchase any Award or shares of Stock deliverable or delivered in connection with any Award (subject to Section 11(k)) in order to avoid a Participant who is subject to Section 16 of the Exchange Act incurring liability under Section 16(b). Unless otherwise specified by the Participant, equity securities or derivative securities acquired under the Plan which are disposed of by a Participant shall be deemed to be disposed of in the order acquired by the Participant.

#### 9. CHANGE IN CONTROL.

(a) Effect of "Change in Control" on Non-Performance Based Awards. In the event of a "Change in Control," the following provisions shall apply to non-performance based Awards, including Awards as to which performance conditions previously have been satisfied or are deemed satisfied under Section 9(b), unless otherwise provided by the Committee in the Award document:

(i) All deferral of settlement, forfeiture conditions and other restrictions applicable to Awards granted under the Plan shall lapse and such Awards shall be fully payable 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 Participant or other express election to defer beyond a Change in Control and subject to applicable restrictions set forth in Section 11(a);

(ii) Any Award carrying a right to exercise that was not previously exercisable and vested shall become fully exercisable and vested as of the time of the Change in Control and shall remain exercisable and vested for the balance of the stated term of such Award without regard to any termination of employment or service by the Participant other than a termination for "cause" (as defined in any employment or severance agreement between the Company or a subsidiary or affiliate and the Participant then in effect or, if none, as defined by the Committee and in effect at the time of the Change in Control), subject only to applicable restrictions set forth in Section 11(a); and

(iii) The Committee may, in its discretion, determine to extend to any Participant who holds an Option the right to elect, during the 60-day period immediately following the Change in Control, in lieu of acquiring the shares of Stock covered by such Option, to receive in cash the excess of the Change in Control Price over the exercise price of such Option, multiplied by the number of shares of Stock covered by such Option, and to extend to any Participant who holds other types of Awards denominated in shares the right to elect, during the 60-day period immediately following the Change in Control, in lieu of receiving the shares of Stock covered by such Award, to receive in cash the Change in Control Price multiplied by the number of shares of Stock covered by such Award.

(b) Effect of "Change in Control" on Performance-Based Awards. In the event of a "Change in Control," with respect to an outstanding Award subject to achievement of performance goals and conditions, such performance goals and conditions shall be deemed to be met or exceeded if and to the extent so provided by the Committee in the Award document

(c) Definition of "Change in Control." A "Change in Control" shall be deemed to have occurred if, after the Effective Date, 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 9(c)(i);

(ii) Individuals who on September 1, 2000 constitute the Board, and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election consent, including but not limited to a consent solicitation, relating to the election of directors of the Company) 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 on September 1, 2000 or whose election or nomination for election was previously so approved or recommended, cease for any reason to constitute at least a majority thereof;

(iii) There is consummated a merger, consolidation, recapitalization, or reorganization of the Company, or a reverse stock split of any class of voting securities of the Company, if, immediately following consummation of any of the foregoing, either (A) individuals who, immediately prior to such consummation, constitute the Board do not constitute at least a majority of the members of the board of directors of the Company or the surviving or parent entity, as the case may be, or (B) the voting securities of the Company outstanding immediately prior to such

recommendation do not represent (either by remaining outstanding or by being converted into voting securities of a surviving or parent entity) at least 60% or more of the combined voting power of the outstanding voting securities of the Company or such surviving or parent entity; or

(iv) The shareholders of the Company have approved a plan of complete liquidation of the Company or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets (or any transaction have a similar effect).

(d) Definition of "Change in Control Price." The "Change in Control Price" means an amount in cash equal to the higher of (i) the amount of cash and fair market value of property that is the highest price per share paid (including extraordinary dividends) in any transaction triggering the Change in Control or any liquidation of shares following a sale of substantially all assets of the Company, or (ii) the highest Fair Market Value per share at any time during the 60-day period preceding and 60-day period following the Change in Control.

#### 10. ADDITIONAL AWARD FORFEITURE PROVISIONS.

(a) Forfeiture of Options and Other Awards and Gains Realized Upon Prior Option Exercises or Award Settlements. Unless otherwise determined by the Committee, each Award granted hereunder shall be subject to the following additional forfeiture conditions, to which the Participant, by

accepting an Award hereunder, agrees. If any of the events specified in Section 10(b)(i), (ii), or (iii) occurs (a "Forfeiture Event"), all of the following forfeitures will result:

(i) The unexercised portion of the Option, whether or not vested, and any other Award not then settled (except for an Award that has not been settled solely due to an elective deferral by the Participant and otherwise is not forfeitable in the event of any termination of service of the Participant) will be immediately forfeited and canceled upon the occurrence of the Forfeiture Event; and

(ii) The Participant will be obligated to repay to the Company, in cash, within five business days after demand is made therefor by the Company, the total amount of Award Gain (as defined herein) realized by the Participant upon each exercise of an Option or settlement of an Award (regardless of any elective deferral) that occurred on or after (A) the date that is six months prior to the occurrence of the Forfeiture Event, if the Forfeiture Event occurred while the Participant was employed by the Company or a subsidiary or affiliate, or (B) the date that is six months prior to the date the Participant's employment by the Company or a subsidiary or affiliate terminated, if the Forfeiture Event occurred after the Participant ceased to be so employed. For purposes of this Section, the term "Award Gain" shall mean (i), 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 Participant, the Fair Market Value of the cash or Stock paid or payable to Participant (regardless of any elective deferral) less any

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cash or the Fair Market Value of any Stock or property (other than an Award or award which would have itself then been forfeitable hereunder and excluding any payment of tax withholding) paid by the Participant to the Company as a condition of or in connection such settlement.

(b) Events Triggering Forfeiture. The forfeitures specified in Section 10(a) will be triggered upon the occurrence of any one of the following Forfeiture Events at any time during the Participant's employment by the Company or a subsidiary or affiliate or during the one-year period following termination of such employment:

(i) The Participant, acting alone or with others, directly or indirectly, prior to a Change in Control, (A) engages, either as employee, employer, consultant, advisor, or director, or as an owner, investor, partner, or shareholder unless the Participant's interest is insubstantial, in any business in an area or region in which the Company conducts business at the date the event occurs, which is directly in competition with a business then conducted by the Company or a subsidiary or affiliate; (B) induces 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 (C) induces, or attempts to influence, any employee of or service provider to the Company or a subsidiary or affiliate to terminate such employment or service. The Committee shall, in its discretion, determine which lines of business the Company conducts on any particular date and which third parties may reasonably be deemed to be in competition with the Company. For purposes of this Section 10(b)(i), a Participant's interest as a shareholder is insubstantial if it represents beneficial ownership of less than five percent of the outstanding class of stock, and a Participant'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 Participant discloses, uses, sells, or otherwise transfers, 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 operations 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, or the Participant makes statements or representations, or otherwise communicates, directly or indirectly, in writing, orally, or otherwise, or takes any other action which may, directly or indirectly, disparage or be 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; or

(iii) The Participant fails to cooperate with the Company or any subsidiary or affiliate by making himself or herself 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, or otherwise fails to assist the Company or any subsidiary or affiliate in any such action, suit, or

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.

(c) Agreement Does Not Prohibit Competition or Other Participant Activities. Although the conditions set forth in this Section 10 shall be deemed to be incorporated into an Award, a Participant is not thereby prohibited from engaging in any activity, including but not limited to competition with the Company and its subsidiaries and affiliates. Rather, the non-occurrence of the Forfeiture Events set forth in Section 10(b) is a condition to the Participant's right to realize and retain value from his or her compensatory Options and Awards, and the consequence under the Plan if the Participant engages in an activity giving rise to any such Forfeiture Event are the forfeitures specified herein. The Company and the Participant shall not be precluded by this provision or otherwise from entering into other agreements concerning the subject matter of Section 10(a) and 10(b).

(d) Committee Discretion. The Committee may, in its discretion, waive in whole or in part the Company's right to forfeiture under this Section, but no such waiver shall be effective unless evidenced by a writing signed by a duly authorized officer of the Company. In addition, the Committee may impose additional conditions on Awards, by inclusion of appropriate provisions in the document evidencing or governing any such Award.

#### 11. GENERAL PROVISIONS.

(a) Compliance with Legal and Other Requirements. The Company may, to the extent deemed necessary or advisable by the Committee, postpone the issuance or delivery of Stock or payment of other benefits under any Award until completion of such registration or qualification of such Stock or other required action under any federal or state law, rule or regulation, listing or other required action with respect to any stock exchange or automated quotation system upon which the Stock or other securities of the Company are listed or quoted, or compliance with any other obligation of the Company, as the Committee may consider appropriate, and may require any Participant to make such representations, furnish such information and comply with or be subject to such other conditions as it may consider appropriate in connection with the issuance or delivery of Stock or payment of other benefits in compliance with applicable laws, rules, and regulations, listing requirements, or other obligations. The foregoing notwithstanding, in connection with a Change in Control, the Company shall take or cause to be taken no action, and shall undertake or permit to arise no legal or contractual obligation, that results or would result in any postponement of the issuance or delivery of Stock or payment of benefits under any Award or the imposition of any other conditions on such issuance, delivery or payment, to the extent that such postponement or other condition would represent a greater burden on a Participant than existed on the 90th day preceding the Change in Control.

(b) Limits on Transferability; Beneficiaries. No Award or other right or interest of a Participant under the Plan shall be pledged, hypothecated or otherwise encumbered or subject to any lien, obligation or liability of such Participant to any party (other than the Company or a subsidiary or affiliate thereof), or assigned or transferred by such Participant, and such Awards or rights that may be exercisable shall be exercised during the lifetime of the Participant only by the Participant or his or her guardian or legal

representative, except that (i) Awards and related rights shall be transferred to a Participant's Beneficiary or Beneficiaries upon the death of the Participant, and (ii) Awards and other rights (other than ISOs and SARs in tandem therewith) may be transferred to one or more Beneficiaries during the lifetime of the Participant, and rights thereunder may be exercised by such transferees in accordance with the terms of such Award, but only if and to the extent such transfers are then permitted by the Committee, subject to any terms and conditions which the Committee may impose thereon (including limitations the Committee may deem appropriate in order that offers and sales under the Plan will meet applicable requirements of registration forms under the Securities Act of 1933 specified by the Securities and Exchange Commission). A Beneficiary or other person claiming any rights under the Plan from or through any Participant shall be subject to all terms and conditions of the Plan and any Award document applicable to such Participant, except as otherwise determined by the Committee, and to any additional terms and conditions deemed necessary or appropriate by the Committee.

(c) Adjustments. In the event that any large, special and non-recurring dividend or other distribution (whether in the form of cash or property other than Stock), recapitalization, forward or reverse split, Stock dividend, reorganization, merger, consolidation, spin-off, combination, repurchase, share exchange, liquidation, dissolution or other similar corporate transaction or event affects the Stock such that an adjustment is determined by the Committee to be appropriate under the Plan, then the Committee shall, in such manner as it may deem equitable, adjust any or all of (i) the number and kind of shares of Stock which may be delivered in connection with Awards granted thereafter, including all

applicable limitations specified in Section 4(a), (ii) the number and kind of shares of Stock by which annual per-person Award limitations are measured under Section 5, (iii) the number and kind of shares of Stock subject to or deliverable in respect of outstanding Awards and (iv) the exercise price, grant price or purchase price relating to any Award or, if deemed appropriate, the Committee may make provision for a payment of cash or property to the holder of an outstanding Option (subject to Section 11(k)). In addition, the Committee is authorized to make adjustments in the terms and conditions of, and the criteria included in, Awards (including Performance Awards and performance goals and any hypothetical funding pool relating thereto) in recognition of unusual or nonrecurring events (including, without limitation, events described in the preceding sentence, as well as acquisitions and dispositions of businesses and assets) affecting the Company, any subsidiary or affiliate or other business unit, or the financial statements of the Company or any subsidiary or affiliate, or in response to changes in applicable laws, regulations, accounting principles, tax rates and regulations or business conditions or in view of the Committee's assessment of the business strategy of the Company, any subsidiary or affiliate or business unit thereof, performance of comparable organizations, economic and business conditions, personal performance of a Participant, and any other circumstances deemed relevant; provided that no such adjustment shall be authorized or made if and to the extent that the existence of such authority (i) would cause Options, SARs, or Performance Awards granted under Section 8 to Participants designated by the Committee as Covered Employees and intended to qualify as "performance-based compensation" under Code Section 162(m) and regulations thereunder to otherwise fail to qualify as "performance-based compensation" under Code Section 162(m) and regulations thereunder, or (ii) would cause the Committee to be deemed to have authority to change the targets, within the meaning of Treasury Regulation 1.162-27(e)(4)(vi), under the performance goals relating to Options or SARs granted to Covered Employees and

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intended to qualify as "performance-based compensation" under Code Section 162(m) and regulations thereunder.

(d) Tax Provisions.

(i) Withholding. The Company and any subsidiary or affiliate is authorized to withhold from any Award granted, any payment relating to an Award under the Plan, including from a distribution of Stock, or any payroll or other payment to a Participant, amounts of withholding and other taxes due or potentially payable in connection with any transaction involving an Award, and to take such other action as the Committee may deem advisable to enable the Company and Participants to satisfy obligations for the payment of withholding taxes and other tax obligations relating to any Award. This authority shall include authority to withhold or receive Stock or other property and to make cash payments in respect thereof in satisfaction of a Participant's withholding obligations, either on a mandatory or elective basis in the discretion of the Committee. Other provisions of the Plan notwithstanding, only the minimum amount of Stock deliverable in connection with an Award necessary to satisfy statutory withholding requirements will be withheld.

(ii) Required Consent to and Notification of Code Section 83(b) Election. No election under Section 83(b) of the Code (to include in gross income in the year of transfer the amounts specified in Code Section 83(b)) or under a similar provision of the laws of a jurisdiction outside the United States may be made unless expressly permitted by the terms of the Award document or by action of the Committee in writing prior to the making of such election. In any case in which a Participant is permitted to make such an election in connection with an Award, the Participant shall notify the Company of such election within ten days of filing notice of the election with the Internal Revenue Service or other governmental authority, in addition to any filing and notification required pursuant to regulations issued under Code Section 83(b) or other applicable provision.

(iii) Requirement of Notification Upon Disqualifying Disposition Under Code Section 421(b). If any Participant shall make any disposition of shares of Stock delivered pursuant to the exercise of an Incentive Stock Option under the circumstances described in Code Section 421(b) (relating to certain disqualifying dispositions), such Participant shall notify the Company of such disposition within ten days thereof.

(e) Changes to the Plan. The Board may amend, suspend or terminate the Plan or the Committee's authority to grant Awards under the Plan without the consent of shareholders or Participants; provided, however, that any amendment to the Plan shall be submitted to the Company's shareholders for approval not later than the earliest annual meeting for which the record date is after the date of such Board action if such shareholder approval is required by any federal or state law or regulation or the rules of any stock exchange or automated quotation system on which the Stock may then be listed or quoted and the Board may otherwise, in its discretion, determine to submit other amendments to

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the Plan to shareholders for approval; and provided further, that, without

the consent of an affected Participant, no such Board action may materially and adversely affect the rights of such Participant under any outstanding Award. Without the approval of shareholders, the Committee will not amend or replace previously granted Options in a transaction that constitutes a "repricing," as such term is used in Instruction 3 to Item 402(b)(2)(iv) of Regulation S-K, as promulgated by the Securities and Exchange Commission. The Committee shall have no authority to waive or modify any other Award term after the Award has been granted to the extent that the waived or modified term was mandatory under the Plan.

(f) Right of Setoff. The Company or any subsidiary or affiliate may, to the extent permitted by applicable law, deduct from and set off against any amounts the Company or a subsidiary or affiliate may owe to the Participant from time to time, including amounts payable in connection with any Award, owed as wages, fringe benefits, or other compensation owed to the Participant, such amounts as may be owed by the Participant to the Company, including but not limited to amounts owed under Section 10(a), although the Participant shall remain liable for any part of the Participant's payment obligation not satisfied through such deduction and setoff. By accepting any Award granted hereunder, the Participant agrees to any deduction or setoff under this Section 11(f).

(g) Unfunded Status of Awards; Creation of Trusts. The Plan is intended to constitute an "unfunded" plan for incentive and deferred compensation. With respect to any payments not yet made to a Participant or obligation to deliver Stock pursuant to an Award, nothing contained in the Plan or any Award shall give any such Participant any rights that are greater than those of a general creditor of the Company; provided that the Committee may authorize the creation of trusts and deposit therein cash, Stock, other Awards or other property, or make other arrangements to meet the Company's obligations under the Plan. Such trusts or other arrangements shall be consistent with the "unfunded" status of the Plan unless the Committee otherwise determines with the consent of each affected Participant.

(h) Nonexclusivity of the Plan. Neither the adoption of the Plan by the Board nor its submission to the shareholders of the Company for approval shall be construed as creating any limitations on the power of the Board or a committee thereof to adopt such other incentive arrangements, apart from the Plan, as it may deem desirable, including incentive arrangements and awards which do not qualify under Code Section 162(m), and such other arrangements may be either applicable generally or only in specific cases.

(i) Payments in the Event of Forfeitures; Fractional Shares. Unless otherwise determined by the Committee, in the event of a forfeiture of an Award with respect to which a Participant paid cash consideration, the Participant shall be repaid the amount of such cash consideration. No fractional shares of Stock shall be issued or delivered pursuant to the Plan or any Award. The Committee shall determine whether cash, other Awards or other property shall be issued or paid in lieu of such fractional shares or whether such fractional shares or any rights thereto shall be forfeited or otherwise eliminated.

(j) Compliance with Code Section 162(m). It is the intent of the Company that Options and SARs granted to Covered Employees and other Awards designated as

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Awards to Covered Employees subject to Section 7 shall constitute qualified "performance-based compensation" within the meaning of Code Section 162(m) and regulations thereunder, unless otherwise determined by the Committee at the time of allocation of an Award. Accordingly, the terms of Sections 7(b), (c), and (d), including the definitions of Covered Employee and other terms used therein, shall be interpreted in a manner consistent with Code Section 162(m) and regulations thereunder. The foregoing notwithstanding, because the Committee cannot determine with certainty whether a given Participant will be a Covered Employee with respect to a fiscal year that has not yet been completed, the term Covered Employee as used herein shall mean only a person designated by the Committee as likely to be a Covered Employee with respect to a specified fiscal year. If any provision of the Plan or any Award document relating to a Performance Award that is designated as intended to comply with Code Section 162(m) does not comply or is inconsistent with the requirements of Code Section 162(m) or regulations thereunder, such provision shall be construed or deemed amended to the extent necessary to conform to such requirements, and no provision shall be deemed to confer upon the Committee or any other person discretion to increase the amount of compensation otherwise payable in connection with any such Award upon attainment of the applicable performance objectives.

(k) Certain Limitations Relating to Accounting Treatment of Awards. Other provisions of the Plan notwithstanding, the Committee's authority under the Plan (including under Sections 8(c), 8(d), 11(c) and 11(d)) is limited to the extent necessary to ensure that any Option or other Award of a type that the Committee has intended to be subject to fixed accounting with a measurement date at the date of grant or the date performance conditions are satisfied under APB 25 shall not become subject to "variable" accounting solely due to the existence of such authority, unless the Committee specifically determines that the Award shall remain outstanding despite such "variable" accounting. In addition, other provisions of the Plan notwithstanding, (i) if any right under this Plan would cause a transaction to be ineligible for pooling-of-interests accounting that would, but for the right hereunder, be eligible for such accounting treatment, such right shall be automatically adjusted so that pooling-of-interests accounting shall be available, including by

substituting Stock or cash having a Fair Market Value equal to any cash or Stock otherwise payable in respect of any right to cash which would cause the transaction to be ineligible for pooling-of-interests accounting, and (ii) if any authority under Section 9(c) would cause a transaction to be ineligible for pooling-of-interests accounting that would, but for such authority, be eligible for such accounting treatment, such authority shall be limited to the extent necessary so that such transaction would be eligible for pooling-of-interests accounting.

(l) Governing Law. The validity, construction, and effect of the Plan, any rules and regulations relating to the Plan and any Award document shall be determined in accordance with the laws of the State of New York, without giving effect to principles of conflicts of laws, and applicable provisions of federal law.

(m) Awards to Participants Outside the United States. The Committee may modify the terms of any Award under the Plan made to or held by a Participant who is then resident or primarily employed outside of the United States in any manner deemed by the Committee to be necessary or appropriate in order that such Award shall conform to laws, regulations, and customs of the country in which the Participant is then resident or primarily.

