

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, 2003

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 -----
Common Stock, par value 12 1/2(cent) per share	New York Stock Exchange

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

None

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 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 an accelerated filer (as defined in Rule 12b-2 of the 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 or directors or under 10% shareholders. The aggregate market value of Registrant's common stock not held by affiliates as of June 30, 2003 was \$2,988,954,273.

Indicate the number of shares outstanding of each of the Registrant's classes of common stock, as of February 1, 2004:

93,985,484 shares of Common Stock, par value 12 1/2(cent) per share

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement to be sent to shareholders in connection with the 2004 Annual Meeting (the "IFF 2004 Proxy Statement") are incorporated by reference in Part III of this Form 10-K.

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PART I

ITEM 1. BUSINESS.

International Flavors & Fragrances Inc., incorporated in New York in 1909 (the "Registrant" or "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.

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.

In October 2000, the Company implemented a global reorganization under the broad umbrellas of Business Development and Operations, rather than separate divisions for flavors and fragrances. The responsibilities of Business Development, whose purpose is to drive top line growth of the Company, include category strategy, consumer research, product development, global sales and marketing, research and development coordination and technical application. The responsibilities of Operations, whose focus is on product delivery, product planning and increasing productivity, include global supply chain, manufacturing, customer service, quality control, logistics and distribution. The Company has a Regional Manager covering each major geographical region of the world. The Regional Managers work with and are supported by both Business Development and Operations. The financial information concerning reporting segments is presented in the accompanying financial statements.

In November 2000, the Company acquired Bush Boake Allen Inc. ("BBA"), an international flavor, fragrance and aroma chemical company with worldwide annual sales of \$499 million. This acquisition enhanced the Company's position as a global leader in flavor markets, strengthened the Company's already leading global fragrance position, expanded the Company's product line and customer base, particularly in certain emerging markets, and broadened and enhanced the Company's management pool.

The Company currently has 34 manufacturing facilities with the major manufacturing facilities located in the United States, France, Great Britain, Ireland, The Netherlands, Spain, Switzerland, Argentina, Brazil, Mexico, India, Australia, China, Indonesia, Japan and Singapore. The remaining manufacturing facilities are located in 9 other countries. The Company maintains its own sales and distribution facilities in 34 countries and is represented by sales agents in other countries. The Company's principal executive offices are located at 521 West 57th Street, New York, New York 10019 (212-765-5500). Except as the context otherwise indicates, the term "the Company" as used in this report refers to the Registrant and its subsidiaries.

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, 2003, sales of fragrance products accounted for approximately 54%, 55% and 55%, respectively, of the Company's total sales on a reported basis.

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, 2003, sales of flavor products accounted for approximately 46%, 45% and 45%, respectively, of the Company's total sales on a reported basis.

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 is 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 most of the synthetic ingredients. While the major part of the Company's production of synthetic ingredients is used by it in its compounds, a substantial portion is 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, employment of women, 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-cholesterol 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 by the Company of many new compounds and ingredients compatible with the newly introduced materials and methods of application used in consumer end products.

Product Development and Research

The development of new flavor and fragrance products 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 flavor and fragrance 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 fragrance and flavor products 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 35 fragrance and flavor laboratories in 24 countries. The Company maintains a research and development center at Union Beach, New Jersey. The Company spent \$159,286,000 in 2003, \$144,027,000 in 2002 and \$135,248,000 in 2001 on its research and development activities. These expenditures are currently expected to increase in 2004 to approximately \$179,000,000. Of the amount expended in 2003 on such activities, 64% was for fragrances and the balance was for flavors. The Company employed 1,099 persons in 2003 and 1,097 persons in 2002 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 6 sales offices in the United States and 52 sales offices in 33 foreign countries. Sales in other countries are made through sales agents and distributors. For the year ended December 31, 2003, 29% of the Company's sales were to customers in North America, 40% in Europe, 16% in Asia Pacific, 12% in Latin America and 3% in the India Region. For additional information with respect to the management of the Company's operations by major geographical region, see Note 13 of the Notes to the Company's Consolidated Financial Statements.

During 2003 the Company's 30 largest customers accounted for approximately 53% of its sales, its four largest customers and their affiliates accounted for about 9%, 8%, 6% and 4%, 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 2004 approximately \$5,500,000 in capital projects and \$14,000,000 in operating expenses and governmental charges for the purpose of complying with such requirements. The Company currently expects that in 2005 capital expenditures, operating expenses and governmental charges for such purpose will not be materially different from those expected for 2004.

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 concentrates 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 of the types manufactured 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

The Company at December 31, 2003 employed 5,454 persons, of whom 1,540 were employed in the United States. The Company has never experienced a work stoppage or strike and considers that its employee relations are satisfactory.

EXECUTIVE OFFICERS OF REGISTRANT:

NAME	OFFICE AND OTHER BUSINESS EXPERIENCE(2)	AGE	YEAR FIRST BECAME OFFICER
Richard A. Goldstein(1)	Chairman of the Board and Chief Executive Officer since June 2000; President and Chief Executive Officer of Unilever United States, Inc. and Business Group President of Unilever North American Foods, a home, personal care and food products company, prior thereto; Director, Legacy Hotels; Director, Fiduciary Trust Company International; Director, The Interpublic Group of Companies, Inc.; Director, Continuum Health Partners, Inc.	62	2000
D. Wayne Howard	Executive Vice President, Global Operations since September 2000; Vice President, Supply Chain Strategy of Nordstrom, Inc., a retailer, from January 2000 to August 2000; Vice President, Strategic Sourcing, North America of Unilever North American Foods, prior thereto.	48	2000
Clint D. Brooks	Senior Vice President, Research and Development since December 2002; Vice President, Research and Development from October 2000 to December 2002; Director of Chemical Sciences, Abbott Laboratories, a pharmaceutical company, prior thereto.	52	2000

NAME	OFFICE AND OTHER BUSINESS EXPERIENCE(2)	AGE	YEAR FIRST BECAME OFFICER
James H. Dunsdon	Senior Vice President, Global Business Development Flavors and Functional Fragrances effective March 31, 2004; Vice President North America Region since January 2003; Regional Vice President, North America from January 2001 to January 2003; Executive Vice President BBA, prior thereto.	57	2003
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.	46	2001
Dennis M. Meany	Senior Vice President, General Counsel and Secretary since January 2004; Associate General Counsel from November 2000 to December 2003; Vice President, General Counsel and Secretary of BBA prior thereto.	56	2004
Douglas J. Wetmore	Senior Vice President and Chief Financial Officer since September 2000; Vice President and Chief Financial Officer from April 1998 to September 2000; Controller prior thereto.	46	1992
Gail S. Belmuth	Vice President, Corporate Communications since June 2001; President and COO of Banner McBride North America, a change management consulting firm, from May 2000 to May 2001; Managing Director, Burson-Marsteller, a public relations firm, prior thereto.	40	2001
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, Bush Boake Allen India Ltd., prior thereto.	59	2003
Robert Burns	Vice President, Asia Pacific Region since January 2003; Regional Vice President, Asia Pacific from January 2001 to January 2003; Managing Director, IFF Australia from January 1999 to December 2000; Managing Director/ Vice President Flavors, IFF Indonesia, prior thereto.	46	2003