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employed, or so that the value and other benefits of the Award to the Participant, as affected by foreign tax laws and other restrictions applicable as a result of the Participant's residence or employment abroad shall be comparable to the value of such an Award to a Participant who is resident or primarily employed in the United States. An Award may be modified under this Section 11(m) in a manner that is inconsistent with the express terms of the Plan, so long as such modifications will not contravene any applicable law or regulation or result in actual liability under Section 16(b) for the Participant whose Award is modified.

(n) Limitation on Rights Conferred under Plan. Neither the Plan nor any action taken hereunder shall be construed as (i) giving any Eligible Person or Participant the right to continue as an Eligible Person or Participant or in the employ or service of the Company or a subsidiary or affiliate, (ii) interfering in any way with the right of the Company or a subsidiary or affiliate to terminate any Eligible Person's or Participant's employment or service at any time, (iii) giving an Eligible Person or Participant any claim to be granted any Award under the Plan or to be treated uniformly with other Participants and employees, or (iv) conferring on a Participant any of the rights of a shareholder of the Company unless and until the Participant is duly issued or transferred shares of Stock in accordance with the terms of an Award or an Option is duly exercised. Except as expressly provided in the Plan and an Award document, neither the Plan nor any Award document shall confer on any person other than the Company and the Participant any rights or remedies thereunder.

(o) Severability; Entire Agreement. If any of the provisions of this Plan or any Award document is finally held to be invalid, illegal or unenforceable (whether in whole or in part), such provision shall be deemed modified to the extent, but only to the extent, of such invalidity, illegality or unenforceability, and the remaining provisions shall not be affected thereby; provided, that, if any of such provisions is finally held to be invalid, illegal, or unenforceable because it exceeds the maximum scope determined to be acceptable to permit such provision to be enforceable, such provision shall be deemed to be modified to the minimum extent necessary to modify such scope in order to make such provision enforceable hereunder. The Plan and any Award documents contain the entire agreement of the parties with respect to the subject matter thereof and supersede all prior agreements, promises, covenants, arrangements, communications, representations and warranties between them, whether written or oral with respect to the subject matter thereof.

(p) Plan Effective Date and Termination. The Plan shall become effective if, and at such time as, the shareholders of the Company have approved it by the affirmative votes of the holders of a majority of the voting securities of the Company present, or represented, and entitled to vote on the subject matter at a duly held meeting of shareholders. Unless earlier terminated by action of the Board of Directors, the Plan will remain in effect until such time as no Stock remains available for delivery under the Plan and the Company has no further rights or obligations under the Plan with respect to outstanding Awards under the Plan.

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INTERNATIONAL FLAVORS & FRAGRANCES INC.

2000 SUPPLEMENTAL STOCK AWARD PLAN  
AS AMENDED AND RESTATED NOVEMBER 8, 2004

INTERNATIONAL FLAVORS & FRAGRANCES INC.

2000 SUPPLEMENTAL STOCK AWARD PLAN  
AS AMENDED AND RESTATED NOVEMBER 8, 2004

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INTERNATIONAL FLAVORS & FRAGRANCES INC.

2000 SUPPLEMENTAL STOCK AWARD PLAN  
AS AMENDED AND RESTATED NOVEMBER 8, 2004

1. **PURPOSE.** The purpose of this 2000 Supplemental Stock Award Plan (the "Plan") is to aid International Flavors & Fragrances Inc., a New York corporation (the "Company"), in attracting, retaining, motivating and rewarding employees, other than executive officers and directors of the Company, and certain other persons who provide substantial services to the Company or its subsidiaries or affiliates, to provide for equitable and competitive compensation opportunities, to recognize individual contributions and reward achievement of Company goals, and promote the creation of long-term value for shareholders by closely aligning the interests of Participants with those of shareholders. The Plan authorizes stock-based incentives for Participants.

2. **DEFINITIONS.** In addition to the terms defined in Section 1 above and elsewhere in the Plan, the following capitalized terms used in the Plan have the respective meanings set forth in this Section:

(a) "Award" means any Option, SAR, Restricted Stock, Deferred Stock, Stock granted as a bonus or in lieu of another award, Dividend Equivalent, Other Stock-Based Award, or Performance Award, together with any related right or interest, granted to a Participant under the Plan.

(b) "Beneficiary" means any family member or members, including by marriage or adoption, any trust in which the Participant or any family member or members have more than 50% of the beneficial interest, and any other entity in which the Participant or any family member or members own more than 50% of the voting interests, in each case designated by the Participant in his most recent written Beneficiary designation filed with the Committee as entitled to exercise rights or receive benefits in connection with the Award (or any portion thereof), 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 exercise rights or receive benefits in connection with the Award on behalf or in lieu of such non-surviving designated Beneficiary.

(c) "Board" means the Company's Board of Directors.

(d) "Change in Control" and related terms have the meanings specified in Section 8.

(e) "Code" means the Internal Revenue Code of 1986, as amended. References to any provision of the Code or regulation (including a proposed regulation) thereunder shall include any successor provisions and regulations.

(f) "Committee" means a committee of two or more directors designated by the Board to administer the Plan; provided, however, that directors appointed or serving as members of a Board committee designated as the Committee shall not be employees of the Company or any subsidiary or affiliate. The full Board may perform any function of the Committee hereunder, and the Committee may delegate authority as provided in Section

3(b), in which case the term "Committee" shall refer to the Board or such delegatee.

(g) "Deferred Stock" means a right, granted to a Participant under Section 6(e), to receive Stock or other Awards or a combination thereof at the end of a specified deferral period. Such Awards may be denominated as "Restricted Stock Units" as well.

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(h) "Dividend Equivalent" means a right, granted to a Participant under Section 6(g), to receive cash, Stock, other Awards or other property equal in value to all or a specified portion of the dividends paid with respect to a specified number of shares of Stock.

(i) "Effective Date" means the effective date specified in Section 10(o).

(j) "Eligible Person" has the meaning specified in Section 5.

(k) "Exchange Act" means the Securities Exchange Act of 1934, as amended. References to any provision of the Exchange Act or rule (including a proposed rule) thereunder shall include any successor provisions and rules.

(l) "Fair Market Value" means the fair market value of Stock, Awards or other property as determined by the Committee or under procedures established by the Committee. Unless otherwise determined by the Committee, the Fair Market Value of Stock shall be the closing sale price reported on the composite tape of the New York Stock Exchange on the day as of which such value is being determined or, if there is no sale on that day, then on the last previous day on which a sale was reported.

(m) "Option" means a right, granted to a Participant under Section 6(b), to purchase Stock or other Awards at a specified price during specified time periods.

(n) "Other Stock-Based Awards" means Awards granted to a Participant under Section 6(h).

(o) "Participant" means a person who has been granted an Award under the Plan which remains outstanding, including a person who is no longer an Eligible Person.

(p) "Performance Award" means a conditional right, granted to a Participant under Section 6(i), to receive Stock or other Awards or payments, as determined by the Committee, based upon performance criteria specified by the Committee.

(q) "Restricted Stock" means Stock granted to a Participant under Section 6(d) which is subject to certain restrictions and to a risk of forfeiture.

(r) "Stock" means the Company's Common Stock, and any other equity securities of the Company that may be substituted or resubstituted for Stock pursuant to Section 10(c).

(s) "Stock Appreciation Rights" or "SAR" means a right granted to a Participant under Section 6(c).

### 3. ADMINISTRATION.

(a) Authority of the Committee. The Plan shall be administered by the Committee, which shall have full and final authority, in each case subject to and consistent with the provisions of the Plan, to select Eligible Persons to become Participants; to grant Awards; to determine the type and number of Awards, the dates on which Awards may be exercised and on which the risk of forfeiture or deferral period relating to Awards shall lapse or terminate, the acceleration of any such dates, the expiration date of any Award, whether, to what extent, and under what circumstances an Award may be settled, or the exercise price of an Award may be paid, in cash, Stock, other Awards, or other property, and other terms and conditions of, and all other matters relating to, Awards; to prescribe documents evidencing or setting terms of Awards (such Award documents need not be identical for each Participant), amendments thereto, and rules and regulations for the administration of the Plan and amendments thereto; to construe and interpret the Plan and Award documents and correct

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defects, supply omissions or reconcile inconsistencies therein; and to make all other decisions and determinations as the Committee may deem necessary or advisable for the administration of the Plan. Decisions of the Committee with respect to the administration and interpretation of the Plan shall be final, conclusive, and binding upon all persons interested in the Plan, including Participants, Beneficiaries, transferees under Section 10(b) and other persons claiming rights from or through a Participant, and shareholders.

(b) Manner of Exercise of Committee Authority. The Committee may delegate to officers or managers of the Company or any subsidiary or affiliate, or committees thereof, the authority, subject to such terms as the Committee shall determine, to perform such functions, including

administrative functions, as the Committee may determine. The express grant of any specific power to the Committee, and the taking of any action by the Committee, shall not be construed as limiting any power or authority of the Committee.

(c) Limitation of Liability. The Committee and each member thereof, and any person acting pursuant to authority delegated by the Committee, shall be entitled, in good faith, to rely or act upon any report or other information furnished by any executive officer, other officer or employee of the Company or a subsidiary or affiliate, the Company's independent auditors, consultants or any other agents assisting in the administration of the Plan. Members of the Committee, any person acting pursuant to authority delegated by the Committee, and any officer or employee of the Company or a subsidiary or affiliate acting at the direction or on behalf of the Committee or a delegee shall not be personally liable for any action or determination taken or made in good faith with respect to the Plan, and shall, to the extent permitted by law, be fully indemnified and protected by the Company with respect to any such action or determination.

#### 4. STOCK SUBJECT TO PLAN.

(a) Overall Number of Shares Available for Delivery. Subject to adjustment as provided in Section 10(c), the total number of shares of Stock reserved and available for delivery in connection with Awards under the Plan shall be 4,500,000 shares; provided, however, that the total number of shares which may be issued and delivered in connection with Awards other than Options and SARs shall not exceed 100,000. Any shares of Stock delivered under the Plan shall consist of authorized and unissued shares, unless the Company's General Counsel determines that treasury shares shall be delivered under the Plan.

(b) Share Counting Rules. The Committee may adopt reasonable counting procedures to ensure appropriate counting, avoid double counting (as, for example, in the case of tandem or substitute awards) and make adjustments if the number of shares of Stock actually delivered differs from the number of shares previously counted in connection with an Award; provided, however, that shares withheld in payment of taxes upon vesting of Restricted Stock and shares equal to the number of outstanding shares surrendered in payment of the exercise price or taxes relating to an Award shall not become available again under the Plan if the withholding or surrender transaction occurs more than ten years after the date of adoption of the Plan, and otherwise shares shall not become available under this Section 4(b) in an event that would constitute a "material revision" of the Plan subject to shareholder approval under then applicable rules of the New York Stock Exchange. Shares subject to an Award that is canceled, expired, forfeited, settled in cash or otherwise terminated without a delivery of shares to the Participant will again be available for Awards, and shares withheld in payment of the exercise price or taxes relating to an Award and shares equal to the number surrendered in payment of any exercise price or taxes relating to an Award shall be deemed to constitute shares not delivered to the Participant and shall be deemed to again be available for Awards under the Plan. In addition, in the case of any Award granted in substitution for an award of a company or business acquired by the Company or a subsidiary or affiliate, shares issued or issuable in connection with such substitute Award shall not be counted against the number of shares reserved under the Plan, but shall be available under the Plan by virtue of the Company's assumption of the

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plan or arrangement of the acquired company or business.

5. ELIGIBILITY. Awards may be granted under the Plan only to Eligible Persons. For purposes of the Plan, an "Eligible Person" means a person who is not an executive officer or director of the Company but who is an employee of the Company or any subsidiary or affiliate, a consultant or other person who provides substantial services to the Company or a subsidiary or affiliate, or a person who has been offered employment by the Company or a subsidiary or affiliate, provided that such prospective employee or consultant or other person may not receive any payment or exercise any right relating to an Award until such person has commenced employment with or providing of services to the Company or a subsidiary or affiliate. An employee on leave of absence may be considered as still in the employ of the Company or a subsidiary or affiliate for purposes of eligibility for participation in the Plan. For purposes of the Plan, a joint venture in which the Company or a subsidiary has a substantial direct or indirect equity investment shall be deemed an affiliate, if so determined by the Committee.

#### 6. SPECIFIC TERMS OF AWARDS.

(a) General. Awards may be granted on the terms and conditions set forth in this Section 6. In addition, the Committee may impose on any Award or the exercise thereof, at the date of grant or thereafter (subject to Section 10(e)), such additional terms and conditions, not inconsistent with the provisions of the Plan, as the Committee shall determine, including terms requiring forfeiture of Awards in the event of termination of employment or service by the Participant and terms permitting a Participant to make elections relating to his or her Award. The Committee shall retain full power and discretion with respect to any term or condition of an Award that is not mandatory under the Plan. The Committee shall require the payment of lawful consideration for an Award to the extent necessary to satisfy the requirements of the New York Business Corporation Law, and may otherwise require payment of consideration for an Award except as limited by the Plan.

(b) Options. The Committee is authorized to grant Options to

Participants on the following terms and conditions:

(i) Exercise Price. The exercise price per share of Stock purchasable under an Option shall be determined by the Committee, provided that such exercise price shall be not less than the Fair Market Value of a share of Stock on the date of grant of such Option, subject to Sections 6(f) and 7(a).

(ii) Option Term; Time and Method of Exercise. The Committee shall determine the term of each Option. The Committee shall determine the time or times at which or the circumstances under which an Option may be exercised in whole or in part (including based on achievement of performance goals and/or future service requirements), the methods by which such exercise price may be paid or deemed to be paid and the form of such payment (subject to Section 10(j)), including, without limitation, cash, Stock, other Awards or awards granted under other plans of the Company or any subsidiary or affiliate, or other property (including through "cashless exercise" arrangements, to the extent permitted by applicable law, but excluding any exercise method in which a personal loan would be made from the Company to the Participant), and the methods by or forms in which Stock will be delivered or deemed to be delivered in satisfaction of Options to Participants (including deferred delivery of shares representing the Option "profit," at the election of the Participant or as mandated by the Committee, with such deferred shares subject to any vesting, forfeiture or other terms as the Committee may specify).

(c) Stock Appreciation Rights. The Committee is authorized to grant SAR's to Participants on the following terms and conditions:

(i) Right to Payment. An SAR shall confer on the Participant to whom it is granted a right to receive, upon exercise thereof, the excess of (A) the Fair Market Value of one share of Stock on the

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date of exercise (or, in the case of a "Limited SAR," the Fair Market Value determined by reference to the Change in Control Price, as defined under Section 8(d) hereof) over (B) the grant price of the SAR as determined by the Committee.

(ii) Other Terms. The Committee shall determine at the date of grant or thereafter, the time or times at which and the circumstances under which a SAR may be exercised in whole or in part (including based on achievement of performance goals and/or future service requirements), the method of exercise, method of settlement, form of consideration payable in settlement, method by or forms in which Stock will be delivered or deemed to be delivered to Participants, and whether or not a SAR shall be free-standing or in tandem or combination with any other Award. Limited SARs that may only be exercised in connection with a Change in Control or other event as specified by the Committee may be granted on such terms, not inconsistent with this Section 6(c), as the Committee may determine.

(d) Restricted Stock. The Committee is authorized to grant Restricted Stock to Participants on the following terms and conditions:

(i) Grant and Restrictions. Restricted Stock shall be subject to such restrictions on transferability, risk of forfeiture and other restrictions, if any, as the Committee may impose, which restrictions may lapse separately or in combination at such times, under such circumstances (including based on achievement of performance goals and/or future service requirements), in such installments or otherwise and under such other circumstances as the Committee may determine at the date of grant or thereafter. Except to the extent restricted under the terms of the Plan and any Award document relating to the Restricted Stock, a Participant granted Restricted Stock shall have all of the rights of a shareholder, including the right to vote the Restricted Stock and the right to receive dividends thereon (subject to any mandatory reinvestment or other requirement imposed by the Committee).

(ii) Forfeiture. Except as otherwise determined by the Committee, upon termination of employment or service during the applicable restriction period, Restricted Stock that is at that time subject to restrictions shall be forfeited and reacquired by the Company; provided that the Committee may provide, by rule or regulation or in any Award document, or may determine in any individual case, that restrictions or forfeiture conditions relating to Restricted Stock will lapse in whole or in part, including in the event of terminations resulting from specified causes.

(iii) Certificates for Stock. Restricted Stock granted under the Plan may be evidenced in such manner as the Committee shall determine. If certificates representing Restricted Stock are registered in the name of the Participant, the Committee may require that such certificates bear an appropriate legend referring to the terms, conditions and restrictions applicable to such Restricted Stock, that the Company retain physical possession of the certificates, and that the Participant deliver a stock power to the Company, endorsed in blank, relating to the Restricted Stock.

(iv) Dividends and Splits. As a condition to the grant of an Award of Restricted Stock, the Committee may require that any dividends paid on a share of Restricted Stock shall be either (A)

paid with respect to such Restricted Stock at the dividend payment date in cash, in kind, or in a number of shares of unrestricted Stock having a Fair Market Value equal to the amount of such dividends, or (B) automatically reinvested in additional Restricted Stock or held in kind, which shall be subject to the same terms as applied to the original Restricted Stock to which it relates, or (C) deferred as to payment, either as a cash deferral or with the amount or value thereof automatically deemed reinvested in shares of Deferred Stock, other Awards or other investment vehicles, subject to such terms as the Committee shall determine or permit a Participant to elect. Unless otherwise determined by the Committee, Stock distributed in connection with a Stock split or Stock dividend, and other property distributed as a dividend, shall be subject to restrictions and a risk of forfeiture to

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the same extent as the Restricted Stock with respect to which such Stock or other property has been distributed.

(e) Deferred Stock. The Committee is authorized to grant Deferred Stock to Participants, which are rights to receive Stock, other Awards, or a combination thereof at the end of a specified deferral period, subject to the following terms and conditions:

(i) Award and Restrictions. Issuance of Stock will occur upon expiration of the deferral period specified for an Award of Deferred Stock by the Committee (or, if permitted by the Committee, as elected by the Participant). In addition, Deferred Stock shall be subject to such restrictions on transferability, risk of forfeiture and other restrictions, if any, as the Committee may impose, which restrictions may lapse at the expiration of the deferral period or at earlier specified times (including based on achievement of performance goals and/or future service requirements), separately or in combination, in installments or otherwise, and under such other circumstances as the Committee may determine at the date of grant or thereafter. Deferred Stock may be satisfied by delivery of Stock, other Awards, or a combination thereof (subject to Section 10(j)), as determined by the Committee at the date of grant or thereafter.

(ii) Forfeiture. Except as otherwise determined by the Committee, upon termination of employment or service during the applicable deferral period or portion thereof to which forfeiture conditions apply (as provided in the Award document evidencing the Deferred Stock), all Deferred Stock that is at that time subject to such forfeiture conditions shall be forfeited; provided that the Committee may provide, by rule or regulation or in any Award document, or may determine in any individual case, that restrictions or forfeiture conditions relating to Deferred Stock will lapse in whole or in part, including in the event of terminations resulting from specified causes.

(iii) Dividend Equivalents. Unless otherwise determined by the Committee, Dividend Equivalents on the specified number of shares of Stock covered by an Award of Deferred Stock shall be either (A) paid with respect to such Deferred Stock at the dividend payment date in cash or in shares of unrestricted Stock having a Fair Market Value equal to the amount of such dividends, or (B) deferred with respect to such Deferred Stock, either as a cash deferral or with the amount or value thereof automatically deemed reinvested in additional Deferred Stock, other Awards or other investment vehicles having a Fair Market Value equal to the amount of such dividends, as the Committee shall determine or permit a Participant to elect.

(f) Bonus Stock and Awards in Lieu of Obligations. The Committee is authorized to grant Stock as a bonus, or to grant Stock or other Awards in lieu of obligations of the Company or a subsidiary or affiliate to pay cash or deliver other property under the Plan or under other plans or compensatory arrangements, subject to such terms as shall be determined by the Committee.

(g) Dividend Equivalents. The Committee is authorized to grant Dividend Equivalents to a Participant, entitling the Participant to receive cash, Stock, other Awards, or other property equivalent to all or a portion of the dividends paid with respect to a specified number of shares of Stock. Dividend Equivalents may be awarded on a free-standing basis or in connection with another Award. The Committee may provide that Dividend Equivalents shall be paid or distributed when accrued or shall be deemed to have been reinvested in additional Stock, Awards, or other investment vehicles, and subject to restrictions on transferability, risks of forfeiture and such other terms as the Committee may specify.

(h) Other Stock-Based Awards. The Committee is authorized, subject to limitations under applicable law, to grant to Participants such other Awards that may be denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, Stock or factors that may influence the value of Stock, including, without limitation, convertible or exchangeable debt securities, other rights convertible or exchangeable into Stock, purchase rights for Stock, Awards with value and payment contingent upon performance of the Company or business units thereof or any other factors designated by

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the Committee, and Awards valued by reference to the book value of Stock or the value of securities of or the performance of specified subsidiaries or affiliates or other business units. The Committee shall determine the terms and conditions of such Awards. Stock delivered pursuant to an Award in the nature of a purchase right granted under this Section 6(h) shall be purchased for such consideration, paid for at such times, by such methods, and in such forms, including, without limitation, cash, Stock, other Awards, notes, or other property, as the Committee shall determine. Cash awards, as an element of or supplement to any other Award under the Plan, may also be granted pursuant to this Section 6(h).

(i) Performance Awards. The Committee is authorized to grant Performance Awards to Participants. Performance Awards may be denominated as a number of shares of Stock, shares of Stock having a specified cash value at a future date, or a number of other Awards (or a combination), which may be earned upon achievement or satisfaction of performance conditions specified by the Committee. In addition, the Committee may specify that any other Award shall constitute a Performance Award by conditioning the right of a Participant to exercise the Award or have it settled, and the timing thereof, upon achievement or satisfaction of such performance conditions as may be specified by the Committee. The Committee may use such business criteria and other measures of performance as it may deem appropriate in establishing any performance conditions, and may exercise its discretion to reduce or increase the amounts payable under any Award subject to performance conditions.

#### 7. CERTAIN PROVISIONS APPLICABLE TO AWARDS.

(a) Stand-Alone, Additional, Tandem, and Substitute Awards. Awards granted under the Plan may, in the discretion of the Committee, be granted either alone or in addition to, in tandem with, or in substitution or exchange for, any other Award or any award granted under another plan of the Company, any subsidiary or affiliate, or any business entity to be acquired by the Company or a subsidiary or affiliate, or any other right of a Participant to receive payment from the Company or any subsidiary or affiliate. Awards granted in addition to or in tandem with other Awards or awards may be granted either as of the same time as or a different time from the grant of such other Awards or awards. Subject to Section 10(j), the Committee may determine that, in granting a new Award, the in-the-money value or other value of any surrendered Award or award may be applied to reduce the exercise price of any Option, grant price of any SAR, or purchase price of any other Award.

(b) Term of Awards. The term of each Award shall be for such period as may be determined by the Committee.

(c) Form and Timing of Payment under Awards; Deferrals. Subject to the terms of the Plan (including Section 10(j)) and any applicable Award document, payments to be made by the Company or a subsidiary or affiliate upon the exercise of an Option or other Award or settlement of an Award may be made in such forms as the Committee shall determine, including, without limitation, cash, Stock, other Awards or other property, and may be made in a single payment or transfer, in installments, or on a deferred basis. The settlement of any Award may be accelerated, and cash paid in lieu of Stock in connection with such settlement, in the discretion of the Committee or upon occurrence of one or more specified events (subject to Section 10(j)). Installment or deferred payments may be required by the Committee (subject to Section 10(e)) or permitted at the election of the Participant on terms and conditions established by the Committee. Payments may include, without limitation, provisions for the payment or crediting of reasonable interest on installment or deferred payments or the grant or crediting of Dividend Equivalents or other amounts in respect of installment or deferred payments denominated in Stock.

#### 8. CHANGE IN CONTROL.

(a) Effect of "Change in Control" on Non-Performance Based Awards. In the event of a "Change in Control," the following provisions shall apply to non-performance based Awards, including Awards as to

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which performance conditions previously have been satisfied or are deemed satisfied under Section 8(b), unless otherwise provided by the Committee in the Award document:

(i) All deferral of settlement, forfeiture conditions and other restrictions applicable to Awards granted under the Plan shall lapse and such Awards shall be fully payable 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 Participant or other express election to defer beyond a Change in Control and subject to applicable restrictions set forth in Section 10(a);

(ii) Any Award carrying a right to exercise that was not previously exercisable and vested shall become fully exercisable and vested as of the time of the Change in Control and shall remain exercisable and vested for the balance of the stated term of such Award without regard to any termination of employment or service by the Participant other than a termination for "cause" (as defined in any employment or severance agreement between the Company or a subsidiary or affiliate and the Participant then in effect or, if none, as defined by the Committee and in effect at the time of the Change in Control), subject only to applicable restrictions set forth in Section 10(a); and

(iii) The Committee may, in its discretion, determine to

extend to any Participant who holds an Option the right to elect, during the 60-day period immediately following the Change in Control, in lieu of acquiring the shares of Stock covered by such Option, to receive in cash the excess of the Change in Control Price over the exercise price of such Option, multiplied by the number of shares of Stock covered by such Option, and to extend to any Participant who holds other types of Awards denominated in shares the right to elect, during the 60-day period immediately following the Change in Control, in lieu of receiving the shares of Stock covered by such Award, to receive in cash the Change in Control Price multiplied by the number of shares of Stock covered by such Award.

(b) Effect of "Change in Control" on Performance-Based Awards. In the event of a "Change in Control," with respect to an outstanding Award subject to achievement of performance goals and conditions, such performance goals and conditions shall be deemed to be met or exceeded if and to the extent so provided by the Committee in the Award document governing such Award or other agreement with the Participant.

(c) Definition of "Change in Control." A "Change in Control" shall be deemed to have occurred if, after the Effective Date, 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

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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 8(c)(i).

(ii) Individuals who on September 1, 2000 constitute the Board, and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election consent, including but not limited to a consent solicitation, relating to the election of directors of the Company) 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 on September 1, 2000 or whose election or nomination for election was previously so approved or recommended, cease for any reason to constitute at least a majority thereof;

(iii) There is consummated a merger, consolidation, recapitalization, or reorganization of the Company, or a reverse stock split of any class of voting securities of the Company, if, immediately following consummation of any of the foregoing, either (A) individuals who, immediately prior to such consummation, constitute the Board do not constitute at least a majority of the members of the board of directors of the Company or the surviving or parent entity, as the case may be, or (B) the voting securities of the Company outstanding immediately prior to such consummation do not represent (either by remaining outstanding or by being converted into voting securities of a surviving or parent entity) at least 60% or more of the combined voting power of the outstanding voting securities of the Company or such surviving or parent entity; or

(iv) The shareholders of the Company have approved a plan of complete liquidation of the Company or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets (or any transaction have a similar effect).

(d) Definition of "Change in Control Price." The "Change in Control Price" means an amount in cash equal to the higher of (i) the amount of cash and fair market value of property that is the highest price

per share paid (including extraordinary dividends) in any transaction triggering the Change in Control or any liquidation of shares following a sale of substantially all assets of the Company, or (ii) the highest Fair Market Value per share at any time during the 60-day period preceding and 60-day period following the Change in Control.

9. ADDITIONAL AWARD FORFEITURE PROVISIONS.

(a) Forfeiture of Options and Other Awards and Gains Realized Upon Prior Option Exercises or Award Settlements. Unless otherwise determined by the Committee, each Award granted hereunder shall be subject to the following additional forfeiture conditions, to which the Participant, by accepting an Award hereunder, agrees. If any of the events specified in Section 9(b)(i), (ii), or (iii) occurs (a "Forfeiture Event"), all of the following forfeitures will result:

(i) The unexercised portion of the Option, whether or not vested, and any other Award not then settled (except for an Award that has not been settled solely due to an elective deferral by the Participant and otherwise is not forfeitable in the event of any termination of service of the Participant) will be immediately forfeited and canceled upon the occurrence of the Forfeiture Event; and

(ii) The Participant will be obligated to repay to the Company, in cash, within five business days after demand is made therefor by the Company, the total amount of Award Gain (as defined herein) realized by the Participant upon each exercise of an Option or settlement of an Award (regardless of any elective deferral) that occurred on or after (A) the date that is six months prior to the occurrence of the Forfeiture Event, if the Forfeiture Event occurred while the Participant was employed by the Company or a subsidiary or affiliate, or (B) the date that is six months prior to the

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date the Participant's employment by the Company or a subsidiary or affiliate terminated, if the Forfeiture Event occurred after the Participant ceased to be so employed. For purposes of this Section, the term "Award Gain" shall mean (i), 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 Participant, the Fair Market Value of the cash or Stock paid or payable to Participant (regardless of any elective deferral) less any cash or the Fair Market Value of any Stock or property (other than an Award or award which would have itself then been forfeitable hereunder and excluding any payment of tax withholding) paid by the Participant to the Company as a condition of or in connection such settlement.

(b) Events Triggering Forfeiture. The forfeitures specified in Section 9(a) will be triggered upon the occurrence of any one of the following Forfeiture Events at any time during the Participant's employment by the Company or a subsidiary or affiliate or during the one-year period following termination of such employment:

(i) The Participant, acting alone or with others, directly or indirectly, prior to a Change in Control, (A) engages, either as employee, employer, consultant, advisor, or director, or as an owner, investor, partner, or shareholder unless the Participant's interest is insubstantial, in any business in an area or region in which the Company conducts business at the date the event occurs, which is directly in competition with a business then conducted by the Company or a subsidiary or affiliate; (B) induces 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 (C) induces, or attempts to influence, any employee of or service provider to the Company or a subsidiary or affiliate to terminate such employment or service. The Committee shall, in its discretion, determine which lines of business the Company conducts on any particular date and which third parties may reasonably be deemed to be in competition with the Company. For purposes of this Section 9(b)(i), a Participant's interest as a shareholder is insubstantial if it represents beneficial ownership of less than five percent of the outstanding class of stock, and a Participant'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 Participant discloses, uses, sells, or otherwise transfers, 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 operations 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, or the Participant makes statements or representations, or otherwise communicates, directly or indirectly, in writing, orally, or otherwise, or takes any other action which

may, directly or indirectly, disparage or be 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; or

(iii) The Participant fails to cooperate with the Company or any subsidiary or affiliate by making himself or herself 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, or otherwise fails 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.

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(c) Agreement Does Not Prohibit Competition or Other Participant Activities. Although the conditions set forth in this Section 9 shall be deemed to be incorporated into an Award, a Participant is not thereby prohibited from engaging in any activity, including but not limited to competition with the Company and its subsidiaries and affiliates. Rather, the non-occurrence of the Forfeiture Events set forth in Section 9(b) is a condition to the Participant's right to realize and retain value from his or her compensatory Options and Awards, and the consequence under the Plan if the Participant engages in an activity giving rise to any such Forfeiture Event are the forfeitures specified herein. The Company and the Participant shall not be precluded by this provision or otherwise from entering into other agreements concerning the subject matter of Section 9(a) and 9(b).

(d) Committee Discretion. The Committee may, in its discretion, waive in whole or in part the Company's right to forfeiture under this Section, but no such waiver shall be effective unless evidenced by a writing signed by a duly authorized officer of the Company. In addition, the Committee may impose additional conditions on Awards, by inclusion of appropriate provisions in the document evidencing or governing any such Award.

#### 10. GENERAL PROVISIONS.

(a) Compliance with Legal and Other Requirements. The Company may, to the extent deemed necessary or advisable by the Committee, postpone the issuance or delivery of Stock or payment of other benefits under any Award until completion of such registration or qualification of such Stock or other required action under any federal or state law, rule or regulation, listing or other required action with respect to any stock exchange or automated quotation system upon which the Stock or other securities of the Company are listed or quoted, or compliance with any other obligation of the Company, as the Committee may consider appropriate, and may require any Participant to make such representations, furnish such information and comply with or be subject to such other conditions as it may consider appropriate in connection with the issuance or delivery of Stock or payment of other benefits in compliance with applicable laws, rules, and regulations, listing requirements, or other obligations. The foregoing notwithstanding, in connection with a Change in Control, the Company shall take or cause to be taken no action, and shall undertake or permit to arise no legal or contractual obligation, that results or would result in any postponement of the issuance or delivery of Stock or payment of benefits under any Award or the imposition of any other conditions on such issuance, delivery or payment, to the extent that such postponement or other condition would represent a greater burden on a Participant than existed on the 90th day preceding the Change in Control.

(b) Limits on Transferability; Beneficiaries. No Award or other right or interest of a Participant under the Plan shall be pledged, hypothecated or otherwise encumbered or subject to any lien, obligation or liability of such Participant to any party (other than the Company or a subsidiary or affiliate thereof), or assigned or transferred by such Participant, and such Awards or rights that may be exercisable shall be exercised during the lifetime of the Participant only by the Participant or his or her guardian or legal representative, except that (i) Awards and related rights shall be transferred to a Participant's Beneficiary or Beneficiaries upon the death of the Participant, and (ii) Awards and other rights may be transferred to one or more Beneficiaries during the lifetime of the Participant, and rights thereunder may be exercised by such transferees in accordance with the terms of such Award, but only if and to the extent such transfers are then permitted by the Committee, subject to any terms and conditions which the Committee may impose thereon (including limitations the Committee may deem appropriate in order that offers and sales under the Plan will meet applicable requirements of registration forms under the Securities Act of 1933 specified by the Securities and Exchange Commission). A Beneficiary or other person claiming any rights under the Plan from or through any Participant shall be subject to all terms and conditions of the Plan and any Award document applicable to such Participant, except as otherwise determined by the Committee, and to any additional terms and conditions deemed necessary or appropriate by the Committee.

(c) Adjustments. In the event that any large, special and non-recurring dividend or other distribution (whether in the form of cash or property other than Stock), recapitalization, forward or reverse

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split, Stock dividend, reorganization, merger, consolidation, spin-off, combination, repurchase, share exchange, liquidation, dissolution or other similar corporate transaction or event affects the Stock such that an adjustment is determined by the Committee to be appropriate under the Plan, then the Committee shall, in such manner as it may deem equitable, adjust any or all of (i) the number and kind of shares of Stock which may be delivered in connection with Awards granted thereafter, including all applicable limitations specified in Section 4(a), (ii) the number and kind of shares of Stock subject to or deliverable in respect of outstanding Awards, (iii) any fixed market price of Common Stock referred to in a performance condition or otherwise incorporated as a term of an Award, and (iv) the exercise price, grant price or purchase price relating to any Award or, if deemed appropriate, the Committee may make provision for a payment of cash or property to the holder of an outstanding Option (subject to Section 10(j)). In addition, the Committee is authorized to make adjustments in the terms and conditions of, and the criteria included in, Awards (including Performance Awards and performance goals relating thereto) in recognition of unusual or nonrecurring events (including, without limitation, events described in the preceding sentence, as well as acquisitions and dispositions of businesses and assets) affecting the Company, any subsidiary or affiliate or other business unit, or the financial statements of the Company or any subsidiary or affiliate, or in response to changes in applicable laws, regulations, accounting principles, tax rates and regulations or business conditions or in view of the Committee's assessment of the business strategy of the Company, any subsidiary or affiliate or business unit thereof, performance of comparable organizations, economic and business conditions, personal performance of a Participant, and any other circumstances deemed relevant.

(d) Tax Provisions.

(i) Withholding. The Company and any subsidiary or affiliate is authorized to withhold from any Award granted, any payment relating to an Award under the Plan, including from a distribution of Stock, or any payroll or other payment to a Participant, amounts of withholding and other taxes due or potentially payable in connection with any transaction involving an Award, and to take such other action as the Committee may deem advisable to enable the Company and Participants to satisfy obligations for the payment of withholding taxes and other tax obligations relating to any Award. This authority shall include authority to withhold or receive Stock or other property and to make cash payments in respect thereof in satisfaction of a Participant's withholding obligations, either on a mandatory or elective basis in the discretion of the Committee. Other provisions of the Plan notwithstanding, only the minimum amount of Stock deliverable in connection with an Award necessary to satisfy statutory withholding requirements will be withheld.

(ii) Required Consent to and Notification of Code Section 83(b) Election. No election under Section 83(b) of the Code (to include in gross income in the year of transfer the amounts specified in Code Section 83(b)) or under a similar provision of the laws of a jurisdiction outside the United States may be made unless expressly permitted by the terms of the Award document or by action of the Committee in writing prior to the making of such election. In any case in which a Participant is permitted to make such an election in connection with an Award, the Participant shall notify the Company of such election within ten days of filing notice of the election with the Internal Revenue Service or other governmental authority, in addition to any filing and notification required pursuant to regulations issued under Code Section 83(b) or other applicable provision.

(e) Changes to the Plan. The Board may amend, suspend or terminate the Plan or the Committee's authority to grant Awards under the Plan without the consent of shareholders or Participants; provided, however, that, without the consent of an affected Participant, no such Board action may materially and adversely affect the rights of such Participant under any outstanding Award. The Committee shall have no authority to waive or modify any other Award term after the Award has been granted to the extent that the waived or modified term was mandatory under the Plan.

(f) Right of Setoff. The Company or any subsidiary or affiliate may, to the extent permitted by applicable law, deduct from and set off against any amounts the Company or a subsidiary or affiliate may owe to the Participant from time to time, including amounts payable in connection with any Award, owed as

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wages, fringe benefits, or other compensation owed to the Participant, such amounts as may be owed by the Participant to the Company, including but not limited to amounts owed under Section 9(a), although the Participant shall remain liable for any part of the Participant's payment obligation not satisfied through such deduction and setoff. By accepting any Award granted hereunder, the Participant agrees to any deduction or setoff under this Section 10(f).

(g) Unfunded Status of Awards; Creation of Trusts. The Plan is intended to constitute an "unfunded" plan for incentive and deferred compensation. With respect to any payments not yet made to a Participant or obligation to deliver Stock pursuant to an Award, nothing contained in the Plan or any Award shall give any such Participant any rights that are greater than those of a general creditor of the Company; provided that the Committee may authorize the creation of trusts and deposit therein cash,

Stock, other Awards or other property, or make other arrangements to meet the Company's obligations under the Plan. Such trusts or other arrangements shall be consistent with the "unfunded" status of the Plan unless the Committee otherwise determines with the consent of each affected Participant.

(h) Nonexclusivity of the Plan. Neither the adoption of the Plan by the Board nor its submission to the shareholders of the Company for approval shall be construed as creating any limitations on the power of the Board or a committee thereof to adopt such other incentive arrangements, apart from the Plan, as it may deem desirable, and such other arrangements may be either applicable generally or only in specific cases.

(i) Payments in the Event of Forfeitures; Fractional Shares. Unless otherwise determined by the Committee, in the event of a forfeiture of an Award with respect to which a Participant paid cash consideration, the Participant shall be repaid the amount of such cash consideration. No fractional shares of Stock shall be issued or delivered pursuant to the Plan or any Award. The Committee shall determine whether cash, other Awards or other property shall be issued or paid in lieu of such fractional shares or whether such fractional shares or any rights thereto shall be forfeited or otherwise eliminated.

(j) Certain Limitations Relating to Accounting Treatment of Awards. Other provisions of the Plan notwithstanding, the Committee's authority under the Plan (including under Sections 7(c), 7(d), 10(c) and 10(d)) is limited to the extent necessary to ensure that any Option or other Award of a type that the Committee has intended to be subject to fixed accounting with a measurement date at the date of grant or the date performance conditions are satisfied under APB 25 shall not become subject to "variable" accounting solely due to the existence of such authority, unless the Committee specifically determines that the Award shall remain outstanding despite such "variable" accounting. In addition, other provisions of the Plan notwithstanding, (i) if any right under this Plan would cause a transaction to be ineligible for pooling-of-interests accounting that would, but for the right hereunder, be eligible for such accounting treatment, such right shall be automatically adjusted so that pooling-of-interests accounting shall be available, including by substituting Stock or cash having a Fair Market Value equal to any cash or Stock otherwise payable in respect of any right to cash which would cause the transaction to be ineligible for pooling-of-interests accounting, and (ii) if any authority under Section 8(c) would cause a transaction to be ineligible for pooling-of-interests accounting that would, but for such authority, be eligible for such accounting treatment, such authority shall be limited to the extent necessary so that such transaction would be eligible for pooling-of-interests accounting.

(k) Governing Law. The validity, construction, and effect of the Plan, any rules and regulations relating to the Plan and any Award document shall be determined in accordance with the laws of the State of New York, without giving effect to principles of conflicts of laws, and applicable provisions of federal law.

(l) Awards to Participants Outside the United States. The Committee may modify the terms of any Award under the Plan made to or held by a Participant who is then resident or primarily employed outside of the United States in any manner deemed by the Committee to be necessary or appropriate in order that such Award shall conform to laws, regulations, and customs of the country in which the Participant is then resident or primarily employed, or so that the value and other benefits of the Award to

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the Participant, as affected by foreign tax laws and other restrictions applicable as a result of the Participant's residence or employment abroad shall be comparable to the value of such an Award to a Participant who is resident or primarily employed in the United States. An Award may be modified under this Section 10(l) in a manner that is inconsistent with the express terms of the Plan, so long as such modifications will not contravene any applicable law or regulation.