NAME	OFFICE AND OTHER BUSINESS EXPERIENCE(2)	AGE	YEAR FIRST BECAME OFFICER
Rob J. M. Edelman	Vice President, Europe Region since January 2003; Regional Vice President, Europe from January 2001 to January 2003; Vice President and Director of Marketing and Sales, Aroma Chemicals from July 1999 to December 2000; Managing Director, PFW Aroma Chemicals B.V., an aroma chemicals manufacturing company, prior thereto.	42	2003
Graciela M. Ferro	Vice President, Latin America Region since January 2003; Regional Vice President, Latin America from October 2000 to January 2003; Vice President, Latin America, LATAM Area Manager, Fragrance Division and IFF Argentina affiliate Manager from October 1999 to October 2000; Vice President, Latin America, IFF Argentina Affiliate Manager from August 1998 to October 1999; Regional Account Manager for the Unilever, Latin America Account, prior thereto.	49	2003
Neil Humphreys(3)	Vice President, Global Business Development, Flavors and Functional Fragrances since December 2002; Vice President, Global Business Development, Flavors from January, 2001 to December 2002; Vice President, Regional Manager, Asia Pacific, Flavors from July 1998 to January 2001; Senior Vice President, Asia Pacific, Givaudan-Roure, a flavor, fragrance and aroma chemical manufacturing company, prior thereto.	57	2002
Nicolas Mirzayantz	Vice President, Global Business Development, Fine Fragrance and Toiletries since December 2002; Vice President, Global Business Development, Fine Fragrances and Toiletries since January 2001; Fragrances General Manager, IFF France from January 1999 to January 2001; Vice President, Commercial and Creative Director, IFF France, prior thereto.	41	2002

(1) Member of Executive Committee of the Board of Directors.

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

(3) Retiring effective March 31, 2004.

Available Information

The Company makes available free of charge on or through its website, 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 450 Fifth Street, N.W., Washington, DC 20549, and you may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet website, www.sec.gov, that contains reports, proxy and information statements and other information that 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 Executive Committee, Audit Committee, Compensation Committee, and Nominating and Governance Committee of the Board of Directors are posted on the Company's website, 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 2. PROPERTIES.

The principal manufacturing and research properties of the Company are as follows:

LOCATION - - - - -	OPERATION - - - - -
UNITED STATES	
Augusta, GA	Production of fragrance chemical ingredients.
Carrollton, TX(1)	Production of flavor compound.
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.
FRANCE	
Bois-Colombes	Fragrance laboratories.
Dijon	Production of fragrance compounds and ingredients, flavor compounds and ingredients and fruit preparations; flavor laboratories.
Grasse	Production of flavor and fragrance ingredients; fragrance laboratories.
GREAT BRITAIN	
Haverhill	Production of flavor compounds and ingredients, and fragrance chemical ingredients; flavor laboratories.
IRELAND	
Drogheda	Production of fragrance compounds.
NETHERLANDS	
Hilversum	Flavor and fragrance laboratories.
Tilburg	Production of flavor compounds and ingredients and fragrance compounds.
SPAIN	
Benicarlo	Production of fragrance chemical ingredients.
SWITZERLAND	
Reinach-Aargau	Production of fruit preparations.
ARGENTINA	
Garin	Production of flavor compounds and ingredients and fragrance compounds; flavor laboratories.

LOCATION - - - - -	OPERATION - - - - -
BRAZIL	
Rio de Janeiro	Production of fragrance compounds.
Sao Paulo	Fragrance laboratories.
Taubate	Production of flavor compounds and ingredients; flavor laboratories.
MEXICO	
Tlalnepantla	Production of flavor and fragrance compounds; flavor and fragrance laboratories.
INDIA	
Chennai(2)	Production of flavor compounds and ingredients and fragrance compounds; flavor laboratories.
AUSTRALIA	
Melbourne	Production of flavor compounds and flavor ingredients.
CHINA	
Guangzhou(1)	Production of flavor and fragrance compounds; flavor laboratories.
Shanghai(1)	Flavor and fragrance laboratories.
Xin'anjiang	Production of fragrance chemical ingredients.
INDONESIA	
Jakarta(3)	Production of flavor compounds and ingredients and fragrance compounds and ingredients; flavor and fragrance laboratories.
JAPAN	
Gotemba	Production of flavor compounds.
Tokyo	Flavor and fragrance laboratories.
SINGAPORE	
Jurong(3)	Production of flavor and fragrance compounds.
Science Park (1)	Flavor and fragrance laboratories.

- - - - -
- (1) Leased.
 - (2) The Company has approximately a 93.1% interest in the subsidiary company that owns this facility.
 - (3) Land is leased and building is partially leased and partially owned.

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.

On September 7, 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. The plaintiffs are alleging that they sustained respiratory injuries in the workplace due to the use by Gilster-Mary Lee of a BBA and IFF flavor. All BBA and IFF flavors 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. Based on the preliminary report issued by the National Institute for Occupational Safety and Health (NIOSH), it appears any injuries the plaintiffs may have suffered are related to inadequate workplace conditions.

On January 15, 2004, the court denied class action status through an order requiring each plaintiff case to be heard separately. Trial proceedings in the initial case commenced in March 2004. While the outcome of any litigation cannot be predicted with certainty, in light of the merits of its defense and

the availability of insurance, the Company does not expect this litigation to have a material adverse effect on the Company's financial condition, results of operations or liquidity.

On March 31, 2003, the Company and another flavor supplier were named defendants in a lawsuit by a number of workers at a popcorn factory in Marion, Ohio, alleging respiratory illness due to the use of butter flavors supplied by the Company and the other flavor manufacturer. The action was brought in the Court of Common Pleas, Cuyahoga County, Ohio, and subsequently transferred to the Court of Common Pleas of Hamilton County, Ohio.

This case is currently in the preliminary stages of discovery. While the outcome of any litigation cannot be predicted with certainty, in light of the merits of its defenses and the availability of insurance, the Company does not expect this litigation to have a material adverse effect on the Company's financial condition, results of operation or liquidity.

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.

(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	2003		2002	
	HIGH	LOW	HIGH	LOW
First	\$ 36.61	\$ 29.39	\$ 35.95	\$ 27.33
Second	33.60	30.37	37.45	30.61
Third	33.45	29.18	32.90	26.05
Fourth	35.75	31.01	35.90	32.08

(b) Approximate Number of Equity Security Holders.

(A) TITLE OF CLASS	(B) NUMBER OF RECORD HOLDERS AS OF DECEMBER 31, 2003
Common stock, par value 12 1/2(cent)per share	3,655

(c) Dividends.

Cash dividends declared per share for each quarter since January 2002 were as follows:

	2004	2003	2002
First	\$.16	\$.15	\$.15
Second16	.15
Third16	.15
Fourth16	.15

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)			
							BASIC(b)		DILUTED(b)	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
First	\$ 466,224	\$ 445,844	\$195,777	\$185,980	\$ 32,017	\$ 41,947	\$0.34	\$0.44	\$0.34	\$0.44
Second	482,611	476,336	207,376	203,724	51,398	45,401	0.55	0.48	0.54	0.47
Third	480,886	462,777	202,695	201,702	51,071	49,599	0.55	0.52	0.54	0.52
Fourth	471,799	424,292	203,216	182,008	38,111	38,997	0.41	0.41	0.40	0.41
	\$1,901,520	\$1,809,249	\$809,064	\$773,414	\$172,597	\$175,944	\$1.84	\$1.86	\$1.83	\$1.84
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

(a) Net income for the 2003 first, second, third and fourth quarters includes the after-tax effects of certain charges of \$13,477, \$4,433, \$2,397 and \$7,207, respectively. Net income for the 2002 second and third quarters includes the after-tax effects of certain charges of \$6,091 and \$1,654, respectively. See Note 2 of the Notes to Consolidated Financial Statements for further discussion.

(b) The sum of the 2003 quarters' basic and diluted net income per share and the 2002 quarters' basic net income per share does not equal the earnings per share for the full year 2003 and 2002, respectively, due to changes in average shares outstanding.

INTERNATIONAL FLAVORS & FRAGRANCES INC.

FIVE-YEAR SUMMARY
(DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

	2003	2002	2001	2000	1999
CONSOLIDATED STATEMENT OF INCOME DATA					
Net sales	\$ 1,901,520	\$1,809,249	\$1,843,766	\$ 1,462,795	\$1,439,499
Cost of goods sold	1,092,456	1,035,835	1,063,433	831,653	806,382
Research and development expenses	159,286	144,027	135,248	112,671	103,794
Selling and administrative expenses	308,951	305,156	313,335	258,653	248,047
Amortization of goodwill and other intangibles	12,632	12,632	46,089	7,032	-
Restructuring and other charges(a)(b)(c)(d)(e)	42,421	11,737	30,069	41,273	32,948
Interest expense	28,477	37,036	70,424	25,072	5,154
Other (income) expense, net	5,437	(3,591)	(2,609)	2,314	(291)
	1,649,660	1,542,832	1,655,989	1,278,668	1,196,034
Income before taxes on income	251,860	266,417	187,777	184,127	243,465
Taxes on income	79,263	90,473	71,775	61,122	81,465
Net income	\$ 172,597	\$ 175,944	\$ 116,002	\$ 123,005	\$ 162,000
Percentage of net sales	9.1	9.7	6.3	8.4	11.3
Percentage of average shareholders' equity	26.2	32.0	20.1	16.5	18.0
Net income per share -- basic	\$1.84	\$1.86	\$1.21	\$1.22	\$1.53
Net income per share -- diluted	\$1.83	\$1.84	\$1.20	\$1.22	\$1.53
Average number of shares (thousands)	93,718	94,511	95,770	101,073	105,748
CONSOLIDATED BALANCE SHEET DATA					
Cash and short-term investments	\$ 12,555	\$ 15,165	\$ 48,905	\$ 129,238	\$ 62,971
Receivables, net	339,725	338,607	340,358	364,314	303,418
Inventories	454,631	421,603	415,984	435,312	415,269
Property, plant and equipment, net	510,612	520,499	532,473	679,874	523,916
Intangible assets, net	799,413	794,079	795,920	755,923	-
Total assets	2,306,892	2,232,694	2,268,051	2,489,033	1,401,495
Bank loans and commercial paper	194,304	49,663	227,945	852,985	92,474
Long-term debt	690,231	1,007,085	939,404	417,402	3,832
Shareholders' equity	742,631	574,678	524,170	631,259	858,497
OTHER DATA					
Current ratio	1.7	2.4	1.6	0.9	2.3
Gross additions to property, plant and equipment	\$ 65,955	\$ 81,815	\$ 52,016	\$ 60,696	\$ 103,835
Depreciation and amortization expense	86,721	84,458	123,493	69,344	56,369
Cash dividends declared	59,032	56,749	57,219	130,234	160,830
Per share	\$0.63	\$0.60	\$0.60	\$1.29	\$1.52
Number of shareholders of record at year-end	3,655	3,875	3,394	3,741	4,209
Number of employees at year-end	5,454	5,728	5,929	6,614	4,682

(a) Restructuring and other charges (\$27,514 after tax) in 2003 resulted from the Company's reorganization program.

(b) Restructuring and other charges (\$7,745 after tax) in 2002 resulted from the Company's reorganization program.

(c) Restructuring and other charges (\$19,101 after tax) in 2001 resulted from the Company's reorganization program.

(d) Restructuring and other charges (\$26,765 after tax) in 2000 resulted from the Company's reorganization program.

(e) Restructuring and other charges (\$21,910 after tax) in 1999 resulted from the Company's program to streamline its operations worldwide.

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

(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:

- o EXECUTIVE OVERVIEW
- o SALES COMMENTARY
- o OPERATING RESULTS
- o ACQUISITIONS AND DIVESTITURES
- o RESTRUCTURING AND OTHER CHARGES
- o FINANCIAL CONDITION
- o MARKET RISK
- o CRITICAL ACCOUNTING POLICIES AND USE OF ESTIMATES
- o NEW ACCOUNTING STANDARDS
- o NON-GAAP FINANCIAL MEASURES
- o 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, limiting publicly available data; certain customers maintain in-house capabilities fulfilling at least a portion of their flavor or fragrance needs; and the quality and depth of market information in developing regions of the world is limited. However, analysts generally estimate the flavor and fragrance market to be \$11-\$12 billion of which IFF represents 16%; the Company's nearest sized competitor is of similar size. The five largest companies in the industry represent 60 - 65% 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 50% of the Company's ingredient production is consumed internally; the balance of production 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-cholesterol 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:

- o created for the exclusive use of a specific customer;
- o sold in solid or liquid form, in amounts ranging from a few kilograms to many tons depending on the nature of the end product in which they are used;
- o a small percentage of the volume and cost of the end product sold to the consumer; and
- o 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 customers purchase both flavors and fragrances from the Company.