(m) Limitation on Rights Conferred under Plan. Neither the Plan nor any action taken hereunder shall be construed as (i) giving any Eligible Person or Participant the right to continue as an Eligible Person or Participant or in the employ or service of the Company or a subsidiary or affiliate, (ii) interfering in any way with the right of the Company or a subsidiary or affiliate to terminate any Eligible Person's or Participant's employment or service at any time, (iii) giving an Eligible Person or Participant any claim to be granted any Award under the Plan or to be treated uniformly with other Participants and employees, or (iv) conferring on a Participant any of the rights of a shareholder of the Company unless and until the Participant is duly issued or transferred shares of Stock in accordance with the terms of an Award or an Option is duly exercised. Except as expressly provided in the Plan and an Award document, neither the Plan nor any Award document shall confer on any person other than the Company and the Participant any rights or remedies thereunder.

(n) Severability; Entire Agreement. If any of the provisions of this Plan or any Award document is finally held to be invalid, illegal or unenforceable (whether in whole or in part), such provision shall be deemed modified to the extent, but only to the extent, of such invalidity, illegality or unenforceability, and the remaining provisions shall not be affected thereby; provided, that, if any of such provision is finally held to be invalid, illegal, or unenforceable because it exceeds the maximum

scope determined to be acceptable to permit such provision to be enforceable, such provision shall be deemed to be modified to the minimum extent necessary to modify such scope in order to make such provision enforceable hereunder. The Plan and any Award documents contain the entire agreement of the parties with respect to the subject matter thereof and supersede all prior agreements, promises, covenants, arrangements, communications, representations and warranties between them, whether written or oral with respect to the subject matter thereof.

(o) Plan Effective Date and Termination. The Plan shall become effective at November 14, 2000. Unless earlier terminated by action of the Board of Directors, the Plan will remain in effect until such time as no Stock remains available for delivery under the Plan and the Company has no further rights or obligations under the Plan with respect to outstanding Awards under the Plan.

EXECUTIVE DEATH BENEFIT PLAN

Effective July 1, 1990

ARTICLE I

PURPOSE OF THE PLAN

1.01 The purpose of the Plan is to assist the Company in attracting and retaining qualified executive and creative employees and to provide eligible employees with increased death benefits during employment with the Company and/or after retirement.

ARTICLE II

DEFINITIONS

2.01 "Annual Base Salary" shall mean the basic annual rate of a Participant's compensation (before making any reductions pursuant to an effective Cash or Deferred Wage and Salary Conversion Agreement under the International Flavors & Fragrances Inc. Retirement Investment Fund Plan), in effect for him or her on the first day of the Plan Year, but excluding bonuses, commissions and all other forms of compensation or benefits including additional compensation from this Plan and any amount contributed for him or her by the Company to any public or private employee benefit plan.

2.02 "Basic Insurance Plan" shall mean the basic group term life insurance plan for employees and retirees maintained by the Company at its expense to provide noncontributory life insurance coverage based on annual earnings (as that term is defined in the Basic Insurance Plan), as such plan may be amended, modified or replaced from time to time.

2.03 "Beneficiary" shall mean the individual or entity designated by the Participant to receive the death benefit payable under the Plan upon the Participant's death. If no such designation is made, or if the designated individual predeceases the Participant or the entity no longer exists, then the Beneficiary shall be the Participant's estate.

2.04 "Company" shall mean International Flavors & Fragrances Inc.

2.05 "Effective Date" shall mean July 1, 1990

2.06 "Eligible Employee" shall mean an individual who is employed by the Company or one of its subsidiaries on or after the Effective Date and who, (a) is a participant in either the Company's Management

Incentive Compensation Plan ("MICP") or Special Executive Bonus Plan ("SEBP"), (b) is a participant in the Basic Insurance Plan, (c) has not yet attained the age of 70 and (d) has submitted to the Insurer a properly completed application for life insurance under this Plan.

2.07 "Entrance Date" shall mean that date on which an Eligible Employee first becomes a Participant. The first Entrance Date, as regards any Eligible Employee, shall be the later of the Effective Date or the date of acceptance by the Insurer of such Eligible Employee's application for life insurance under this Plan. Beginning with the year 1991, subsequent Entrance Dates as regards any additional Eligible Employee(s), shall be the February 1 coinciding with or following the date of acceptance by the Insurer of their application for life insurance under this Plan.

2.08 "Insurer" shall mean that independent company from time to time issuing to the Company written split-dollar life insurance policies on the lives of Participants in accordance with the terms of the Plan.

2.09 "Participant" shall mean each Eligible Employee during his or her employment by the Company or one of its subsidiaries on and after the Entrance Date, who has not attained the age of 70 and who is accepted by the Insurer as insurable for life insurance.

2.10 "Plan" shall mean this Executive Death Benefit Plan.

2.11 "Plan Committee" shall mean the committee appointed by the Chief Executive Officer of the Company to administer the Plan.

2.12 "Retired Participant" shall mean each Participant or Senior Participant who leaves the employ of the Company or one of its subsidiaries at a time when he or she is eligible to receive an immediate Early, Normal, or Deferred Pension, or, upon attaining age 65, a Disability Pension from the Company's qualified pension plan.

2.13 "Senior Participant" shall mean each Participant, during his or her employment by the Company or one of its subsidiaries, who has attained the age of 70.

ARTICLE III

BENEFITS TO PARTICIPANTS

3.01 The death benefit payable to each Participant's beneficiary under the Basic Insurance Plan shall be reduced to \$50,000 during the period prior to

termination of employment with the Company and to \$12,500 upon becoming a Retired Participant. The Company may require any Eligible Employee, as a condition of becoming a Participant, to deliver an instrument signed by him or her waiving benefits under the Basic Insurance Plan in excess of \$50,000 as long as the Eligible Employee shall be a Participant or Senior Participant in this Plan. No such waiver and no provision of this Plan shall adversely affect such Participant's right to be reinstated in the Basic Insurance Plan, upon the termination of this Plan, if such other plan shall then be in effect.

3.02 The Company shall purchase and have all ownership rights (except as otherwise provided under Section 3.04 of this Plan) to a split dollar insurance policy on the life of each Participant. Such policy shall provide a death benefit equal to the excess of twice the Participant's Annual Base Salary on the first day of the Plan Year in

which death shall occur over the death benefit provided by the Basic Insurance Plan. Upon the death of a Participant, death benefit under such policy shall be paid by the Insurer to the Participant's Beneficiary designated as provided in Section 3.04 of this Plan. Upon a Participant's attaining the status of a Senior Participant or Retired Participant, whichever shall first occur, his or her Beneficiary designation(s) and/or any Beneficiary designations made by his or her assignee under Section 3.04 of this Plan shall lapse, and upon the Retired or Senior Participant's death, the entire death benefit under such policy shall be paid by the Insurer to the Company.

3.03 All premiums on each policy described in 3.02 above shall be paid by the Company for the respective accounts of all Participants. The imputed income to each Participant shall be determined in accordance with Internal Revenue Service Ruling 66-110 (1966-1 CB12), or applicable Federal tax laws, regulations or rulings which may be subsequently published relating to split dollar life insurance programs. The Company will record this portion of the premium as additional taxable compensation to each Participant.

3.04 Each Participant or his or her assignee shall have the right to designate the Beneficiary(ies) of the death benefit under the policy on his or her life described in Section 3.02 by a signed writing delivered to the Plan Committee and the right during the Participant's employment with the Company or any subsidiary to change the Beneficiary designation at any time by a similar writing. Notwithstanding the foregoing, a Participant may, during the Participant's employment with the Company, irrevocably assign his or her right to designate and change Beneficiary(ies) under the policy by a signed writing delivered to the Plan Committee prior to the Participant's death.

3.05 All benefits to a Participant, his or her assignee or Beneficiary(ies) under this Article III shall cease upon the earlier of (a) the termination of his or her employment with the Company or any subsidiary for any reason other than death or (b) the Participant's becoming a Senior Participant. If a Participant terminates his or her employment with the Company or any subsidiary prior to age 55, the Company shall use its best efforts to have the Insurer offer to such Participant the opportunity to purchase all ownership rights in the insurance policy on his or her life at its cash surrender value.

#### ARTICLE IV

##### BENEFITS TO RETIRED AND SENIOR PARTICIPANTS

4.01 Within 30 days after receipt by the Company of a signed written notice of intent to retire from a Participant who will qualify upon the indicated retirement date as a Retired Participant under the provisions of Section 2.12 of this Plan, and, if earlier, at least 60 days prior to a Participant's attaining age 70, the Company shall execute and deliver to such Participant a supplemental death benefit agreement containing the Company's written promise, effective upon the Participant's attaining the status of Retired Participant or Senior Participant, as the case may be, to pay to the Beneficiaries of the Participant, upon the Participant's death, a death benefit in an amount equal to that provided in Section 4.02 of this Article IV, which agreement, upon execution by such Participant and return to the Company within 15 days after its receipt shall be binding upon the Company and the Participant. Whether or not such agreement is executed and returned to the Company, upon attaining the status of Retired Participant or Senior Participant, such Retired or Senior Participant and his or her assignee or Beneficiary(ies) shall have no rights in or under the split dollar insurance policy on his or her life, such persons' rights under this Plan being limited to those set forth in said supplemental death benefit agreement if executed and returned. The Company's obligation to make payments under such supplemental death benefit

agreements may be delegated, irrevocably or otherwise, to a third party who may be the Insurer.

4.02(a) The amount of the death benefit provided under Section 4-01 shall be a multiple of the Retired Participant's or Senior Participant's Annual Base Salary on the first day of the Plan Year prior to his or her attaining the status of Retired Participant or Senior Participant, whichever first occurs. The resultant amount shall be reduced by \$12,500 in the case of a Retired Participant, and by \$50,000 in the case of a Senior Participant while in Senior Participant status.

If immediately prior to attaining the status of Retired Participant or Senior Participant, the Participant was a participant in the Company's MITCP, such multiple shall be two; otherwise the multiple shall be one. In no event, however, shall the aggregate death benefit payable to the Beneficiary(ies) of a Senior Participant (including the portion payable from the Basic Insurance Plan) be less than \$135,000 if death occurs while he or she is in the status of Senior Participant.

4.02(b) The amount of the death benefit payable under this plan to the Beneficiary of a Retired Participant who did not have twenty (20) or more years of employment with the Company and any of its subsidiaries at the date of his or her retirement shall be reduced at the rate of 5% for each year or fraction thereof that such years of employment were less than twenty (20). The maximum reduction under this sub-section shall be 50%. No reduction shall be made under this sub-section in the benefit paid under the Basic Insurance Plan.

4.03 Each Retired Participant and each Senior Participant shall have the right to designate the Beneficiary(ies) of the death benefit under the supplemental death benefit agreement described in Section 4.01 by a signed writing delivered to the Plan Committee and the right during the Retired Participants or Senior Participant's lifetime to change the Beneficiary designation at any time by a similar writing.

#### ARTICLE V

##### ADMINISTRATION

5.01 The Plan Committee shall be the fiduciary and, as such, shall have full responsibility and authority to interpret, control and administer the Plan and agreements entered into with Participants pursuant to the Plan, including the power to amend the Plan as provided in Section 6.02 hereof, the power to promulgate rules of Plan administration, the power to investigate and settle any disputes as to rights or benefits arising under the Plan and such agreements, the power to appoint agents, accountants and consultants, the power to delegate the Committee's duties, the power to issue instructions to the Insurer, and the power to make such other decisions or take such other actions as the Plan Committee, in its sole discretion, deems necessary or advisable to aid in the proper administration of the Plan. Actions and determinations by the Plan Committee shall be final, binding and conclusive, subject to the review procedure in Section 5.03 of this Plan, for all purposes of this Plan, unless clearly contradictory to law or an express provision hereof.

5.02 Without limitation, the Company shall have the power and authority to transfer ownership of life insurance policies to terminating Participants, as provided in Section 3.05, or to a trust subject to the claims of the Company's general creditors and to execute and deliver written agreements binding the Company to pay death benefits as provided in Section 4.01.

5.03 Any Participant, Beneficiary or other person (hereafter called "Claimant") claiming any benefit under this Plan may submit a written claim to the Plan Committee specifying the particular benefit claimed. If any benefit claimed under this Plan is denied in whole or in part, the Plan Committee shall give written notice of the denial to the Claimant within a reasonable period of time following receipt of the claim by the Plan Committee. Such written notice to the Claimant shall set forth the specific reason(s) for denial of the benefit claimed in a manner calculated to be understood by the Claimant. In addition, the written notice shall specifically refer to the pertinent provisions of the Plan or other document on which the denial is based. If additional material or information is necessary for the Claimant to perfect the claim, then a description of such material or information and an explanation of any such material or information as is necessary shall be set forth in the written notice.

The Claimant may then, within 60 days following receipt of the written notice of denial, file with the Plan Committee any additional evidence bearing on his or her claim and a written request for a review of the denial of the benefit. As part of the review procedure, the Claimant or his or her duly authorized representative may review pertinent documents. Within 60 days following receipt of a request for review, unless special circumstances require a further extension of time but in no event later than 120 days after a receipt of a request for review, the Plan Committee shall conduct a full and fair review of the initial decision denying the benefit and mail to the Claimant in written in a manner calculated to be understood by the Claimant as well as specific references to the pertinent provisions of the Plan or other document on which the decision is based.

If the benefit or claim under review arises under a life insurance policy issued by the Insurer, the Plan Committee shall, as part of the review, obtain from the Insurer, a determination of the reason or reasons for the denial of the benefit or claim under the relevant insurance policy based upon all evidence available to the Plan Committee and the Insurer.

#### ARTICLE VI

##### AMENDMENT, SUSPENSION OR TERMINATION OF THE PLAN

6.01 The Board of Directors of the Company may from time to time amend, suspend or terminate the Plan, in whole or in part.

6.02 The Plan Committee also may from time to time amend the Plan as may be needed (a) to comply with applicable tax or welfare benefit plan laws, regulations or rulings related to split dollar life insurance programs or otherwise or (b) to resolve ambiguities in the Plan or related documents, but no such amendment by the Plan Committee shall alter, expand or contradict the intent of the authorizing resolutions adopted by the Company's Board of Directors on March 13, 1990.

6.03 No amendment, suspension or termination of the Plan shall materially adversely affect (a) the payment of a death benefit already due under the Plan as the result of the death of a Participant prior to the date of adoption of such amendment, suspension or termination, or (b) the rights of any Retired Participant or Senior Participant or his or her Beneficiary(ies) under a supplemental death benefit agreement entered into prior to the date of adoption of such amendment, suspension or termination of the Plan.

ARTICLE VII

FUNDING

7.01 No promise of payment of benefits by the Company under this Plan shall be secured by any specific assets of the Company, nor shall any assets of the Company be designated as attributable or allocated to the satisfaction of such promise, except that the Company undertakes to purchase a split dollar insurance policy on the life of each Participant as described in 3.02, subject to acceptance by the Insurer. Benefit payments by the Company shall be made from the Company's general assets.

ARTICLE VIII

GENERAL PROVISIONS

8.01 No benefit under the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, or charge, except by will or the laws of descent and distribution and, except as provided in Section 3.04 of this Plan, any attempt thereat shall be void. No such benefit shall, prior to receipt thereof, be in any manner liable for or subject to the debts, contracts, liabilities, engagements or torts of any Participant or his or her Beneficiaries.

8.02 This Plan shall inure to the benefit of, and be binding upon, the Company and each Participant, and upon the successors and assigns of the Company and of each Participant.

8.03 The Company or the Insurer shall deduct from the amount of any payments hereunder all taxes required to be withheld by applicable laws.

8.04 This Plan shall be governed by, and construed in accordance with, the laws of the State of New York.

8.05 The Insurer selected by the Plan Committee shall be a reputable insurance company in good standing and authorized to issue split dollar life insurance policies under the laws of the State of New York, but the Company does not guarantee the payment or performance by the Insurer of the Insurer's obligations under any life insurance policies issued by it.

8.06 Except for the first "short" Plan Year beginning July 1, 1990 and ending January 31, 1991, each Plan Year shall begin on February 1 of one calendar year end on January 31 of the succeeding calendar year.

1997 EMPLOYEE STOCK OPTION PLAN

INTERNATIONAL FLAVORS & FRAGRANCES INC., a New York corporation (herein together with its subsidiaries and subsidiaries which become such after the adoption of the Plan called "IFF"), hereby establishes the 1997 Employee Stock Option Plan (herein called the "Plan") on the following terms and conditions:

1. Purpose: To promote the best interests of IFF and its shareholders by providing methods by which officers and key employees of IFF may acquire a proprietary interest in IFF, thus identifying their interests with those of the shareholders and encouraging them to make greater efforts on behalf of IFF.

2. Method of Adoption: By the favorable vote of at least two-thirds of the Board of Directors of IFF (herein called the "Board") subject to the approval of the holders of a majority of IFF shares.

3. Term: Options may be granted at any time and from time to time, from the date of adoption of the Plan by the Board, subject to the approval of the Plan by the shareholders of IFF within 12 months after the Plan is adopted, to May 8, 2007, but no stock option shall extend for a term of more than ten years from the date of its grant.

4. Number of Shares: The Plan shall cover an aggregate of three million five hundred thousand (3,500,000) shares of Common Stock of IFF of the par value of \$.12-1/2 each. The maximum aggregate number of shares that may be granted under this Plan during its term to any "Participant", as defined in Section 6 hereof, shall be five hundred thousand (500,000) shares (the "Individual Cap"). Either authorized and unissued shares or treasury shares maybe used.

If any options expire or terminate without being exercised in full, including options voluntarily surrendered for cancellation, the shares subject thereto which have not been purchased in accordance with the terms of such options shall be available for the grant of new options under the Plan.

5. Purchase Price: The purchase price per share for any stock optioned at any time under this Plan shall be such price as shall be fixed by the Stock Option and Compensation Committee of the Board or such other Committee or a subcommittee of a committee as may be appointed by the Board to administer the Plan (herein called the "Committee"), but not less than the fair market value thereof at the time of granting the option. Upon exercise of any stock option the Participant may pay for the stock covered by the stock option and/or may pay for any tax withholding resulting from such exercise by delivery of Common Stock of IFF, providing the Participant has held such Common Stock for at least six months, or such longer period as determined by the Committee. The Committee may

also allow payment upon exercise of any option by any other means which the Committee determines to be consistent with the Plan's purpose and applicable law.

6. Eligibility: Any officer or key employee of IFF designated by the Committee (any such officer or key employee is referred to in this Plan as a "Participant").

7. Employment at the Time of Each Purchase: Any stock option may be exercised by any Participant only so long as he or she remains in the employ of IFF; provided that if a Participant voluntarily resigns with the consent of the Board, if he becomes totally disabled or if he or she retires, he or she may exercise within 3 months thereafter (but not later than the expiration date of the option) the option as to the balance, if any, of the shares which the Participant was entitled to purchase pursuant to Section 9 hereof at the date of such resignation, disability or retirement. Authorized leaves of absence for military or governmental service or other purposes approved by the Committee will be deemed a continuation of employment for purposes of the Plan, and modifications or extensions of the periods of the option agreement or otherwise may be made by the Committee. If a Participant dies while employed by IFF, his or her legal representatives, distributees or legatees as the case may be, may exercise within 3 months thereafter (but not later than the expiration date of the option) the option as to the balance, if any, of the shares which the Participant was entitled to purchase pursuant to Section 9 hereof at the date of his or her death or, in case such death occurs less than 48 months from the date of the grant of the option, that proportion of the shares covered by the option which the number of days in the period from the date of grant to the date of the Participant's death bears to the number 1460, less any shares previously purchased under the option.

8. Individual Options: Notwithstanding any other provision hereof, the selection of Participants and decisions concerning the timing, pricing, and the number of shares covered by individual stock options shall be made solely by the Committee. Unless otherwise determined by the Committee at the time of grant, options granted hereunder to Participants subject to United States taxation shall be deemed to be "incentive stock options" to the extent permitted under Section 422 of the Internal Revenue Code, as amended (the "Code"), and the balance of such options shall be deemed not to be incentive stock options.