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

2003 Sales by Category

[GRAPH OMITTED]

Ingredients	13%
Fruit	5%
Flavor compounds	40%
Fine fragrance and toiletries	15%
Functional fragrances	27%

The Company's five largest customers comprise 29% of consolidated sales and its top thirty customers 53% of sales; these sales percentages have been fairly constant for several years. 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.

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. 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 a consistently high level of timely service and delivery. Leadership in innovation and creativity serves to mitigate the impact of pricing pressure.

The Company produces more than 35,000 unique compounds annually of which 60% are flavors and 40% fragrances. In addition, the Company continually creates new compounds to meet the many and varied characteristics and needs of its customers' end products. No individual compound represents more than 1.5% of net sales. The 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 protected under trade secrecy. The Company is not materially dependent on any patents, trademarks or licenses.

The Company's strategic focus in the three year period 2001 - 2003 has been:

- o To integrate Bush Boake Allen Inc. (BBA), acquired in November 2000, and the Company, 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. Reorganization was necessary to streamline the Company's operations, eliminating costs and improving asset utilization, in view of persistent price pressure from many of the Company's customers.
- o 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.
- o To critically evaluate the profitability and growth potential of the Company's product portfolio.
- o To revitalize and redirect research and development initiatives to 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 three year period ended December 2003, considerable progress against these strategic initiatives has been made. The BBA integration was completed quickly and associated savings exceeded the \$70 million 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; as a result, the Company has been placed back on a number of core supplier lists it had not been on. The Company exited certain non-core businesses, contributing to improved returns on sales and invested capital. The quality and depth of the Company's research and development efforts has improved significantly. In 2003, the Company patented fifteen new, commercially-viable ingredients for use in flavors and fragrances; these ingredients will begin to be commercialized in flavor and fragrance compounds in 2004.

Moving forward, the Company remains committed to:

- o Continuous improvement in operations and customer service supported by the global implementation of an enterprise requirements planning software package (SAP), and related initiatives.
- o 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.

The next stage in setting strategic initiatives will require establishing priorities and making choices in order to provide the best opportunity for continuous improvement in shareholder value.

SALES COMMENTARY

Net sales for 2003, 2002 and 2001 were as follows:

NET SALES	2003	PERCENT CHANGE	2002	PERCENT CHANGE	2001
Flavors	\$ 866.5	7%	\$ 809.0	(3%)	\$ 835.7
Fragrances	1,035.0	3%	1,000.2	(1%)	1,008.1
Total net sales	\$ 1,901.5	5%	\$ 1,809.2	(2%)	\$ 1,843.8

In 2003, sales were favorably affected by the weakening of the U.S. dollar, most notably in comparison to the Euro, the Pound Sterling, the Australian dollar and the Japanese Yen; had

exchange rates remained the same during 2003 and 2002, net sales would have declined 2%. In 2002, sales were favorably affected by the weakening of the U.S. dollar, most notably against the Euro, the Japanese Yen and the Australian dollar; had exchange rates remained the same during 2002 and 2001, net sales would have declined 3%.

The Company manages its operations by major geographical region; management considers destination sales to be a key measure of performance. Approximately 70% of the Company's sales are outside the United States. Although the Company's 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.

2003 Sales by Destination

[GRAPH OMITTED]

North America	29%
Europe	40%
Asia Pacific	16%
Latin America	12%
India	3%

The following table summarizes reported sales on a geographic basis:

SALES BY DESTINATION	2003	PERCENT CHANGE	2002	PERCENT CHANGE	2001
North America	\$ 550.1	(4%)	\$ 570.9	(4%)	\$ 597.1
Europe	761.7	13%	671.4	2%	658.1
Asia Pacific	311.9	7%	290.9	2%	286.2
Latin America	223.6	(2%)	227.5	(11%)	256.5
India	54.2	12%	48.5	6%	45.9
Total net sales	<u>\$ 1,901.5</u>	5%	<u>\$ 1,809.2</u>	(2%)	<u>\$ 1,843.8</u>

The Company acquired BBA effective November 3, 2000. BBA sales and operating results have been included in the Company's consolidated results from that date. In conjunction with the integration of IFF and BBA, and as part of a restructuring of the Company's operations, certain non-core businesses (hereinafter referred to as the "non-core businesses") were disposed of during 2002 and 2001. These non-core businesses included the Company's fruit preparations business in North and Latin America, its North American concentrates business and a portion of the aroma chemicals business acquired in the BBA transaction. The non-core businesses had combined net sales of \$9.4 and \$83.8 in 2002 and 2001, respectively, in the periods they were owned by the Company. The non-core businesses were disposed of in a series of separately negotiated transactions with third parties; disposal of these businesses did not materially impact the Company's operating results.

Pro-forma sales, excluding all sales associated with the non-core businesses from 2002 and 2001, and the basis on which the Company measures its performance, would have been:

NET SALES	2003	PERCENT CHANGE	PRO-FORMA 2002	PERCENT CHANGE	PRO-FORMA 2001
Flavors	\$ 866.5	8%	\$ 799.6	1%	\$ 788.7
Fragrances	1,035.0	3%	1,000.2	3%	971.3
Total net sales	<u>\$ 1,901.5</u>	6%	<u>\$ 1,799.8</u>	2%	<u>\$ 1,760.0</u>

These pro-forma sales on a geographic basis would have been:

SALES BY DESTINATION	2003	PERCENT CHANGE	PRO-FORMA 2002	PERCENT CHANGE	PRO-FORMA 2001
North America	\$ 550.1	(2%)	\$ 561.7	1%	\$ 554.9
Europe	761.7	13%	671.4	7%	627.8
Asia Pacific	311.9	7%	290.8	3%	283.7
Latin America	223.6	(2%)	227.4	(9%)	249.4
India	54.2	12%	48.5	10%	44.2
Total net sales	<u>\$ 1,901.5</u>	6%	<u>\$ 1,799.8</u>	2%	<u>\$ 1,760.0</u>

2003 in Comparison to 2002

In 2003, net sales increased 6% in comparison to 2002 pro-forma sales; had exchange rates remained the same during both years, 2003 sales would have declined 2%. Regional sales performance in 2003 was as follows:

- o North America flavor and fragrance sales declined 1% and 6%, respectively; in total the region declined 4%. Sales were impacted by weak economic conditions for much of the year, weak demand for fine fragrance, and the effect of ongoing customer efforts to reduce inventory levels. Fine fragrance, functional fragrance and chemical sales declined 8%, 4% and 8%, respectively. Excluding \$9.4 of sales attributable to non-core businesses disposed of from the 2002 comparative, flavor sales increased 3%. The flavor performance resulted from several new product introductions.
- o Local currency sales in Europe decreased 3%. The dollar increase benefited from the stronger Euro and Pound Sterling on translation of local currency results into the U.S. dollar. The local currency sales performance reflected persistent economic weakness throughout the European region. Local currency fragrance sales in Europe declined 5%, resulting in an increase of 12% in dollars; fragrance sales were weakest in aroma chemicals and functional fragrances, which declined 12% and 4%, respectively. Local currency sales in fine fragrance increased 3%, benefiting from several new product introductions. Flavor sales declined 1% in local currency, although this resulted in a 15% increase in dollar sales.
- o Asia Pacific sales increased 1% in local currency; the dollar increase benefited from the stronger Japanese Yen and, to a lesser extent, the Australian dollar on translation of local currency results into the U.S. dollar. Flavor sales declined 2% in local currency while increasing 4% in dollars. Fragrance sales increased 7% in local currency and 12% in dollars; the fragrance growth was driven by a number of new product introductions throughout the region, most notably in Thailand, Greater China and Indonesia. Sales were strongest in Thailand, Vietnam, Indonesia and Greater China, with local currency increases of 25%, 14%, 9% and 6%, respectively. These strong performances were partially offset by persistent weakness in Japan and the Philippines where local currency sales declined 7% and 18%, respectively.
- o Latin America flavor sales increased 9%. The flavor sales performance was driven by increases of 80%, 31% and 19% in Central America, Argentina and Brazil, respectively, reflecting the benefit of new product introductions and, in Argentina, an improved economic environment.

Fragrance sales declined 5% with Central America, Mexico and Brazil declining 15%, 6% and 8%, respectively; Argentina fragrance sales increased 22%, benefiting from improved economic conditions.

- o India sales increased 9% in local currency. The performance was led by an 11% local currency increase in flavor sales; local currency fragrance sales grew 7%. India sales performance benefited from many new product introductions as well as the continued strength of the Indian and neighboring economies.

2002 in Comparison to 2001

In 2002, pro-forma sales increased 2% in comparison to 2001 pro-forma sales; had exchange rates remained the same during both years, 2002 pro-forma sales would have increased 1%. Regional sales performance in 2002 was as follows:

- o North America flavor and fragrance sales declined 7% and 1%, respectively. The flavor sales decline resulted primarily from the sale of non-core businesses in both 2002 and 2001. Excluding sales of \$9.4 and \$42.2 attributable to these businesses in 2002 and 2001, respectively, pro-forma flavor sales increased 4% and fragrance sales were flat for the year, resulting in a 1% increase for the region. The pro-forma flavor sales growth was driven by new product introductions. Fragrance sales were flat in all product categories.
- o Local currency sales in Europe decreased 2%. The reported dollar increase benefited from the stronger Euro on translation of local currency results into the U.S. dollar. Local currency sales were unfavorably affected by the loss of sales attributable to non-core businesses disposed of in 2001. Excluding \$30.3 of sales attributable to these non-core businesses from the 2001 comparative, local currency fragrance sales increased 7% and sales for the region increased 3%. On a pro-forma basis, local currency fragrance sales were strongest in aroma chemicals and fine fragrances, which increased 20% and 6%, respectively; functional fragrance sales were flat. Local currency flavor sales declined 3% although this resulted in a 1% increase in dollar sales.
- o Asia Pacific sales increased 2% in local currency. Excluding \$2.5 of sales attributable to non-core businesses from the 2001 comparative, sales increased 3%. Flavor sales increased 4% in both local currency and dollars; fragrance sales were flat in local currency and increased 1% in dollars. Sales performance was strongest in Vietnam, Thailand, South Korea and Greater China, with respective local currency increases of 49%, 14%, 10% and 6%. These strong performances were substantially offset by persistent weakness in Japan and Indonesia, where local currency sales declined 6% and 7%, respectively.
- o Latin America sales performance was affected by the loss of sales attributable to non-core businesses disposed of in 2001, although the primary cause of the decline was the economic weakness that persisted throughout much of the region; excluding \$7.1 of sales attributable to non-core businesses from the 2001 comparative, sales declined 9%. Flavor sales decreased 16% while fragrances declined 6%. Modest growth in Mexico and Central America was more than offset by declines of 46% and 7% in Argentina and Brazil, respectively.
- o India sales increased 5% in local currency. Excluding \$1.7 of sales attributable to non-core businesses from the 2001 comparative, sales increased 10%. The performance was led by an 11% local currency increase in fragrance sales; local currency flavors sales grew 7%. India flavor and fragrance sales benefited from many new product introductions.

OPERATING RESULTS

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

	2003	2002	2001
	-----	-----	-----
Cost of goods sold	57.5%	57.3%	57.7%
Research and development expenses	8.4%	8.0%	7.3%
Selling and administrative expenses	16.2%	16.9%	17.0%
	====	====	====

Cost of goods sold includes the cost of materials and manufacturing expenses; 65% - 70% is the cost of raw materials. 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; such activities contribute significantly to the Company's business. Selling and administrative expenses support the Company's sales and operating levels.

Segment profit, which excludes certain unallocated expenses, amortization of goodwill, and the effect of restructuring and other charges, was \$370.3 in 2003, \$355.1 in 2002 and \$367.4 in 2001. The Company recorded restructuring and other charges of \$42.4, \$11.7 and \$30.1 in 2003, 2002 and 2001, respectively. Operating profit totaled \$285.8, \$299.9 and \$255.6 in 2003, 2002 and 2001, respectively.

2003 in Comparison to 2002

In 2003, cost of goods sold as a percentage of sales remained comparable with 2002 levels. Product mix, mainly due to weakness in sales of higher margin fine fragrances, had a negative impact on margins. However, the impact of unfavorable sales mix was substantially offset by reduced manufacturing expenses. The reduction in these expenses resulted from realizing the full year benefit derived from the closure of various plants in the prior year; such closures were directly related to the integration of BBA into IFF. In addition, the Company undertook certain restructuring activities in 2003, eliminating 171 manufacturing positions; these actions saved approximately \$3.5 in 2003, contributing 10 basis points to margin improvement.

Research and development expenses increased to 8.4% of sales, consistent with the Company's stated intention to expand its research initiatives. The Company anticipates that research and development expenses will approximate 8.0 - 8.5% of sales for the next several years.