The Committee may authorize the grant of an additional automatic option ("reload option") effective on the date of exercise by a Participant of an already outstanding option under this Plan, on such terms and conditions as the Committee shall determine. Unless otherwise provided by the Committee, the number of shares subject to a reload option granted to a Participant with respect to the exercise of an option shall not exceed the number of shares delivered by the Participant in payment of the option price of such option.

and/or in payment of any tax withholding resulting from such exercise. A reload option shall have an option price of not less than 100% of the per share fair market value on the date of grant of such reload option, and shall be subject to all other terms and conditions of the original grant, including the expiration date, and to such additional terms and conditions as the Committee in its sole discretion shall determine. Notwithstanding the foregoing, any rights a Participant may have to a reload option under a stock option agreement or otherwise shall be subject to (a) the availability of shares under the Plan, and (b) the Individual Cap of such Participant.

9. Exercise of Options: The stock options may be exercised as follows: up to one-third of the shares covered at any time after 24 months from the date of grant; up to two-thirds of such shares at any time after 36 months from such date; and all the shares at any time after 48 months from such date. Stock certificates will be issued as the stock options are exercised and the shares are paid for.

10. Rights of Participants Before Issuance of Stock Certificates: No Participant shall have any rights as a shareholder with respect to any shares covered by his or her stock option until the date of the issuance of the stock certificate to him or her for such shares following his or her exercise of the options. No adjustment shall be made for dividends or other rights for which the record date is prior to the date such stock certificate is issued.

11. Anti-Dilution Provisions: Each option agreement shall contain such provisions as the Committee shall deem to be appropriate, including provisions for appropriate adjustment of the option price and the number of shares covered, or both, to protect the Participant in the event of a reorganization, recapitalization, stock split, stock dividend, combination of shares, merger or consolidation (except as otherwise stated below) or in the event of any other change in the corporate capital structure of IFF. In the event of any such adjustment, the aggregate number and class of shares available under the Plan and the maximum number of shares as to which options may be granted to any Participant may also be appropriately adjusted.

12. Nonassignability: No option shall be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. All options granted to a Participant shall be exercisable during his or her lifetime only by such Participant.

13. Administration: The Plan shall be administered by vote of a majority of the Committee, all of the members of which shall be "outside directors" as that term is defined in Section 162(m) of the Code, but no Board member who is to be considered as a Participant in the Plan shall take part in the deliberations or vote with respect to his own participation.

14. Merger or Consolidation: In the event of the merger or consolidation of IFF with or into another corporation as a result of which IFF is not the surviving corporation, then on written notice to the Participant given by the surviving corporation, an option under the Plan may be exercised, as to the entire number of shares subject thereto, on and after the effective date of such merger or consolidation and the option shall cease and terminate as to any shares as to which it has not been exercised on a date 180 days after the effective date of such merger or consolidation or on the expiration date of such option, whichever is earlier.

15. Agreements: Options issued under the Plan shall be evidenced by agreements in such form as the Committee may approve. The terms of such agreements shall comply with the applicable terms of the Plan outlined herein.

16. Interpretation: In the event of any difference of opinion between a Participant and IFF concerning the meaning or effect of the Plan, such difference shall be resolved by the Committee.

17. Compliance with Applicable Laws: No shares shall be offered under the Plan and no stock certificate shall be delivered upon exercise of options until such offering has been registered under the Securities Act of 1933, as amended, and any other applicable governmental laws and regulations, unless in the opinion of counsel such offering is exempt from registration under such Act, and until IFF shall have complied with any applicable provisions of the Securities Exchange Act of 1934, as amended.

18. Amendment and Termination of the Plan: The Board may from time to time, with respect to any shares at the time not subject to options, suspend or discontinue the Plan or amend it in any respect, provided that the Board may not, without the approval of the holders of a majority of outstanding shares of IFF (except as provided in paragraph 11 above), increase the aggregate number of shares available for options, change the employees or class of employees eligible to become Participants, reduce the option price below that provided for hereunder, or make any change requiring shareholder approval under Section 162(m) of the Code.

Section 7 of the 1997 Employee Stock Option Plan (the "Plan") is deleted and the following is substituted therefor:

"7. Employment at the Time of Each Purchase:

(a) Except as provided below in subsections (b) and (c) of this section, any stock option may be exercised by any Participant only so long as he or she remains in the employ of IFF; provided that if a Participant voluntarily resigns, becomes totally disabled or retires, he or she may exercise within 3 months thereafter (but not later than the expiration date of the option) the option as to the balance, if any, of the shares which the Participant was entitled to purchase pursuant to section 9 hereof at the date of such resignation, disability or retirement. Authorized leaves of absence for military or governmental service or other purposes approved by the Committee will be deemed a continuation of employment for purposes of the Plan, and modifications or extensions of the periods of the option agreement or otherwise may be made by the Committee. If a Participant dies while employed by IFF, his or her legal representatives, distributees or legatees as the case may be, may exercise within three (3) months thereafter (but not later than the expiration date of the option) the option as to the balance, if any, of the shares which the Participant was entitled to purchase pursuant to Section 9 hereof at the date of his or her death or, in case such death occurs less than 48 months from the date of the grant of the option, that proportion of the shares covered by the option which the number of days in the period from the date of grant to the date of the Participant's death bears to the number 1460, less any shares previously purchased under the option.

(b) Any stock option granted on or after February 8, 2000 may be exercised by a Participant who retires at age 65 or older, until the option's expiration date, as to the balance, if any, of the shares which the Participant was entitled to purchase pursuant to Section 9 hereof at the date of such retirement.

(c) On and after February 8, 2000, the Committee, in its discretion, (i) may grant one or more stock options, which by their terms may be exercised by the Participant with respect to any or all of the shares subject thereto, and/or for periods of time after the termination of the Participant's employment for any reason (but not later than the expiration date of the option), and (ii) may reserve to itself the right to extend or vary the terms of one or more stock options granted on or after February 8, 2000 to allow the exercise of the option by the Participant with respect to any or all of the shares subject thereto and/or for periods of time after the termination of the Participant's employment for any reason (but not later than the expiration date of the option).

(d) In the event of the death of any holder of any option granted or amended by the Committee pursuant to subsections (b) or (c) of this section while such option remains exercisable, the option may be exercised by his or her "Beneficiary," as hereinafter defined, legal representatives, distributees or legatees, as the case may be, within 12

months thereafter (but not later than the expiration date of the option) as to the entire number of shares which the Participant was entitled to purchase thereunder at the date of his or her death.

(e) For purposes of this section, the term "Beneficiary" shall mean, with respect to any option, the family member or members, or the trust or trusts for the benefit of one or more family members, which have been designated by an optionee in his or her most recent written beneficiary designation filed with the Committee as entitled to exercise such option after such optionee's death, or if there is no surviving designated Beneficiary, then the legal representatives, distributees or legatees of such Beneficiary."

The first sentence of Section 9 of the Plan shall be amended to read as follows:

"9. Exercise of Options. Except as the Committee may otherwise determine pursuant to subsection (c) of Section 7 hereof, the stock options may be exercised as follows: up to one-third of the shares covered at any time after 24 months from the date of grant; up to two-thirds of such shares at any time after 36 months from such date; and all the shares at any time after 48 months from such date."

The first sentence of Section 12 of the Plan shall be amended to read as follows:

"12. Nonassignability. No option shall be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution or to a Beneficiary."

RABBI TRUST

FOR

INTERNATIONAL FLAVORS & FRAGRANCES INC.

THIS AGREEMENT, made this 4th day of October, 2000, between International Flavors & Fragrances Inc. (hereinafter called the "Corporation") on behalf of itself and its associated companies, if any, participating in this trust and First Union National Bank (hereinafter called the "Trustee"); a banking organization organized and existing under the laws of the State of New York and Buck Consultants Inc. (hereinafter called the "Benefit Determiner"), a Corporation whose principal place of business is in the State of New York.

WTTNESSETH:

WHEREAS, the Corporation has adopted and sponsors the nonqualified deferred compensation and welfare benefit plans listed in Appendix A (hereinafter called the "Plan(s)"); and

WHEREAS, the Corporation has incurred or expects to incur liability under the terms of such Plan(s) with respect to the individuals participating in such Plan(s); and

WHEREAS, the Corporation wishes to establish a trust (hereinafter called the "Trust") and to contribute to the Trust assets that shall be held therein, subject to the claims of the Corporation's creditors in the event of the Corporation's Insolvency, as herein defined, until paid to Plan participants and their beneficiaries in such manner and at such times as specified in the Plan(s); and

WHEREAS, it is the intention of the parties that this Trust shall constitute an unfunded arrangement and shall not affect the status of any of the Plan(s) as unfunded plan(s) maintained for the purposes of providing deferred compensation for a select group of management or highly compensated employees for purposes of Title I of the Employee Retirement Income Security Act of 1974 or as unfunded "excess benefit plan(s)" under Section 3(36) of Title I of ERISA, as amended from time to time; and

WHEREAS, it is the intention of the Corporation to make contributions to the Trust to provide itself with a source of funds to assist it in the meeting of its liabilities under the Plan(s), and upon the earlier of a Potential Change in Control, as defined herein, or Change in Control, as defined herein, to provide the funding of a Legal Defense Fund, as defined herein, to enable the Trustee to protect the rights of participants and beneficiaries under the Plan(s); and

WHEREAS, it is also the intention of the Corporation to have the Trust available to associated companies of the Corporation that are participating in the Plan(s) covered by the Trust, and under the terms of this agreement (hereinafter referred to as the "Trust Agreement" or "Agreement"), the Corporation shall operate on behalf of all such associated companies; and

WHEREAS, the Corporation wishes to establish for itself and for each associated company of the Corporation that is participating in the Plan(s) covered by the Trust, a separate bookkeeping account (hereinafter referred to as the "Account") under the Trust, each such Account to include only the contributions from or on behalf of that company for which the Account was established, investment earnings and adjustments for charges, payments, expenses, and cash flow on assets attributable to the contributions to each such Account and with respect to each Plan, such Account shall maintain a subaccount in order to provide a potential source of payments under the terms of such Plan(s); and

WHEREAS, except in the case of Insolvency, amounts credited to each Account, and the earnings thereon, shall be used by the Trustee solely in satisfaction of the liabilities of the Corporation and its associated companies with respect to the participants and the beneficiaries in the Plan(s), and expenses as provided herein, and such utilization shall be in accordance with the procedures set forth herein; and

WHEREAS, except as otherwise expressly provided in this Agreement, upon satisfaction of all liabilities of the Corporation and its associated companies with respect to all participants and their beneficiaries under their respective Plan(s), the balance, if any, remaining in the Accounts shall revert to the Corporation and/or the associated companies, as appropriate, provided, however, that all amounts attributable to such Plan(s) and attributable to the Legal Defense Fund shall, at all times, be subject under this Agreement to the claims of the Corporation's and its associated companies' creditors as hereinafter provided; and

WHEREAS, the Corporation, on behalf of itself and its associated companies, and the Trustee have created this Trust to provide assurances to certain management employees of the Corporation and its associated companies and the Benefit Determiner acknowledges and will operate in accordance with that intention;

NOW, THEREFORE, in consideration of the premises and mutual and independent promises herein, including certain fees and expenses paid or payable by the Corporation and its associated companies to the Trustee and the Benefit Determiner, the parties hereto covenant and agree as follows:

ARTICLE I

## ESTABLISHMENT OF TRUST

1.1 The Corporation hereby deposits with the Trustee for its Account under the Trust \$1,000, which shall become the principal of the Trust to be held, administered and disposed of by the Trustee as provided in this Trust Agreement.

1.2 The Trust hereby established is revocable but, subject to the provisions of Section 6.2 hereof, shall become irrevocable upon the earlier of a Potential Change in Control, as defined in Section 16.2 herein, or a Change in Control, as defined in Section 16.3 herein.

1.3 The Trust is intended to be a grantor trust, of which the Corporation and each associated company is the grantor, within the meaning of subpart E, part I, subchapter J, chapter 1, subtitle A of the Internal Revenue Code of 1986, as amended, and shall be construed accordingly.

1.4 The principal of the Trust, and any earnings thereon, shall be held separate and apart from other funds of the Corporation and each of the associated companies and shall be used exclusively for the uses and purposes of Plan participants, their beneficiaries and the Corporation's and each associated company's general creditors, and paying the expenses of administering the Trust as herein set forth. Furthermore, any amounts attributable to a particular Plan and to a particular associated company shall be accounted for separately, even though for investment purposes Trust assets can be commingled. Plan participants and their beneficiaries shall have no preferred claim on, or any beneficial ownership interest in, any assets of the Trust. Any rights created under the Plan(s) and this Trust Agreement shall be mere unsecured contractual rights of Plan participants and their beneficiaries against the Corporation and, if applicable, any associated company. Any assets held by the Trust will be subject to the claims of the Corporation's or associated company's general creditors, as the case may be, under Federal and state law in the event of Insolvency, as defined in Section 4.1 herein. The rights of creditors of any associated company shall be limited to the assets held for that company under the trust.

1.5 The Corporation and each associated company, in its sole discretion, may at any time, or from time to time, make additional deposits of cash or, subject to Section 5.3, other property (including, in the case of the Corporation, but not limited to, treasury shares of the Corporation) in trust with the Trustee to augment the principal to be held, administered and disposed of by said Trustee as provided in this Trust Agreement. The Corporation may make contributions on behalf of an associated company. Any contribution made to the Trust shall be credited to the Account of the company for which the contribution is made and further allocated under the Account to the Plan for which the contribution is intended, and this information will be supplied by the Corporation at the time of the deposit or allocation. Neither the Trustee nor any Plan participant or beneficiary shall have any right to compel such additional deposits; provided, however, upon the earlier of a Potential Change in Control or Change in Control, if the Trust assets are less than 110% of the benefit liabilities under the Plan(s), the Corporation and each associated company shall, as soon as possible, but in no event later than seven days following such event, make a contribution in cash or property to the Trust in an amount, determined by the Benefit Determiner, which, taken together with the value of the existing Trust assets, is no less than 110% of the amount needed to pay each Plan participant and beneficiary the benefits to which such Plan participant or beneficiary would be entitled pursuant to the terms of the Plan(s) as of the date on which the earlier of the Potential Change in Control or Change in Control occurs. In addition, subject to the provisions of Section 6.2 hereof, after the earlier of a Potential Change in Control or Change in Control, if the Trust assets become insufficient to pay all benefits to which participants or beneficiaries of deceased participants are entitled under the Plan(s), as determined by the Benefit Determiner, the Corporation or associated company shall contribute to the Trust the additional amount necessary to fully fund their respective benefit liabilities under the Plan(s) as determined by the Benefit

Determiner. A copy of any such determination by the Benefit Determiner shall be provided to the Trustee.

1.6 In addition, the Corporation and any associated company may at any time, and the Corporation shall upon the occurrence of the earlier of a Potential Change in Control or Change in Control, make a contribution to a Legal Defense Fund established under Article X of this Trust Agreement. The primary purpose of these funds would be to enable the Trustee to take such legal action as it deems necessary after a Change in Control to protect the participants and beneficiaries entitlement to benefits under the Plan(s) after a Change in Control occurs and to pay legal expenses incurred by the Trustee or Benefit Determiner in protecting participants' and beneficiaries' entitlement to benefit under the Plan(s).

## ARTICLE II

### DESIGNATION OF BENEFIT DETERMINER AND PAYMENTS TO PLAN PARTICIPANTS

2.1 By its acceptance of this Trust, the Trustee hereby agrees to the designation by the Corporation of a "Benefit Determiner" under this Trust Agreement. Prior to a Change in Control, the selection and retention of a Benefit Determiner shall be the sole responsibility of the Corporation. In the event a Change in Control occurs, the responsibility for selection and retention of a Benefit Determiner resides with the Trustee. In that case,

the Trustee in its sole discretion may, but need not, designate a new Benefit Determiner or may continue to use the same Benefit Determiner, or in the event said firm does not accept its designation as Benefit Determiner or accepts said designation and subsequently resigns, the Trustee shall designate a new Benefit Determiner; provided, however, any Benefit Determiner newly appointed by the Trustee shall be independent of the Corporation. In any event, the Benefit Determiner, or any successor thereto, shall be a

signatory under the Trust Agreement. The Benefit Determiner may resign at any time by delivering written notice to the Corporation and Trustee; provided, however, that no such resignation shall take effect until the earlier of (a) sixty (60) days from the date of delivery of such notice to the Corporation or in the event a Change in Control occurs, the Trustee or (b) the appointment of a successor Benefit Determiner, or such shorter period as agreed upon in writing by the parties.

2.2 Except for the records dealing solely with the funds and their investment, which shall be maintained by the Trustee, the Benefit Determiner shall maintain all the Plan participant and beneficiary records contemplated by this Trust Agreement.

2.3 Upon the establishment of the Trust or as soon thereafter as practicable, the Corporation shall furnish to the Benefit Determiner all the information necessary to determine the benefits payable to or with respect to each participant and beneficiary under the Plan(s). The Corporation shall regularly, at least annually, and upon the earlier of a Potential Change in Control or Change in Control, furnish revised updated information to the Benefit Determiner. In the event the Corporation refuses or neglects to provide updated participant information, as contemplated herein, the Benefit Determiner shall be entitled to rely upon the most recent information furnished to it by the Corporation or the participant. The Corporation shall give notice to the Benefit Determiner at any time there is a change in benefits or personal information under the Plan(s).

2.4 The Benefit Determiner (if the Corporation is unable or unwilling to do so) shall periodically prepare a benefit statement in respect to each participant's benefits under the Plan(s) and shall furnish a copy of same to the participant or his or her beneficiary and to the Corporation.

2.5 Upon the direction of the Corporation, before or after a Potential Change in Control or Change in Control occurs, or upon the proper application, after a Change in Control occurs, of a participant or beneficiary of a deceased participant who is entitled to benefits under the Plan(s) to the Trustee, the Corporation, or if the Corporation is unable, unwilling or otherwise refuses to do so, the Benefit Determiner, shall prepare a certification to the Trustee that a participant's or beneficiary's benefits under the Plan(s) have become payable. Such certification shall include the amount of such benefits, the manner of payment and personal information regarding the participant or beneficiary, including the participant's or beneficiary's name, social security number, and last known address.

2.6 Notwithstanding anything herein to the contrary, the Benefit Determiner, if required by this Trust, shall calculate the benefit of each participant, or beneficiary under a Plan. To the extent a participant's, or his or her beneficiary's, benefit is payable from a Plan, the Benefit Determiner shall have full discretionary authority to resolve any question which shall arise under the Plan as to any person's eligibility for benefits, the calculation of benefits, the form, commencement date, frequency, duration of payment, or the identity of the beneficiary. Such question shall be resolved by the Benefit Determiner under rules uniformly applicable to all person(s) or employee(s) similarly situated.

2.7 Upon the receipt of such certified statement and such appropriate Federal, state and local tax withholding information as may be available from the Corporation or the Benefit Determiner, the Trustee, upon direction from the Corporation, (or in the case of a Change in Control, if the Corporation is unable, unwilling, or otherwise refuses to do so, upon direction of the Benefit Determiner) shall, as soon as practicable, commence cash distributions from the Trust in

accordance therewith to the person or persons so indicated, and with respect to taxes required to be withheld, to the Corporation, and the Benefit Determiner shall charge the appropriate Account(s) under the Trust. The Trustee shall furnish a copy of such certification to the participant or beneficiary of the deceased participant. The Corporation or an associated company, as the case may be, shall have full responsibility for the payment of all withholding taxes to the appropriate taxing authority and shall furnish each participant or beneficiary with the appropriate tax information form evidencing such payment and the amount thereof.

2.8 Notwithstanding anything herein to the contrary, the Corporation on behalf of itself or any associated company, instead of the Trustee, may make payment of benefits directly to Plan participants or their beneficiaries as they become due under the terms of the Plan(s). The Corporation shall notify the Trustee or the Benefit Determiner of its decision to make payment of benefits directly prior to the time amounts are payable to participants or their beneficiaries.

2.9 Nothing provided in this Trust Agreement shall relieve the Corporation or any of the participating associated companies of their obligations and liabilities to pay the benefits provided under the Plan(s) except to the extent such obligations and liabilities are met by application of Trust assets or by payments made directly by the Corporation or an associated

company, as the case may be.