Selling and administrative expenses declined to 16.2% of sales. The Company undertook certain restructuring activities in 2003, eliminating duplicate layers of management and certain corporate positions affecting 150 selling and administrative positions; these actions saved approximately \$6.2, contributing 40 basis points in 2003.

In 2003, costs of goods sold and selling and administrative expenses include \$1.5 and \$4.0, 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. Such costs are expected to continue in 2004 at the same level; implementation costs will begin to decline in 2005 as the project nears completion.

2002 in Comparison to 2001

Cost of goods sold as a percentage of sales declined slightly from 2001 levels. The decline resulted from improvement in product mix, mainly due to the disposal of the non-core businesses, and the closure of certain manufacturing facilities in connection with the integration of BBA. In addition, the Company undertook certain restructuring activities, eliminating 127 manufacturing positions; these actions saved approximately \$3.7 in 2002, contributing 20 basis points to margin improvement in 2002. These savings were partially offset by increased manufacturing expenses related to the Company's implementation of SAP and related initiatives, and the impact of the economic and currency disruption in Latin America which reduced the absorption of fixed manufacturing expenses and thus impacted profitability in that region. Total SAP-related costs in manufacturing expenses approximated \$1.7 in 2002; there were no similar expenses in 2001.

Research and development expenses increased as a percentage of sales in 2002, consistent with the Company's intention to increase its research initiatives.

Selling and administrative expenses as a percentage of sales declined in 2002 compared to 2001 levels. The decline is a result of savings attributable to the integration of the Company's sales and administrative functions with those of BBA. In addition, the Company undertook certain restructuring activities, eliminating duplicate layers of management and certain corporate positions and affecting 21 selling and administrative positions; these actions saved approximately \$0.8 in 2002. In 2002, selling and administrative expenses include \$2.9 related to the implementation of SAP; there were no such expenses in 2001.

Interest Expense

Interest expense totaled \$28.5, \$37.0 and \$70.4 in 2003, 2002 and 2001, respectively. Interest expense declined in each year as a result of reduced borrowing levels, a general decline in interest rates and the Company's interest rate and debt management initiatives. The average interest rate was 3.0%, 3.4% and 5.4% in 2003, 2002 and 2001, respectively. 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 \$5.4 expense in 2003, \$3.6 income in 2002 and \$2.6 income in 2001. 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. The Company incurred a net loss of \$4.2 in connection with the debt repurchase, which is included in Other (income) expense, net. Further details on the repurchase are contained in Note 9 of the Notes to the Consolidated Financial Statements.

The increase in other income in 2002 compared to 2001 was principally due to favorable exchange results; exchange gains were \$1.6, \$2.3 and \$1.9 in 2003, 2002 and 2001, respectively.

Income Taxes

The effective tax rate for 2003 was 31.5%, compared to 34.0% for 2002 and 38.2% for 2001. The lower rate in 2003 is the result of tax planning initiatives and the benefits of combining various IFF and BBA legal entities into a single tax structure. In 2003, the tax rate also benefited from restructuring and other charges, most of which were incurred in higher tax jurisdictions. The lower rate in 2002 resulted from the discontinuance of goodwill amortization; such goodwill was not deductible for purposes of determination of the Company's taxable income. The Company anticipates that its effective tax rate in 2004 will approximate 31.5%.

ACQUISITIONS AND DIVESTITURES

In 2003, the Company acquired 70% of the outstanding shares of Celessence International Ltd. (Celessence), 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 Celessence asset is a process technology patent included in other intangible assets that is being amortized over its estimated remaining useful life. Celessence results, which are not material, are included in the consolidated results of the Company from acquisition date. Final allocation of the purchase price is not complete as of December 31, 2003 pending final valuation of the intangible asset.

In November 2000, the Company acquired BBA; total consideration paid, including transaction costs, was \$970.0. At acquisition date, BBA owned approximately 73% of its Indian subsidiary, BBA India Limited (BBAIL). During 2002, the Company acquired additional BBAIL shares, raising its ownership to 93%; cost of the acquired shares was \$11.8. More details on the BBA acquisition are contained in Note 3 of the Notes to the Consolidated Financial Statements.

The Company established accruals relating to the integration of BBA operations. Costs associated with these integration activities, relating mainly to employee separation and facility closures, were recorded as a component of purchase accounting; such costs did not directly impact current earnings.

Movements in acquisition accounting accruals were:

	EMPLOYEE- RELATED	ASSET- RELATED AND OTHER	TOTAL
	-----	-----	-----
Balance January 1, 2001	\$ 4.1	\$ 6.2	\$ 10.3
Additional charges	41.0	25.0	66.0
Cash and other costs	(31.3)	(21.3)	(52.6)
	-----	-----	-----
Balance December 31, 2001	13.8	9.9	23.7
Cash and other costs	(7.8)	(8.8)	(16.6)
	-----	-----	-----
Balance December 31, 2002	6.0	1.1	7.1
Cash and other costs	(3.6)	(1.1)	(4.7)
	-----	-----	-----
Balance December 31, 2003	\$ 2.4	\$ -	\$ 2.4
	=====	=====	=====

The remaining liability will be utilized in 2004 as severance obligations are satisfied.

At December 31, 2003 and 2002, goodwill and other intangible assets, net of accumulated amortization, totaled \$799.4 and \$794.1, respectively. The principal changes in goodwill and intangible assets relate to the acquisition of Celescence. Effective January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 142 (FAS 142), Goodwill and Other Intangible Assets. FAS 142 eliminates the amortization of goodwill and indefinite-lived intangibles and requires an evaluation of potential impairment upon adoption, and at least annually thereafter. FAS 142 also prescribes that other indefinite-lived intangibles be included with goodwill. In 2002, certain intangibles were reclassified as indefinite-lived intangibles in accordance with the provisions of FAS 142. The Company completed its annual assessments in 2003 and 2002, concluding that it has no impairment of goodwill or other intangible assets. Additional details are contained in Note 7 of the Notes to the Consolidated Financial Statements.

The Company sold its concentrate business based in Oregon in June 2002 and recorded a restructuring and other charge of \$4.3 related to employee separation and other disposal costs. Sales for the business up to the date of disposition were \$9.4; operating profit was not significant.

In October 2001, the Company sold its formulated fruit and vegetable preparation businesses in the United States and Brazil and recorded a restructuring and other charge of \$7.4 related to employee separation and other disposal costs. Sales for the business up to the date of disposition were \$23.0, with operating profit of approximately \$2.2.

In December 2001, the Company sold the U.K.-based aroma chemicals business acquired as part of the BBA purchase. Sales for the business up to the date of disposition were \$36.7, with operating profit of approximately \$1.5. No gain or loss was recognized as a result of this transaction.

Proceeds from the sales, which were not material, were used to reduce borrowings.

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.

The actions undertaken in 1999 were initiated under a cost-cutting program intended to streamline the Company's operations worldwide. The principal locations affected were the United States, the United Kingdom, the Netherlands and France, with lesser impact in various locations in Asia Pacific and Latin America; as a result the Company recorded pre-tax charges of \$40.9. Elements of the charges relating to accelerated depreciation on assets to be disposed of were recorded in cost of goods sold (\$1.2), selling and administrative expenses (\$2.3) and other income and expense (\$4.5). The remaining actions related to employee separation and asset-related costs associated with both write-down and disposal actions resulted in restructuring and other charges of \$32.9. Under these actions, 222 employees left the Company.

As an element of the cost-cutting 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 a pre-tax charge of \$9.3 in 2000. The early retirement program completed the cost-cutting program undertaken in 1999 at an overall cost of \$50.2.

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. On completion, the reorganization was expected to yield annual savings approximating \$25.0 to \$30.0, a portion of which was to be reinvested in the business.

At the time the plan was announced, it was anticipated that such actions would take place over the ensuing 24 months and incur expected costs of \$90.0 - \$100.0. 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 total, 197 employees were severed and the Company recorded pre-tax charges totaling \$41.3, comprised of:

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

During 2001, the Company sold its fruit preparation business in the United States and Brazil to a third party, 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 to a third party. 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 completed the reorganization activities. These steps could only be undertaken upon completion of the integration of IFF and BBA which was completed in the fourth quarter of 2002. The actions eliminated duplicate employment functions and processes, including several senior corporate positions as well as 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 relate principally to final quantification of costs for previous actions taken.

With respect to all restructuring and other charges:

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

Since October 2000, the Company recorded pre-tax charges of \$116.1 in comparison to the \$90.0-\$100.0 forecast at the time the plan was announced. The increase was due to additional actions taken in the final stages of the reorganization and the impact the weaker U.S. dollar had on the translation of the cost of actions undertaken outside the United States.

The charges discussed above exclude all charges associated with the integration of BBA into IFF where such costs were incurred in connection with the closure of BBA facilities or the elimination of BBA employees; all such costs were accounted for in the acquisition accounting as detailed in Note 3 of the Notes to the Consolidated Financial Statements.

Positions eliminated by region in each of the three years in the period ended December 31, 2003 were:

	2003	2002	2001
	-----	-----	-----
North America	81	91	197
Europe	97	42	62
Asia Pacific	120	15	145
Latin America	19	-	61
India	4	-	-
	---	---	---
Total	321	148	465
	===	===	===

Charges by region in each of the three years in the period ended December 31, 2003 were:

	2003	2002	2001
	-----	-----	-----
North America	\$ 20.2	\$ 5.6	\$ 14.7
Europe	16.9	5.8	4.2
Asia Pacific	3.6	0.3	8.6
Latin America	1.3	-	2.6
India	0.4	-	-
	-----	-----	-----
	\$ 42.4	\$ 11.7	\$ 30.1
	=====	=====	=====

Movements in related accruals in each of the three years in the period ended December 31, 2003 were:

	EMPLOYEE- RELATED	ASSET- RELATED AND OTHER	TOTAL
	-----	-----	-----
Balance January 1, 2001	\$ 24.4	\$ 2.0	\$ 26.4
Additional charges	10.1	20.0	30.1
Cash and other costs	(27.5)	(21.3)	(48.8)
	-----	-----	-----
Balance December 31, 2001	7.0	0.7	7.7
Additional charges	4.3	7.4	11.7
Cash and other costs	(7.9)	(7.7)	(15.6)
	-----	-----	-----
Balance December 31, 2002	3.4	0.4	3.8
Additional charges	38.0	4.4	42.4
Cash and other costs	(21.8)	(3.3)	(25.1)
	-----	-----	-----
Balance December 31, 2003	\$ 19.6	\$ 1.5	\$ 21.1
	=====	=====	=====

The balance of the employee-related liabilities will be utilized by 2006 as obligations to affected employees are satisfied; the asset-related charges will be utilized in 2004 on final decommissioning and disposal of the affected equipment.

FINANCIAL CONDITION

Cash, cash equivalents and short-term investments totaled \$12.6 at December 31, 2003 compared to \$15.2 and \$48.9 at December 31, 2002 and 2001, respectively. Working capital totaled \$376.6 at year-end 2003, compared to \$507.3 and \$336.1 at December 31, 2002 and 2001, respectively. Gross additions to property, plant and equipment were \$66.0, \$81.8 and \$52.0 in 2003, 2002 and 2001, respectively, and are expected to approximate \$90.0 in 2004.

At December 31, 2003, the Company had \$884.5 of debt outstanding, including deferred gains and mark-to-market adjustments on interest rate swap transactions approximating \$38.0. Debt includes \$499.3 of 6.45% Notes, maturing in May 2006. At December 2002, the Company had \$700.0 of such Notes outstanding. During 2003, the Company repurchased \$200.7 of the Notes. All repurchases were funded with commercial paper. The repurchases were intended to take full advantage of the Company's strong cash flows and to enable the Company to reduce long-term debt prior to the Notes' scheduled maturity in 2006. Interest expense will be reduced as a result of the shift to commercial paper borrowing. Based on current borrowing rates, the Company expects to save approximately \$4.0 annually in interest expense as a benefit of replacing the Notes with commercial paper; interest expense savings in 2003 approximated \$2.9. The Company does not anticipate additional repurchases of Notes prior to their scheduled maturity.

In 2002, the Company entered into a five-year Euro 350.0 (approximately \$440.0 at December 31, 2003) multi-currency revolving credit agreement. Prior to the third quarter of 2003, the five-year Euro facility was characterized as long-term debt; the Company employs this facility as a European-wide working capital facility. At December 31, 2003, the Company had no borrowings under this facility.

In 2002, the Company exercised an option under its existing \$500.0 U.S. revolving credit facility and cancelled the \$200.0 364-day portion of the agreement. The remaining \$300.0 revolving credit facility extends to September 2006. The revolving credit agreement serves as backstop for the Company's commercial paper program; there have been no borrowings under this agreement. The Company compensates participating banks in the form of fees, the amounts of which are not material. At December 31, 2003, outstanding commercial paper totaled \$162.9 at an average interest rate of 1.2% compared to \$38.0 at December 31, 2002 at an average interest rate of 1.6%. Commercial paper maturities did not extend beyond January 22, 2004.