### ARTICLE III

#### CORPORATION RESPONSIBILITY REGARDING DOCUMENTATION, CONTRIBUTIONS, AND INDEMNIFICATION

3.1 The Corporation shall provide the Trustee and Benefit Determiner with a certified copy

of the Plan(s) and all amendments thereto and of the resolutions of the Board of Directors of the Corporation approving the Plan(s) and all amendments thereto, promptly upon their adoption. After the execution of this Trust Agreement, the Corporation shall promptly file with the Trustee and the Benefit Determiner a certified list of the names and specimen signatures of those officers of the Corporation and any delegate authorized to act for it. The Corporation shall promptly notify the Trustee and the Benefit Determiner of the addition or deletion of any person's name to or from such list, respectively. Until receipt by the Trustee and/or the Benefit Determiner of notice that any person is no longer authorized to so act, the Trustee or the Benefit Determiner may continue to rely on the authority of the person. All certifications, notices and directions by any such person or persons to the Trustee or the Benefit Determiner shall be in writing signed by such person or persons. The Trustee and the Benefit Determiner may rely on any such certification, notice or direction purporting to have been signed by or on behalf of such person or persons that the Trustee or the Benefit Determiner believes to have been signed thereby. The Trustee and the Benefit Determiner may rely on any certification, notice or direction of the Corporation that the Trustee or the Benefit Determiner believes to have been signed by a duly authorized officer or agent of the Corporation. The Trustee and the Benefit Determiner shall have no responsibility for acting or not acting in reliance upon any certification, notice or directions believed by the Trustee or the Benefit Determiner to have been so signed by a duly authorized officer or agent of the Corporation. The Corporation shall be responsible for keeping accurate books and records with respect to the employees of the Corporation and associated companies, their compensation and their rights and interests in the Trust under the Plan(s). The Trustee may rely on all certifications issued by the Benefit Determiner without any obligation to verify the accuracy of the calculations or information contained therein.

3.2 The Corporation and each associated company shall make its contributions to the Trust in accordance with appropriate corporate action. The Trustee shall have the responsibility, after the earlier of a Potential Change in Control or Change in Control, to compel the Corporation or associated company under Section 1.5 hereof to make additional deposits or take other action to compel payments in amounts determined by the Benefit Determiner to be necessary, in accordance with Section 1.5, to fully fund the Trust to pay all benefits to which participants or beneficiaries of deceased participants are entitled under the Plan(s). The Trustee shall not be held responsible for the Corporation's or associated companies' refusal to fund as required herein. Any such contributions or payments shall be made to the Trust and shall be properly allocated to the appropriate Accounts. If more than one Plan is covered by the Trust or if more than one employer is participating in the Trust, the Corporation and the associated companies shall indicate the amount of its contributions intended for each Plan and for each employer's Account. The Trustee shall also have the responsibility to compel the Corporation and associated companies to make, after the occurrence of the earlier of a Potential Change in Control or Change in Control, the required contributions under Article X to the Legal Defense Fund. The Corporation shall be required to notify the Trustee of the occurrence of any Potential Change in Control or Change in Control as promptly as practicable following the occurrence thereof. Anything else contained in this Section 3.2 to the contrary notwithstanding, the Trustee shall not have the responsibility to compel the Corporation or the associated companies to make the contributions required pursuant to Section 1.5 or Article X hereof unless and until the Trustee has actual knowledge or has received notice from the Corporation that either a Potential Change in Control or Change in Control, as applicable, shall have occurred.

3.3 The Corporation shall indemnify and hold harmless the Trustee for any liability or expenses, including without limitation reasonable attorney's fees, incurred by the Trustee with respect to holding, managing, investing or otherwise administering the Trust, other than those resulting from the Trustee's gross negligence or willful misconduct.

3.4 The Corporation shall indemnify and hold harmless the Benefit Determiner for any liability or expenses, including without limitation reasonable attorney's fees, incurred by the Benefit Determiner with respect to keeping the participants' benefits records and reporting thereon, certifying benefit information to all parties, including the Trustee, participants or beneficiaries, and the Corporation, and any other business properly coming before the Benefit Determiner in connection to carrying out its obligations under this Trust Agreement, other than those resulting from the Benefit Determiner's gross negligence or willful misconduct.

3.5 If the Trustee or the Benefit Determiner undertakes or defends any litigation arising in connection with this Trust, including, but not limited to any litigation undertaken or defended against the Corporation, the Corporation agrees to indemnify the Trustee and the Benefit Determiner against the Trustee's or the Benefit Determiner's reasonable costs, expenses and liabilities (including, without limitation, attorney's fees and expenses) relating thereto and to be primarily liable for such payments. If the Corporation does not pay such costs, expenses and

liabilities in a reasonably timely manner, the Trustee or the Benefit Determine may obtain payment from the Trust other than the Legal Defense Fund, except as permitted under Section 1.6 and Article X. The Corporation or associated company shall reimburse the Trust for any such payments.

#### ARTICLE IV

##### TRUSTEE RESPONSIBILITY REGARDING PAYMENTS TO PARTICIPANTS AND BENEFICIARIES WHEN EMPLOYER IS INSOLVENT

4.1 If a participating employer is Insolvent, as hereinafter defined, the Trustee shall, subject to Section 4.2 hereof, cease payment of benefits to Plan participants of that Insolvent employer and their beneficiaries. The Corporation or an associated company, as the case may be, shall be considered "Insolvent" for purposes of this Trust Agreement if (a) the Corporation or the associated company is unable to pay its debts as they become due, or (b) the Corporation or the associated company is subject to a pending proceeding as a debtor under the United States Bankruptcy Code. Payments to Plan participants and their beneficiaries of an employer who is not Insolvent shall not be affected by the Insolvency of another employer.

4.2 At all times during the continuance of this Trust, as provided in Section 1.4 hereof, the principal and income of the Trust held for the benefit of a particular employer shall be subject to claims of general creditors of that employer under Federal and state law as set forth below.

(a) The Board of Directors of the Corporation and the Chief Executive Officer of the Corporation shall have the duty to inform the Trustee in writing of the Corporation's or any of the associated companies' Insolvency. If a person claiming to be a creditor of the Corporation or of an associated company alleges in writing to Trustee that the Corporation or an associated company has become Insolvent, the Trustee shall determine whether the Corporation or an associated company is Insolvent and, pending such determination, the Trustee shall discontinue payment of benefits to Plan participants of that employer and their beneficiaries.

(b) Unless the Trustee has actual knowledge of the Corporation's or an associated company's Insolvency, or has received notice from the Corporation or a person claiming to be a creditor alleging that the Corporation or an associated company is Insolvent, the Trustee shall have no duty to inquire whether the Corporation or an associated company is Insolvent. The Trustee may in all events rely on such evidence concerning the Corporation's or an associated company's solvency as may be furnished to the Trustee and that provides the Trustee with a reasonable basis for making a determination concerning the Corporation's or an associated company's solvency.

(c) If at any time the Trustee has determined that the Corporation or an associated company is Insolvent, the Trustee shall discontinue and not make any payments to Plan participants of that employer or their beneficiaries and shall hold the assets of the Trust held for the benefit of the Corporation's or an associated company's, as the case may be, general creditors. Nothing in this Trust Agreement shall in any way diminish any rights of Plan participants or their beneficiaries to pursue their rights as general creditors of the Corporation or an associated company with respect to benefits due under the Plan(s) or otherwise at their own expense.

(d) The Trustee shall resume the payment of benefits to Plan participants and their beneficiaries in accordance with Article II of this Trust Agreement only after the Trustee has determined that the affected employer is not Insolvent (or is no longer Insolvent).

4.3 Provided that there are sufficient assets held on behalf of a participating employer, if the Trustee discontinues the payment of benefits from the Trust to Plan participants and their beneficiaries pursuant to Section 4.2 hereof and subsequently resumes such payments, the first payment following such discontinuance shall include the aggregate amount of all payments due to such Plan

participants and their beneficiaries under the terms of the Plan(s) for the period of such discontinuance, less the aggregate amount of any payments made to such Plan participants and their beneficiaries by the Corporation or an associated company in lieu of the payments provided for hereunder during any such period of discontinuance. If Trust assets held in Account on behalf of the Corporation or associated company are insufficient to make such payments in full, payments shall be paid on a pro rata basis determined by comparing the assets available under the Account to the total payments due under the Plan(s) to the participants of that company and their beneficiaries.

#### ARTICLE V

##### INVESTMENT AUTHORITY

5.1 Prior to a Potential Change in Control or Change in Control, the Corporation shall direct the Trustee as to the investment of all assets within the Trust. Subsequent to a Potential Change in Control or Change in Control, the Trustee shall have full discretion in and sole responsibility for investment, management and control of the Trust assets. The Trustee shall exercise this responsibility consistent with the underlying purpose of the Trust and consistent with the underlying purpose of a Plan under which participants have made deemed investments elections with respect to

their benefits under the Plan. Plans in which deemed investment elections have been made should be invested by the Trustee in amounts that approximate participant liabilities and in investments that replicate those elections, or in similar type investments, as determined by the Trustee. Plans for which no distinct deemed investment elections are made by participants or by the Plan should be invested in a suitable portfolio of high quality government and agency securities providing for returns that approximate the discount rate applicable to the Plan. Trustee may rely upon information provided by Benefit Determiner in order to determine investment selections. Trustee may reallocate investments periodically to update the investment mix in accordance with

Section 5.1 as often as Trustee deems appropriate. An investment direction by the Corporation shall be ineffective for investments made after a Change in Control occurs. All rights associated with Trust assets shall be exercised by the Trustee or the person designated by the Trustee, and shall in no event be exercisable by participants or beneficiaries.

5.2 Powers of Trustee. Except as otherwise specifically provided in this Trust Agreement, the Trustee is authorized and empowered:

- (a) To purchase, hold, sell, invest and reinvest the Trust assets, together with income therefrom;
- (b) To hold, manage and control all property at any time forming part of the Trust assets;
- (c) To sell, convey, transfer, exchange and otherwise dispose of the Trust assets from time to time in such manner, for such consideration and upon such terms and conditions as it shall determine;
- (d) To make payments from the Trust as provided hereunder;
- (e) To cause any property of the Trust to be issued, held or registered in the individual name of the Trustee, or in the name of its nominee, or in such form that title will pass by delivery; provided, however, that the records of the Trustee shall indicate the true ownership of such property; and
- (f) To do all other acts necessary or desirable for the proper administration of the Trust assets as though the absolute owner thereof, and to exercise all the further rights, powers, options and privileges granted, provided for or vested in trustees generally under applicable Federal or New York law, as amended from time to time, it being intended that, except as herein otherwise provided, the powers conferred upon the Trustee herein shall not be

construed as being in limitation of any authority conferred by law, but shall be construed as in addition thereto.

5.3 Notwithstanding anything else contained herein to the contrary, prior to the occurrence of a Change in Control, the Corporation may contribute securities of the Corporation (including treasury and authorized but unissued securities) to the Trust or may direct the Trustee to invest assets of the Trust in such securities, and shall direct the Trustee as to the continued holding of any Corporation securities, including treasury securities and authorized but unissued securities (whether contributed to the Trust by the Corporation or purchased at the direction of the Corporation); provided that the Corporation shall not make a contribution in the form of its stock or a direction to the Trustee to acquire or hold such stock by the Corporation shall not be controlling or in effect, unless and until the Trustee has a Registration Rights Agreement in effect with the Corporation. The Trustee shall, until a Change in Control occurs, vote any securities of the Corporation it owns in the same way (determined on a percentage basis) as employees vote their shares of the Corporation's stock under the International Flavors & Fragrances Inc. Retirement Investment Fund Plan. In the event of any tender or exchange offer for all or any part of any class of Corporation security, the Trustee shall, until a Change in Control occurs, accept or reject such offer as to all or any portion of such class of security held under the Trust in the same proportion as the employees accept or reject such tender or exchange offer with respect to their shares under the International Flavors & Fragrances Inc. Retirement Investment Fund Plan. The Corporation shall assure that aggregate information concerning the action taken with respect to Corporation stock by participants under that plan shall be promptly supplied by the trustee of that plan to the Trustee, while maintaining the confidentiality of instructions given by individual participants. Except in connection with a tender or exchange offer as described above, prior to a Change in Control securities of the Corporation held by the Trust will not be sold by the Trustee for the purpose of providing benefits hereunder or

otherwise applied by the Trustee for such purpose. After such Change in Control occurs, the Trustee can, subject to applicable securities law requirements, sell or dispose of any Corporation securities it owns in order to pay benefits due under the Plan(s) or to pay expenses or liabilities arising under the Trust. The Corporation shall take such action and make such payments as are necessary to assure that the Trustee shall have full registration rights under Federal and state securities laws with respect to securities of the Corporation held by it. The Corporation shall indemnify the underwriters in any public offering of Corporation securities and pay all expenses related to such offering and if not paid by the Corporation such amounts shall be a charge against the Trust and shall constitute a lien in favor of the Trustee until paid by the Corporation.

5.4 Except as provided in Section 5.3 hereof, the Corporation shall have the right at any time, and from time to time, in its sole discretion, to substitute assets of equal fair market value for any asset held by the Trust, provided that after a Change in Control occurs only cash can be substituted for assets held by the Trust. This right is exercisable by the Corporation in a nonfiduciary capacity without the approval or consent of any person in a fiduciary capacity. Notwithstanding anything in this Agreement to the contrary, the Trustee shall have no duty to review any assets substituted or any assets otherwise held prior to a Change in Control with respect to prudence or proper diversification.

#### ARTICLE VI

##### No DIVERSION OF ASSETS AFTER CHANGE IN CONTROL BEFORE FULL BENEFIT PAYMENT

6.1 After a Change in Control occurs, the Corporation shall have no right or power to direct the Trustee to return to the Corporation or to divert to others any of the Trust assets before all payment of benefits has been made to Plan participants and their beneficiaries pursuant to the terms of the Plan(s).

6.2 Prior to the occurrence of a Change in Control, the Corporation shall be permitted to withdraw from the Trust all or a portion of the assets of the Trust; provided that the provisions of this Section 6.2 shall not be applicable during the pendency of or during the one year period following the cessation of a Potential Change in Control. In addition, prior to the occurrence of a Change in Control, any cash dividends paid on shares of stock of the Corporation held in the Trust shall be transferred by the Trustee to the Corporation as soon as administratively practicable following the date or dates such dividends are paid.

#### ARTICLE VII

##### DISPOSITION OF INCOME

7.1 Except as provided in Section 6.2 hereof, during the term of this Trust, all income received by the Trust, net of expenses and taxes, shall be accumulated and reinvested and the Corporation and associated companies shall pay any Federal, state or local taxes on the Trust or any part thereof and on the income therefrom attributable to the assets held on their behalf under the Trust.

#### ARTICLE VIII

##### ACCOUNTING BY TRUSTEE

8.1 The Trustee shall keep accurate and detailed records of all investments, receipts, disbursements, and all other transactions made or required to be made, including such records as shall be agreed upon in writing between the Corporation and Trustee. Within 30 days following the close of each calendar year and within 30 days after the removal or resignation of the Trustee, the Trustee shall deliver to the Corporation a written account of its administration of the Trust during such year or during the period from the close of the last preceding year to the date of such removal or resignation, setting forth all investments, receipts, disbursements and other transactions effected by

it, including a description of all securities and investments purchased and sold with the cost or net proceeds of such purchases or sales (accrued interest paid or receivable being shown separately), and showing all cash, securities and other property held in the Trust at the end of such year or as of the date of such removal or resignation, as the case may be. Upon the expiration of 90 days following the filing of each written account with the Corporation, the Trustee shall be forever released and discharged from all liability and further accountability to the Corporation and any other person with respect to accuracy of such account and the propriety of all acts or failures to act reflected in such account. The foregoing sentence shall not apply if within the 90-day period, a written objection to the filing is sent to the Trustee by the Corporation; provided that such sentence shall apply if the written objection is resolved by the Trustee to the Corporation's satisfaction.

#### ARTICLE IX

##### RESPONSIBILITY OF TRUSTEE

9.1 (a) The Trustee shall act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims; provided, however, that the Trustee shall incur no liability to any person for any action taken pursuant to a direction, request or approval given by the Corporation or by the Benefit Determiner which is contemplated by, and in conformity with, the terms of the Plan(s) or this Trust Agreement and is given in writing by the Corporation or by the Benefit Determiner. Notwithstanding anything in the previous sentence to the contrary, the Trustee may assume that any calculation made by the Benefit Determiner has been made in accordance with terms of the Plan(s). In the event of a dispute between the Corporation

and a party, the Trustee may, subject the provisions of Section 11.1, at the expense of the Trust apply to a court of competent jurisdiction to resolve the dispute.

- (b) The Trustee or the Benefit Determiner may consult with legal counsel (who may also be counsel for the Corporation generally) with respect to any of its duties or obligations hereunder at the expense of the Trust, subject to the provisions of Section 11.1.
- (c) The Trustee may hire agents, accountants, actuaries, investment advisors, financial consultants or other professionals to assist it in performing any of its duties or obligations hereunder at the expense of the Trust, subject to the provisions of Section 11.1.
- (d) The Trustee shall have, without exclusion, all powers conferred on trustees by applicable law, unless expressly provided otherwise herein; provided, however, that if an insurance policy is held at the direction of the Corporation as an asset of the Trust, the Trustee shall have no power to name a beneficiary of the policy other than the Trust, to assign the policy (as distinct from conversion of the policy to a different form) other than to a successor trustee, or to loan to any person the proceeds of any borrowing against such policy, unless directed to do so by the Corporation to either keep the policy in force or to pay benefits.
- (e) Notwithstanding any powers granted to the Trustee pursuant to this Trust Agreement or applicable law, the Trustee shall not have any power that could give this Trust the objective of carrying on a business and dividing the gains therefrom, within the meaning of Section 301.7701-2 of the Procedure and Administrative Regulations promulgated pursuant to the Internal Revenue Code.

## ARTICLE X

### LEGAL DEFENSE FUND

10.1 (a) The Trustee shall maintain for bookkeeping purposes a separate account (the "Legal Defense Fund") to provide for the payment of legal expenses incurred by the Trustee after a Change in Control to protect participants' or their beneficiaries' entitlement to benefits under the Plan(s) after a Change in Control. The amounts credited to the Legal Defense Fund cannot be used to pay benefits due under the Plan(s) or expenses of the Trust except as provided herein. Separate bookkeeping accounts shall be maintained by Trustee to identify Corporation and associated companies contributions to the Legal Defense Fund. The rights of creditors of any associated company Legal Defense Fund shall be limited to the assets held for that company under the trust.

The Corporation or associated company within seven days following the earlier of a Potential Change in Control or Change in Control, shall contribute cash to the Legal Defense Fund in an amount not less than 10% of the total benefit liability under the Plan(s) as determined by the Benefit Determiner under Section 1.5. The Corporation or associated company may make all or a portion of that contribution at any time prior to the earlier of a Potential Change in Control or Change in Control.

- (b) The Trustee shall use the funds in the Legal Defense Fund to pay for reasonable legal and other expenses incurred by the Trustee or Benefit Determiner in protecting the participants' and beneficiaries' entitlement to benefits under the Plan(s) after a Change in Control.
- (c) In operating under the terms of this Article X the Trustees shall pursue all claims of participants and beneficiaries for benefits due them under the Plan(s) other than those claims which would be considered frivolous.
- (d) The assets in the Legal Defense Fund can be used, if necessary, to pay benefits to participants and beneficiaries and to pay expenses reimbursable under Section 3.5 but only after the satisfaction of liabilities attributable to participants' and beneficiaries' benefits under the Plan as certified by the Benefit Determiner.
- (e) The provisions of Article VI are applicable to this Article X.

## ARTICLE XI

### COMPENSATION AND EXPENSES OF TRUSTEE AND BENEFIT DETERMINER

11.1 The Corporation shall pay to the Trustee its reasonable expenses for the management and administration of the Trust, including without limitation advances for or prompt reimbursement of reasonable expenses of counsel and other agents employed by the Trustee. The Corporation shall also pay to the Trustee compensation for its services as Trustee hereunder, the amount of which shall be agreed upon from time to time by the Corporation and the Trustee in writing; provided, however, that if the Trustee forwards an amended fee schedule to the Corporation requesting its agreement thereto and the Corporation fails to object thereto within forty-five (45) days of its receipt, the amended fee schedule shall be deemed to be agreed upon by the Corporation and the Trustee. Such expenses and compensation shall be a charge on the Trust and shall constitute a lien in favor of the Trustee until paid by the Corporation.

11.2 The Corporation shall pay to the Benefit Determiner reasonable compensation for its services as the Benefit Determiner hereunder, the amount of which shall be agreed upon from time to time by

the Corporation (or the Trustee in the event of a Change in Control) and the Benefit Determiner in writing, and shall reimburse reasonable expenses, including legal expenses, of the Benefit Determiner in fulfilling its obligations under the Trust. Such expenses and compensation shall be a charge on the Trust and shall constitute a lien in favor of the Benefit Determiner until paid by the Corporation.

#### ARTICLE XII

##### RESIGNATION AND REMOVAL OF TRUSTEE AND APPOINTMENT OF SUCCESSOR TRUSTEE

12.1 The Trustee may resign at any time by delivering written notice thereof to the Corporation; provided, however, that no such resignation shall take effect until the earlier of (a) sixty (60) days from the date of delivery of such notice to the Corporation or (b) the appointment of a successor trustee, or such shorter period as agreed upon in writing by the parties.

12.2 The Trustee may be removed at any time by the Corporation before or after a Change in Control described in Section 16.3 pursuant to a resolution of the Board of Directors of the Corporation, upon delivery to the Trustee of a certified copy of such resolution and sixty (60) days' written notice of (a) such removal and (b) the appointment of a successor trustee, or such shorter period as agreed upon in writing by the parties; provided that after a Change in Control, such removal shall occur only if consented to by two-thirds of the participants covered under the Trust; and further provided, such participant consent shall not be required after the sixth anniversary of a Change in Control.

12.3 Upon the resignation or removal of the Trustee, a successor trustee with balance sheet assets of at least 40 billion dollars shall be appointed by the Corporation. Such successor trustee shall be a

bank or trust company established under the laws of the United States or a State within the United States. Such appointment shall take effect upon the delivery to the Trustee of (a) a written appointment of such successor trustee, duly executed by the Corporation, and (b) a written acceptance by such successor trustee, duly executed thereby. Any successor trustee shall have all the rights, powers and duties granted the Trustee hereunder.

12.4 If, within sixty (60) days of the delivery of the Trustee's written notice of resignation, a successor trustee shall not have been appointed, the Trustee may apply to any court of competent jurisdiction for the appointment of a successor trustee.

12.5 Upon the resignation or removal of the Trustee and the appointment of a successor trustee, and after the acceptance and approval of its account, the Trustee shall transfer and deliver the Trust to such successor trustee. Under no circumstances shall the Trustee transfer or deliver the Trust to any successor trustee which is not a bank or trust company as hereinabove defined.

12.6 If the Trustee resigns or is removed, a successor trustee shall be appointed, in accordance with Section 12.3, by the effective date of resignation or removal under Section 12.1 or 12.2 of this Article. If no such appointment has been made, the Trustee may apply to a court of competent jurisdiction for appointment of a successor trustee or for instructions. All expenses of the Trustee in connection with the proceeding shall be allowed as administrative expenses of the Trust.

#### ARTICLE XIII

##### AMENDMENT

13.1 This Trust Agreement may be amended, in whole or in part, including Appendix A hereof, at any time and from time to time, by the Corporation, pursuant to a resolution of the Board of Directors of the Corporation, by delivery to the Trustee of a certified copy of such resolution and a written instrument duly executed and acknowledged in the same form as this Trust Agreement, except that the duties and responsibilities of the Trustee shall not be increased without the Trustee's written consent. The ability to amend shall include the right to spin off the assets and/or liabilities attributable to a participating employer under this Trust to an existing or newly-established Trust or other vehicle which provides the same protection of a participant's interest as this Trust does. The approval of such spinoff by the affected employer shall be required. Any such spinoff shall be consistent with the rules used under Section 414(1) of the Internal Revenue Code applicable to pension plans qualified under Section 401 (a) of the Internal Revenue Code. Notwithstanding the foregoing, (i) no such amendment shall conflict with the substantive terms of the Plan(s) or permit withdrawal of any funds held under the Trust except as permitted under Article V or VI and (ii) during the pendency of a Potential Change in Control, during the one-year period following the cessation of a Potential Change in Control, and following the occurrence of a Change in Control (such periods being referred to collectively as the "Protected Period"), this Trust Agreement may not be amended by the Corporation in any manner adverse to participants and beneficiaries of the Plans, other than for reasons to maintain, on the advice of counsel, the Trust's status as an unfunded grantor trust.

#### ARTICLE XIV

##### TERMINATION

14.1 The Trust established pursuant to this Trust Agreement may be terminated by

the Corporation at any time; provided, however, that during the Protected Period, the Trust may not be terminated by the Corporation prior to the satisfaction of all liabilities with respect to all participants in the Plan(s) and their beneficiaries and all other liabilities of the Trust. Upon receipt of a written certification from the Benefit Determiner that all liabilities have been satisfied with respect to all participants in the Plan(s) and their beneficiaries and upon satisfaction of all other liabilities of the Trust, the Corporation, pursuant to a resolution of its Board of Directors, may terminate the Trust upon delivery to the Trustee of (a) a certified copy of such resolution, (b) an original certification of the Benefit Determiner that all such liabilities (including for this purpose unpaid Trustee and Benefit Determiner fees and expenses other than fees and expenses to be paid from the Legal Defense Fund) have been satisfied and (c) a written instrument of termination duly executed and acknowledged in the same form as this Trust Agreement.

14.2 Upon the termination of the Trust in accordance with Section 14.1, the Trustee shall, after the acceptance and approval of its account, distribute their share of the assets of the Trust (including the assets of the Legal Defense Fund) to the Corporation and to the associated companies, as the case may be. Upon completing such distribution, the Trustee shall be relieved and discharged. The powers of the Trustee shall continue as long as any part of the Trust remains in its possession.

#### ARTICLE XV

##### MISCELLANEOUS

15.1 This Trust Agreement shall be construed and interpreted under, and the Trust hereby created shall be governed by, the laws of the State of New York insofar as such laws do not contravene any applicable Federal laws, rules or regulations.

15.2 Neither the gender nor the number (singular or plural) of any word shall be construed to exclude another gender or number when a different gender or number would be appropriate.

15.3 No right or interest of any participant or beneficiary under the Plan(s) in the Trust shall be transferable or assignable or shall be subject to alienation, anticipation or encumbrance, and no right or interest of any participant or beneficiary in the Plan(s) or in the Trust shall be subject to any garnishment, attachment or execution, except as otherwise required by law. Notwithstanding the foregoing, the Trust shall at all times remain subject to claims of general creditors of the Corporation and associated companies, as the case may be, in the event the Corporation or an associated company becomes Insolvent as provided in this Trust Agreement.

15.4 This Trust Agreement shall be binding upon and inure to the benefit of any successor to the Corporation or its business as the result of merger, consolidation, reorganization, transfer of assets or otherwise and any subsequent successor thereto. In the event of such merger, consolidation, reorganization, transfer of assets or other similar transaction, the successor to the Corporation or its business or any subsequent successor thereto shall promptly notify the Trustee in writing of its successorship and furnish the Trustee and the Benefit Determiner with the information specified in Section 3.1 of this Trust Agreement. In no event shall any such transaction described herein

suspend or delay the rights of the Plan participants or the beneficiaries of deceased participants to receive benefits hereunder.

15.5 Communications to the Trustee shall be sent to the Trustee or as directed by the Trustee to the Benefit Determiner. No communication shall be binding upon the Trustee or the Benefit Determiner until it is received in written form by the Trustee or the Benefit Determiner. Communication to the Corporation shall be sent in written form to the Corporation's principal offices or to such other address as the Corporation may specify in writing. Communication shall be deemed received upon the date of delivery if given personally or, if given by mail, upon receipt thereof.

15.6 Any provision of this Trust Agreement prohibited by law shall be ineffective to the extent of any such prohibition, without invalidating the remaining provisions hereof.

15.7 Benefits payable to Plan participants and their beneficiaries under this Trust Agreement may not be anticipated, assigned (either at law or in equity), alienated, pledged, encumbered or subjected to attachment, garnishment, levy, execution or other legal or equitable process, except as otherwise required by law.

15.8 Anything in this Agreement to the contrary notwithstanding the rights of the Trustee and Benefit Determiner under Section 3.3, 3.4, 3.5, 7.1, 11.1, and 11.2 shall survive the termination of this Agreement.

#### ARTICLE XVI

##### POTENTIAL CHANGE IN CONTROL OR CHANGE IN CONTROL

16.1 Each participant and beneficiary of a deceased participant is an intended beneficiary under this Trust, and shall, after a Change in Control occurs, be entitled to enforce all terms and provisions hereof with the same force and effect as if such person had been a party hereto at his own expense.

16.2 For purposes of this Trust, a Potential Change in Control shall be deemed

to have occurred if there shall have occurred any of the following:

- (i) The Company enters into an agreement, the consummation of which would constitute a Change in Control;
- (ii) The Company or any "person" as such term is used in Section 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (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), publicly announces its intention to take or to consider taking such action which, if consummated, would constitute a Change in Control; or
- (iii) Any "person" (as referred to in (ii) above), acquires voting securities of the Company after September 1, 2000 and immediately thereafter is a "15% Beneficial Owner." For purposes of this provision, a "15% 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 15% or more of the combined voting

power of the Company's then-outstanding voting securities; provided, however, that the term "15% 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 "15% Beneficial Owner" (a "PCIC Existing Shareholder"), including any group that may be formed which is comprised solely of PCIC Existing Shareholders, unless and until such time after February 20, 1990 as any such PCIC 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 "15% Beneficial Owner" shall not include any person who shall become the beneficial owner of 15% 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 15% Beneficial Owner in accordance with this Section 16.2. The Trustee may rely upon Corporation's notification as to the occurrence of a Potential Change in Control. An authorized designee will notify Trustee of such occurrence in writing.

16.3 For purposes of this Trust, a Change in Control shall be deemed to have occurred if there shall have occurred any of the following:

- (i) Any "person," (as defined in Section 16.2 hereof), 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 16.3;
- (ii) Individuals who on September 1, 2000 constitute the Board, and any new director (other than a director whose initial assumption of office is in connection with an actual or

threatened election consent, including but not limited to a consent solicitation, relating to the election of directors of the Company), 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 on September 1, 2000 or whose election or nomination for election was previously so approved or recommended, cease for any reason to

constitute at least a majority thereof;

(iii) There is consummated a merger, consolidation, recapitalization, or reorganization of the Company, or a reverse stock split of any class of voting securities of the Company, if, immediately following consummation of any of the foregoing, either (A) individuals who, immediately prior to such consummation, constitute the Board do not constitute at least a majority of the members of the board of directors of the Company or the surviving or parent entity, as the case may be, or (B) the voting securities of the Company outstanding immediately prior to such consummation do not represent (either by remaining outstanding or by being converted into voting securities of a surviving or parent entity) at least 60% or more of the combined voting power of the outstanding voting securities of the Company or such surviving or parent entity; or

(iv) The shareholders of the Company have approved a plan of complete liquidation of the Company or there is consummated 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).

The Trustee may rely upon Corporation's notification as to the occurrence of a Change in Control. An authorized designee will notify Trustee of such occurrence in writing.

IN WITNESS WHEREOF, the parties have executed this Trust Agreement as of the date written above.

INTERNATIONAL FLAVORS & FRAGRANCES INC.

By /s/ Stephen A. Block

Name: Stephen A. Block
Title: Senior Vice President, General Counsel & Secretary

FIRST UNION NATIONAL BANK

By /s/ Robert E. Hord Jr.

Name: Robert E. Hord Jr.
Title: Vice President

BUCK CONSULTANTS INC.

By Karl W. Lehwater

Name: Karl W. Lehwater
Title: Secretary

ASSOCIATED COMPANY

By

Name:
Title:

By

Name:
Title:

By

Name:
Title:

By

Name:
Title:

APPENDIX A

The following plans and/or programs of International Flavors & Fragrances Inc.

Management Incentive Compensation Plan

Special Executive Bonus Plan

Supplemental Retirement Investment Plan

Supplemental Retirement Plan (Pension)

Executive Separation Policy

Post Employment Medical and Life Insurance Policy

INTERNATIONAL FLAVORS & FRAGRANCES INC.  
STOCK OPTION PLAN FOR NON-EMPLOYEE DIRECTORS

International Flavors & Fragrances Inc., a New York corporation (herein called "IFF"), hereby establishes the Stock Option Plan For Non-Employee Directors (herein called the "Plan") on the following terms and conditions:

1. Purpose: To attract and retain the services of qualified independent directors of IFF who are not employees of IFF and provide additional incentive for such directors to work for the best interests of IFF and its shareholders.

2. Method of Adoption: By the approval of the Board of Directors of IFF (herein called the "Board") and of the holders of a majority of IFF shares.

3. Grant of Options: Options for 1,000 shares each will be automatically granted to each non-employee director in each year commencing in 1990 and ending in 1999, and each such grant in each year shall be made on the date of the Annual Meeting of the Shareholders of IFF in that year.

4. Number of Shares: The Plan shall cover an aggregate of 100,000 shares of common stock of IFF of the par value of \$.12 1/2 each. Either authorized and unissued shares or treasury shares may be used. If any options expire or terminate without being exercised in full, including options voluntarily surrendered for cancellation, the shares subject thereto which have not been purchased in accordance with the terms of such options shall be available for the grant of new options under the Plan.

5. Purchase Price: The purchase price per share for any stock optioned at any time under this Plan shall be the fair market value thereof on the date of granting the option. Upon exercise of any stock option the director may pay for the stock covered by the stock option with Common Stock of IFF taken at its fair market value, providing the director has held such Common Stock for at least six months or such longer period as determined by the Board.

6. Eligibility: All members of the Board who are not employees of IFF or one of its subsidiaries (including subsidiaries which may become such after adoption of this Plan), including any such members elected to the Board by the shareholders on the date of grant of an option.

7. Directorship at the Time of Exercise of Options: Any stock option may be exercised by any director only so long as he or she remains a director of IFF, provided that if a director voluntarily resigns with the consent of the Board, if he or she becomes totally disabled or retires at or after age 65, he or she may exercise within 3 months thereafter (but not later than the expiration date of the option) the option as to the

balance, if any, of the shares which the director was entitled to purchase under the terms of the option at the date of such resignation, disability or retirement. If a director dies while a director of IFF, his or her legal representatives, distributees or legatees, as the case may be, may exercise within 3 months thereafter (but not later than the expiration date of the option) the option as to the balance, if any, of the shares which the director was entitled to purchase under the terms of the option at the date of his or her death or, in case such death occurs less than 48 months from the date of the grant of the option, that proportion of the shares covered by the option which the number of days in the period from the date of grant to the date of the director's death bears to the number 1460, less any shares previously purchased under the option.

8. Individual Options: The maximum number of shares for which stock options may be granted to any individual under the Plan shall be 10,000.

9. Exercise of Options: Each stock option may be exercised as follows: up to one-third of the shares covered at any time after 24 months from the date of grant, up to two-thirds of such shares at any time after 36 months from such date; and all the shares at any time after 48 months from such date. An option may not be exercised, if, in the opinion of counsel for the Company, exercise of the option or delivery of shares pursuant thereto might result in a violation of any law or regulation of an agency of government or have an adverse effect on the listing status or qualification of the Company shares on any securities exchange.

10. Rights of Optionees Before Issuance of Stock Certificates: No optionee shall have any rights as a stockholder with respect to any shares covered by any stock option until the date of the issuance of the stock certificate for such shares following exercise of the options. No adjustment shall be made for dividends or other rights for which the record date is prior to the date such stock certificate is issued.

11. Anti-Dilution Provisions: Each option agreement shall contain such provisions as the Board or the Committee shall deem to be appropriate, including provisions for appropriate adjustment of the option price and the number of shares covered, or both, to protect the optionee in the event of a reorganization, recapitalization, stock split, stock dividend, combination of shares, merger or consolidation (except as otherwise stated below) or in the event of any other change in the corporate capital structure of IFF. In the event of any such adjustment, the aggregate number and class of shares available under the Plan and the maximum number of shares as to which options may be granted to any director may also be appropriately adjusted.

12. Nonassignability: No option shall be assignable or transferable by an optionee except by will or by the laws of descent and distribution, and an option shall be exercisable during his or her lifetime only by him or her.

13. Administration: The Plan is intended to be self-operative to the maximum extent consistent with prudent business practice. Under no circumstances shall any individual or group of individuals exercise discretion with respect to designating the recipient of an option, the number of shares of Common Stock that are subject to an option, the date of grant of an option or the exercise price or dates of exercise of an option. Otherwise, the Plan shall be administered by vote of a majority of the Board, or by a majority of the Stock Option and Compensation Committee of the Board (herein called the "Committee").

14. Acceleration of Option upon Merger or Consolidation: In the event of the merger or consolidation of IFF with or into another corporation as a result of which IFF is not the surviving corporation, then on written notice to the optionee given by the surviving corporation, the option may be exercised, as to the entire number of shares subject thereto, on and after the effective date of such merger or consolidation and the option shall cease and terminate as to any shares as to which it has not been exercised on a date 180 days after the effective date of such merger or consolidation or on the expiration date of such option, whichever is earlier.

15. Agreements: Options issued under the Plan shall be evidenced by agreements in such form as the Board or the Committee may approve. The terms of such agreements shall comply with the applicable terms of the Plan contained herein. The option agreement shall not impose on IFF or its subsidiaries any obligation to continue any individual as a director for any period.

16. Change in Control: In the event of a "change in control" of IFF, all options previously granted to a director shall become immediately exercisable in full, and he or she or his or her legal representatives, distributees or legatees in the event of the death of a director may exercise within 3 months thereafter (but not later than the respective expiration dates of the options) any and all outstanding options.

"Change in control" shall mean the earliest to occur of any of the following events:

(i) any person, corporation, partnership, association, trust or other entity, or any "group" as defined in Section 13(d)(3) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), shall hereafter become the "beneficial owner," as defined in Rule 13d-3 promulgated under the Exchange Act, directly or indirectly, of securities of the Corporation representing 40 percent or more of the combined voting power of the Corporation's then outstanding securities; or

(ii) persons not nominated by the Board in the Corporation's most recent proxy statement shall constitute a majority of the members of the Board.

17. Interpretation: In the event of any difference of opinion between an optionee and IFF concerning the meaning or effect of the Plan, such difference shall be resolved by the Board.

18. Compliance with Applicable Laws: All options granted under the Plan shall be non-statutory options not intended to qualify under Section 422A of the Internal Revenue Code of 1986, as amended. No shares shall be offered under the Plan and no stock certificate shall be delivered upon exercise of options until such offering has been registered under the Securities Act of 1933, as amended, and any other applicable governmental laws and regulations, unless in the opinion of counsel such offering is exempt from registration under such Act, and until IFF shall have complied with any applicable provisions of the Securities Exchange Act of 1934, as amended, and applicable requirements of the New York Stock Exchange.

19. Amendment and Termination of the Plan: The Board may from time to time, with respect to any shares at the time not subject to options, suspend or discontinue the Plan or amend it in any respect, except as provided in paragraph 13 hereof, provided that (a) no revision or amendment shall change the selection or eligibility of directors to receive options under the Plan, the purchase price thereunder, or materially increase the benefits accruing to participants under the Plan, (b) without the approval of the holders of a majority of outstanding shares of IFF (except as provided in paragraph 11 above), increase the aggregate numbers of shares available for options, or reduce the option price below that provided for hereunder.

INTERNATIONAL FLAVORS & FRAGRANCES INC.

DIRECTOR CHARITABLE CONTRIBUTION PROGRAM

I. PROGRAM OVERVIEW

A. After the death of each participating Director\*, it is the intention of International Flavors & Fragrances Inc. (the "Corporation") to contribute \$500,000 to an eligible charitable or educational institution recommended by the Director and an additional \$500,000 to the IFF Foundation (the "Foundation"), to be used for charitable contributions selected by the Foundation. The contribution recommended by the Director will be made by the Corporation in his or her name.

B. To finance the anticipated contributions in the Director's name and by the Foundation, the Corporation will apply for life insurance covering each Director. With respect to each Director serving on the effective date of the Program, the Corporation will apply for the insurance promptly. The Corporation will apply for the insurance with respect to each person becoming a Director after the effective date of the Program promptly after his or her election. The policy covering any Director will be a specifically designed joint life policy under which two Directors will be insured. The Corporation will be the owner of and the beneficiary under the policy.

C. The Program will benefit the Director, the charitable organization and the Corporation.

\* All future references to Director will mean participating Director, except where the context otherwise requires.

1. By enabling the Director to recommend that a significant contribution be made in his or her name to an eligible charity or educational institution, the Program will assist the Director in accomplishing his or her charitable or educational contribution goals, with no commitment of personal resources.

2. The charitable organization will receive from an extremely reliable source a substantial endowment that otherwise might not have been available to it.

3. The Program will provide additional funds to enable the Corporation and the Foundation to make meaningful contributions to charitable and educational organizations, thereby enhancing the Corporation's public image, while at the same time creating an additional innovative method for attracting and retaining quality Directors.

II. PARTICIPATION IN THE PROGRAM

A. With respect to Directors serving on the effective date of the Program:

1. Each non-employee Director will be fully vested in the Program on such date.

2. Each employee director will be deemed fully vested in the Program at age 62, provided that he is serving as a Director at such date.

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B. With respect to persons becoming Directors after the effective date of the Program:

1. A non-employee Director will vest in the Program over a sixty-month period of service according to the following schedule:

<u>MONTHS OF SERVICE AS A DIRECTOR</u>	<u>DONATION TO DIRECTOR'S RECOMMENDED CHARITY</u>
<u>-----</u>	<u>-----</u>
<u>Less than 24</u>	<u>\$0</u>
<u>24-35</u>	<u>\$200,000</u>
<u>36-47</u>	<u>\$300,000</u>
<u>48-59</u>	<u>\$400,000</u>
<u>60 or more</u>	<u>\$500,000</u>

2. Provided that an employee Director is serving as a Director at age 62, he or she will vest in the Program on that date in accordance with the schedule in B.1 above, which will include service as a Director both before and after that date.

C. Notwithstanding A. and B. above, in the event a Director is determined, in the sole discretion of the Corporation, not to be insurable, he or she will be ineligible to, and will not, participate in the Program.

III. OPERATION OF THE PROGRAM

A. Prior to the effective date of the Program (or, for a new Director, at the time he or she is first elected as a Director), the Director and the Corporation will enter into a Memorandum of Understanding which, among other

things, (1) will state the Corporation's intention to make a corporate contribution in the Director's name following the Director's death, and (2) will acknowledge the Director's participation in the Program.

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B. Directors will be paired as the Corporation may elect and each pair of Directors will apply for a joint life insurance policy with the Corporation as owner and beneficiary. Directors will be asked to complete necessary enrollment forms and policy applications. The Secretary of the Corporation will be available to assist any Director in completing the paperwork.

C. At the time a Director first becomes vested in the Program, the Corporation will request the Director to complete a contribution form to recommend one or more eligible charitable or educational institutions of his or her choice to receive the amount of the eventual donation as to which the Director is then vested and, if a Director selects more than one donee, the amount to be given to each. No contribution may be for less than \$100,000. Each person becoming a Director after the effective date of the Program will be requested to complete additional contribution forms as the amount of the eventual donation in which he or she is vested increases.

D. Although the Corporation will give deference to Director recommendations, the Corporation, in its sole discretion, reserves the right to accept or reject any recommendation. An accepted recommendation will be effective upon return to the Director of a copy of the contribution form.

E. A Director may revoke or revise a contribution recommendation at any time by completing a new contribution form. The revocation or revision will be effective when accepted by the Corporation by returning a copy of the contribution form to the Director.

F. Any proceeds of insurance as to which a Director has not made a recommendation which has been accepted by the Corporation will be paid to the Foundation.

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G. The Corporation will pay all premiums on the life insurance policy and all expenses of the Program.

H. After the death of a Director, the Corporation will make the contribution to the recommended institution(s) in the Director's name.

I. After the death of the second Director insured under a policy, the Corporation will receive the proceeds as beneficiary of the full policy covering both Directors.

#### IV. IMPLEMENTATION OF THE PROGRAM

A. The Program will become effective March 1, 1995.

B. A Director's rights and interests under the Program may not be assigned or transferred.

C. The Program may be amended, suspended or terminated at any time by the Board of Directors. Nothing contained in the Program will create a trust, actual or constructive, for the benefit of a Director or any organization recommended by a Director to receive a donation, or will give any Director or recommended organization any interest in any assets of the Program or the Corporation.

D. The Office of the Secretary of the Corporation will administer the Program. A Director may seek assistance from or direct any questions about the Program to the Secretary of the Corporation.

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### INTERNATIONAL FLAVORS & FRAGRANCES INC.

#### DIRECTOR CHARITABLE CONTRIBUTION PROGRAM

##### QUESTIONS AND ANSWERS

#### 1. WILL PARTICIPATING DIRECTORS NEED TO QUALIFY FOR LIFE INSURANCE?

Yes. The requirements are minimal, however. Each Director will be asked to sign a life insurance application, answer six health-related questions and a smoking question, and provide details for certain avocations (e.g., scuba diving and aviation). In addition, each Director will be asked to authorize Metropolitan Life Insurance Company to obtain a report from his or her attending physician(s).

#### 2. WILL A MEDICAL EXAMINATION BE REQUIRED?

Generally, only the information and authorization outlined in the response to question 1 will be required. In certain instances, however--for example, where the Director has not had a medical examination within 6-12 months prior to completing the application--an examination may be required.

#### 3. WHAT WILL HAPPEN IF A DIRECTOR IS DETERMINED TO BE A HIGHER THAN STANDARD

LIFE INSURANCE RISK, IS A SMOKER, OR IS EVEN UNINSURABLE?

Joint life policies insuring two Directors permit more flexibility than traditional single life policies. As a result, although the Corporation's premium outlays may be higher for "rated" Directors and for smokers, it is expected that a wide range of risks can be accommodated. Nevertheless,

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in the unlikely event that a Director were determined to be uninsurable, he or she would be ineligible to participate in the Program.

4. WHY DOES THE PROGRAM UTILIZE JOINT LIFE INSURANCE POLICIES?

Joint life policies have lower premiums than single life policies. Directors will be paired under these policies on the most cost efficient basis for the Corporation.

5. WILL A DIRECTOR INCUR ANY DIRECT OR INDIRECT COSTS OR SUFFER ANY TAX CONSEQUENCES AS A RESULT OF THE PROGRAM?

Under the Program, the Corporation will make a charitable contribution with its own funds in the Director's name after the Director's death. All costs of the Program--insurance policy premiums--will be paid by the Corporation and the Corporation will be both the owner and the beneficiary of the policies. As a result, there is no cost to a Director and, under current tax laws and regulations, the Program should have no income or estate tax consequences to the Director at any time.

6. THE PROGRAM DESCRIPTION STATES THAT THE CORPORATION INTENDS TO MAKE A CHARITABLE CONTRIBUTION AFTER THE DEATH OF EACH DIRECTOR, YET THE LIFE INSURANCE PROCEEDS WILL NOT BE PAYABLE UNTIL THE DEATH OF THE SECOND INSURED UNDER EACH POLICY. WHAT IS THE RELATIONSHIP BETWEEN THE LIFE INSURANCE AND THE ACTUAL CONTRIBUTIONS?

As described in response to question 7, below, the insurance policies serve as mechanisms to help finance the Program. In all cases, however, the charitable contributions are made directly from the Corporation's general assets. The contribution payments are not directly tied to the Corporation's receipt, as

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beneficiary, of the death benefits under the insurance policies.

7. WHAT IS THE ROLE OF THE LIFE INSURANCE IN THE PROGRAM?

The life insurance enables the Corporation to finance efficiently its anticipated future charitable contributions in the Director's name and by the Foundation. The Director has neither an interest in nor any right to the benefits from the life insurance on his or her life. Assuming that current Federal tax laws relating to charitable contributions do not change, and if certain other assumptions (e.g., mortality projections) are met, the Corporation can reasonably expect to be reimbursed for all of its outlays for life insurance premiums and the after-tax cost of its anticipated charitable contributions pursuant to the Program.

8. WHAT CHARITIES AND EDUCATIONAL INSTITUTIONS ARE ELIGIBLE FOR A DIRECTOR'S RECOMMENDATION TO RECEIVE A CHARITABLE CONTRIBUTION UNDER THE PROGRAM?

The recommended recipient of a contribution under the Program must be an established United States charitable or educational institution that meets the definition of an Exempt Organization in Section 501(c)(3) of the Internal Revenue Code and the regulations under it. Although the Corporation will give deference to Director recommendations, the Corporation, in its sole discretion, reserves the right at any time to accept or reject any recommendation.

9. MAY A DIRECTOR RECOMMEND MORE THAN ONE RECIPIENT FOR PORTIONS OF THE INTENDED CHARITABLE CONTRIBUTION?

Yes, but the minimum amount that a Director may recommend be contributed to any one charitable institution is \$100,000. As a result, the number of recommended recipients for the total contribution cannot exceed five.

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10. WILL THE CORPORATION NOTIFY INTENDED RECIPIENTS RECOMMENDED BY A DIRECTOR FOR CHARITABLE CONTRIBUTIONS?

No, unless the Director specifically requests otherwise in writing to the Corporation. Any intended recipient notified by the Corporation at the request of a Director will also be informed of any revocation or revision of the Director's recommendation and of any other event that will change the expected donation, such as the death or disability of a Director prior to full vesting.

11. WHOM CAN A DIRECTOR CALL FOR ASSISTANCE OR WITH QUESTIONS ABOUT THE PROGRAM?

The Program will be administered by the Office of the Secretary of the Corporation. A Director may call the Vice President and Secretary of the Corporation for assistance or with questions about any aspect of the Program, including the eligibility of a recommended recipient of a contribution.



LIST OF SUBSIDIARIES OF INTERNATIONAL FLAVORS & FRAGRANCES INC.

Below is a list of the subsidiaries of the Company. Each subsidiary does business under the name identified below. All of the voting stock of each subsidiary is owned, either directly or indirectly, by the Company, except where noted and except, in certain instances for directors' qualifying shares.

<u>Name of Subsidiary</u>	<u>Place of Incorporation</u>
<u>International Flavors &amp; Fragrances I.F.F. (Nederland) B.V.</u>	<u>The Netherlands</u>
<u>Aromatics Holdings Limited</u>	<u>Ireland</u>
<u>IFF-Benicarlo, S.A.</u>	<u>Spain</u>
<u>International Flavours &amp; Fragrances (China) Ltd.</u>	<u>China</u>
<u>Irish Flavours and Fragrances Limited</u>	<u>Ireland</u>
<u>International Flavours &amp; Fragrances I.F.F. (Great Britain) Ltd.</u>	<u>England</u>
<u>International Flavors &amp; Fragrances I.F.F. (Italia) S.r.l.</u>	<u>Italy</u>
<u>International Flavors &amp; Fragrances I.F.F. (Deutschland) G.m.b.H.</u>	<u>Germany</u>
<u>International Flavors &amp; Fragrances I.F.F. (Switzerland) A.G.</u>	<u>Switzerland</u>
<u>International Flavors &amp; Fragrances I.F.F. (France) SAS</u>	<u>France</u>
<u>International Flavors &amp; Fragrances (Hong Kong) Ltd.</u>	<u>Hong Kong</u>
<u>International Flavors &amp; Fragrances (Japan) Ltd.</u>	<u>Japan</u>
<u>International Flavors &amp; Fragrances S.A.C.I.</u>	<u>Argentina</u>
<u>I.F.F. Essencias e Fragancias Ltda.</u>	<u>Brazil</u>
<u>International Flavours &amp; Fragrances (Australia) Pty. Ltd.</u>	<u>Australia</u>
<u>P.T. Essence Indonesia</u>	<u>Indonesia</u>
<u>International Flavors &amp; Fragrances (Mexico) S.A. de C.V.</u>	<u>Mexico</u>
<u>IFF Mexico Manufactura, S.A. de C.V.</u>	<u>Mexico</u>
<u>International Flavors &amp; Fragrances I.F.F. (Espana) S.A.</u>	<u>Spain</u>
<u>International Flavors &amp; Fragrances (Poland) Sp.z.o.o.</u>	<u>Poland</u>
<u>IFF Trading Company B.V.</u>	<u>The Netherlands</u>
<u>International Flavors &amp; Fragrances (Hangzhou) Co. Ltd (1)</u>	<u>China</u>
<u>International Flavors &amp; Fragrances (Zhejiang) Co., Ltd.</u>	<u>China</u>
<u>International Flavors &amp; Fragrances I.F.F. (S.A.) (Pty) Ltd.</u>	<u>South Africa</u>
<u>The PAKS Corporation</u>	<u>New York</u>
<u>International Flavors &amp; Fragrances I.F.F. (Canada) Ltd.</u>	<u>Canada</u>
<u>Alva Insurance Ltd.</u>	<u>Bermuda</u>
<u>van Ameringen-Haebler, Inc.</u>	<u>New York</u>
<u>International Flavors &amp; Fragrances (Caribe) Inc.</u>	<u>Delaware</u>
<u>Sabores y Fragancias S.A.</u>	<u>Colombia</u>

<u>Name of Subsidiary</u>	<u>Place of Incorporation</u>
<u>IFF Sabores y Fragancias de Chile Ltda.</u>	<u>Chile</u>
<u>International Flavors &amp; Fragrances I.F.F. (Norge) A.S.</u>	<u>Norway</u>
<u>IFF Aroma Esans Sanay A.S.</u>	<u>Turkey</u>
<u>International Flavors &amp; Fragrances I.F.F. (Israel) Ltd.</u>	<u>Israel</u>
<u>Misr Co. for Aromatic Products (MARF) S.A.E.</u>	<u>Egypt</u>
<u>International Flavors &amp; Fragrances I.F.F. (Portugal) Lds.</u>	<u>Portugal</u>
<u>International Flavors &amp; Fragrances (Zimbabwe) (Private) Ltd.</u>	<u>Zimbabwe</u>
<u>International Flavours &amp; Fragrances (Mauritius) Ltd.</u>	<u>Mauritius</u>
<u>Speciality Fragrances (India) Private Limited</u>	<u>India</u>

<u>International Flavors &amp; Fragrances (Philippines) Inc.</u>	<u>Philippines</u>
<u>International Flavors &amp; Fragrances (Asia Pacific) Pte. Ltd.</u>	<u>Singapore</u>
<u>International Flavours &amp; Fragrances (Thailand) Ltd.</u>	<u>Thailand</u>
<u>International Flavors &amp; Fragrances (Korea) Inc.</u>	<u>Korea</u>
<u>Laboratoire Monique Remy SAS</u>	<u>France</u>
<u>International Flavors &amp; Fragrances (Nederland) Holding B.V.</u>	<u>The Netherlands</u>
<u>International Flavors &amp; Fragrances Ardenne S.a.r.l.</u>	<u>Luxembourg</u>
<u>International Flavors &amp; Fragrances (Luxembourg) S.a.r.l.</u>	<u>Luxembourg</u>
<u>International Flavors &amp; Fragrances (Luxembourg) Holding S.a.r.l.</u>	<u>Luxembourg</u>
<u>International Flavours &amp; Fragrances (GB) Holdings Limited</u>	<u>United Kingdom</u>
<u>IFF International Inc.</u>	<u>New York</u>
<u>IFF Financial Services</u>	<u>Ireland</u>
<u>International Flavors &amp; Fragrances Global Holding S.a.r.l.</u>	<u>Luxembourg</u>
<u>IFF Capital Services</u>	<u>Ireland</u>
<u>IFF (Gibraltar) Limited</u>	<u>Gibraltar</u>
<u>IFF Australia Holdings Pty Limited</u>	<u>Australia</u>
<u>IFF Chemical Holdings Inc.</u>	<u>Delaware</u>
<u>IFF (Gibraltar) Holdings</u>	<u>Gibraltar</u>
<u>IFF Mexico Holdings LLC</u>	<u>Delaware</u>
<u>IFF Latin American Holdings (Espana) SL</u>	<u>Spain</u>
<u>IFF Augusta Limited</u>	<u>England</u>
<u>Fragrance Ingredients Holdings Inc.</u>	<u>Delaware</u>
<u>Bush Boake Allen Inc.</u>	<u>Virginia</u>
<u>Bush Boake Allen (Chile) S.A.</u>	<u>Chile</u>
<u>Bush Boake Allen Industria E Commercial do Brasil Limitada</u>	<u>Brazil</u>
<u>Bush Boake Allen Controladora S.A. de C.V.</u>	<u>Mexico</u>
<u>Bush Boake Allen (Nominees) Limited</u>	<u>England</u>

<u>Name of Subsidiary</u>	<u>Place of Incorporation</u>
<u>Bush Boake Allen Holdings (U.K.) Limited</u>	<u>England</u>
<u>Bush Boake Allen Pension Investments Limited</u>	<u>England</u>
<u>Bush Boake Allen (Executive Pension Trustees) Limited</u>	<u>England</u>
<u>Bush Boake Allen (Pension Trustees) Limited</u>	<u>England</u>
<u>Bush Boake Allen (Works Pension Trustees) Limited</u>	<u>England</u>
<u>Bush Boake Allen Limited</u>	<u>England</u>
<u>GMB Proteins Limited</u>	<u>England</u>
<u>Bush Boake Allen Australia Pty Ltd.</u>	<u>Australia</u>
<u>A. Boake, Roberts And Company (Holding), Limited</u>	<u>England</u>
<u>Bush Boake Allen (New Zealand) Limited</u>	<u>New Zealand</u>
<u>International Flavours &amp; Fragrances (New Zealand) Limited</u>	<u>New Zealand</u>
<u>International Flavors &amp; Fragrances Singapore Pte. Ltd.</u>	<u>Singapore</u>
<u>Bush Boake Allen Denmark ApS.</u>	<u>Denmark</u>
<u>Bush Boake Allen France</u>	<u>France</u>
<u>Bush Boake Allen Zimbabwe (Private) Limited</u>	<u>Zimbabwe</u>
<u>International Flavours &amp; Fragrances (India) Limited (2)</u>	<u>India</u>
<u>Hindustan Flavours and Fragrances (International) Limited (3)</u>	<u>India</u>
<u>Bush Boake Allen (Jamaica) Limited (4)</u>	<u>Jamaica</u>
<u>Bush Boake Allen (SA) (Proprietary) Limited</u>	<u>South Africa</u>

<u>Bush Boake Allen (Thailand) Limited</u>	<u>Thailand</u>
<u>Bush Boake Allen Benelux B.V.</u>	<u>Netherlands</u>
<u>International Flavors &amp; Fragrances I.F.F. (Norden) AB</u>	<u>Sweden</u>
<u>Stafford Specialty Ingredients Limited</u>	<u>England</u>
<u>Bush Boake Allen Pakistan (Private) Limited (5)</u>	<u>Pakistan</u>
<u>Asian Investments, Inc.</u>	<u>Delaware</u>
<u>Fragrance Holdings Private Limited</u>	<u>India</u>
<u>Essence Scientific Research Private Limited</u>	<u>India</u>
<u>Jamaica Extracts Limited (6)</u>	<u>Jamaica</u>
<u>Bush Boake Allen Barbados Inc.</u>	<u>Barbados</u>
<u>Bush Boake Allen Enterprises Ltd.</u>	<u>England</u>
<u>Celessence International Limited (7)</u>	<u>England</u>

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- (1) 90% of the voting stock of International Flavors & Fragrances (Hangzhou) Co. Ltd., is owned, directly or indirectly, by the Company.
- (2) 93.1% of the voting stock of International Flavours & Fragrances (India) Limited is owned, directly or indirectly, by the Company.
- (3) 93.1% of the voting stock of Hindustan Flavours and Fragrances (International) Limited is owned, directly or indirectly, by the Company.
- (4) 70% of the voting stock of Bush Boake Allen (Jamaica) Limited is owned, directly or indirectly, by the Company.
- (5) 50% of the voting stock of Bush Boake Allen Pakistan (Private) Limited is owned, directly or indirectly, by the Company.
- (6) 58% of the voting stock of Jamaica Extracts Limited is owned, directly or indirectly, by the Company.
- (7) 70% of the voting stock of Celessence International Limited is owned, directly or indirectly, by the Company.

**EXHIBIT 23**

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-46932 and No. 333-59689) and Form S-8 (No. 333-126421, No. 333-120158, No. 333-102825, No. 333-61072, No. 333-51436, No. 333-50752 and No. 33-54423) of International Flavors & Fragrances Inc. of our reports dated March 13, 2006 relating to the financial statements, management's assessment of the effectiveness of internal control over financial reporting and the effectiveness of internal control over financial reporting and financial statement schedule, which appear in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

New York, New York  
March 13, 2006

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## CERTIFICATION

I, Richard A. Goldstein, certify that:

1. I have reviewed this Annual Report on Form 10-K of International Flavors & Fragrances Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 13, 2006

By: /s/ Richard A. Goldstein

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Name: Richard A. Goldstein

Title: Chairman of the Board and  
Chief Executive Officer

## CERTIFICATION

I, Douglas J. Wetmore, certify that:

1. I have reviewed this Annual Report on Form 10-K of International Flavors & Fragrances Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 13, 2006

By: /s/ Douglas J. Wetmore

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Name: Douglas J. Wetmore

Title: Senior Vice President and  
Chief Financial Officer

CERTIFICATION OF CEO AND CFO PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of International Flavors & Fragrances Inc. (the "Company") for the fiscal year ended December 31, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Richard A. Goldstein, as Chief Executive Officer of the Company, and Douglas J. Wetmore, as Chief Financial Officer, each hereby certifies, pursuant to 18 U.S.C. (section) 1350, as adopted pursuant to (section) 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 13, 2006

By: /s/ Richard A. Goldstein

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Name: Richard A. Goldstein  
Title: Chairman of the Board and  
Chief Executive Officer

By: /s/ Douglas J. Wetmore

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Name: Douglas J. Wetmore  
Title: Senior Vice President and  
Chief Financial Officer