In 2003, the Company sold its New York corporate headquarters to an unrelated third party for \$91.0 in cash, concurrently, entering into a long-term lease with respect to the space it occupies (approximately 40% of the building). The gain realized on the sale, after transaction costs, of \$52.7, has been deferred and is being credited to income over the initial 27.5-year lease term.

In 2002, the Company entered into agreements for the sale and leaseback of its Hazlet and South Brunswick, New Jersey facilities to an unrelated third party for \$48.0 in cash. Concurrently, the Company entered into a long-term lease with respect to the facilities. The gain realized on the sale, after transaction costs, of \$26.7, has been deferred and is being credited to income over the initial 22-year lease term.

In April 2000, the Company announced a plan to repurchase up to 7.5 million shares of its common stock. In September 2000, the Company increased its share repurchase program by \$100.0. The Company completed the April 2000 program during 2001 and the September 2000 program in 2002. In October 2002, the Company announced a new share repurchase program of \$100.0. Under these plans, the Company purchased 1.8 million shares, 2.3 million shares, and 3.0 million shares in 2003, 2002 and 2001, respectively, at a total cost of \$55.4, \$72.3 and \$71.2, respectively. Average per share cost of the shares acquired in 2003, 2002 and 2001 was \$31.66, \$31.52 and \$23.60, respectively. Repurchases are made on the open market or through private transactions. At December 31, 2003, the Company had \$42.0 remaining under its October 2002 repurchase plan, representing approximately 1.2 million shares based on a stock price of \$35 per share. Repurchased shares are available for use in connection with the Company's employee benefit plans and for other general corporate purposes.

The dividend paid per share in 2003, 2002 and 2001 was \$.62, \$.60 and \$.60, respectively. In January and April 2003, the Company paid a quarterly cash dividend of \$.15 per share to shareholders. In May 2003, the Company increased the annual dividend to \$.64 per share, effective with the dividend paid in July 2003. The Company's intention is to pay dividends approximating 30% to 35% of yearly earnings. The Company paid dividends totaling \$58.2, \$56.8 and \$57.6 in 2003, 2002 and 2001, respectively.

The cumulative translation adjustment component of Accumulated other comprehensive income was (\$45.2) at December 31, 2003, compared to (\$138.2) at December 31, 2002. The change results

principally from the weakening of the U.S. dollar against the Euro. The Minimum pension liability adjustment component of Accumulated other comprehensive income was (\$82.8) at December 31, 2003, compared to (\$75.0) at December 31, 2002. This change reflects lower pension asset values coupled with a reduction in the discount rate assumptions used to calculate pension liabilities. The accumulated loss on derivatives qualifying as hedges was (\$3.7) at December 31, 2003 compared to a gain of \$0.7 at December 31, 2002.

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 2003, the Company spent approximately \$2.9 on capital projects and about \$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.

The following table indicates the amount of payments due within the time periods specified below under long-term debt, current portion of long-term debt included in Bank loans and current portion of long-term debt, capital leases, operating leases and purchase obligations reflected on the Company's December 31, 2003 financial statements:

CONTRACTUAL OBLIGATIONS(1)	PAYMENTS DUE BY PERIOD				
	TOTAL	LESS THAN 1 YEAR	2-3 YEARS	4-5 YEARS	MORE THAN 5 YEARS
Borrowings (See Note 9)	\$ 653.6	\$ 0.8	\$ 511.3	\$ 124.5	\$ 17.0
Operating leases(2)	276.1	18.2	29.3	20.8	207.8
Purchase obligations(3)	9.7	0.2	9.5	-	-
Total	\$ 939.4	\$ 19.2	\$ 550.1	\$ 145.3	\$ 224.8

(1) Pension funding obligations are included in Note 14 Retirement Benefits.

(2) Operating leases include facility and other lease commitments executed in the normal course of the Company's operations. Additional details concerning the Company's United States facilities are contained in Note 8 and details concerning the Company's worldwide aggregate lease facilities are contained in Note 17.

(3) Purchase obligations are those commitments not recorded on the balance sheet.

The Company anticipates that all financing requirements will be funded from operations and credit facilities currently in place. Cash flows from operations are sufficient to fund the Company's anticipated capital spending, dividends and other requirements including debt reduction; the Company anticipates reducing borrowings by approximately \$100.0 in 2004; in comparison, borrowings were reduced by approximately \$145.0 and \$165.0 in 2003 and 2002, respectively. The Company may dispose of additional non-core assets; any related net proceeds will be used primarily to reduce borrowings.

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 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, accordingly, 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 in the world are subject to foreign currency fluctuations versus the U.S. dollar and other cross-currency rates. 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 which do not exceed six months. The notional amount and maturity dates of such contracts match those of the underlying transactions. At December 31, 2003 and 2002, the Company had outstanding foreign currency forward contracts with notional amounts approximating \$178.0 and \$131.4, respectively. The Company has designated these contracts as qualified fair value and cash flow hedges, as appropriate. Accordingly, the effective portion of any gain or loss on a derivative instrument reported as a cash flow hedge is reported as a component of Accumulated other comprehensive income and recognized in earnings in the same period or periods during which the hedged transaction affects earnings. The Company had no ineffective foreign currency forward contracts at December 31, 2003 or 2002.

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 London InterBank Offered Rate (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, \$56.5 and \$19.9 in 2003, 2002 and 2001, respectively, including accrued interest of \$3.7, \$6.5 and \$3.3, 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. At December 31, 2003, the Company had terminated all swap agreements related to the Notes; as a result, the interest rate on the Notes, including amortization of the deferred swap gains, was 3.6% at December 31, 2003. The effective rate on the Notes at December 31, 2002 and 2001 was 3.4% and 3.7%, respectively.

In 2002, the Company entered into certain interest 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 the Company amended the swaps and the counterparty paid the Company \$3.0, including accrued interest of \$0.5. These net gains have been deferred, and 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, 2003.

CRITICAL ACCOUNTING POLICIES AND USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to use judgment and to make estimates and assumptions that affect reported assets, liabilities, revenues and expenses; actual results may differ from such estimates. The diversity of the Company's products, customers, geographic operations, sources of supply and markets reduces the risk that any one event would have a severe impact on the Company's operating results. The Company recognizes revenue when products are shipped and title and risk of loss transfer to the customer. The greatest complexity of the Company's business is in the area of research and development and creation of new products, for which all costs are expensed as incurred.

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

- o The periodic assessment of potential impairment of intangible assets acquired in business combinations;

- o The evaluation of potential environmental and legal liabilities, where frequently changing rules, regulations and circumstances require constant reassessment of related practices and anticipated costs;
- o Determination of the various assumptions employed in the valuation of pension and retiree health care expense and associated obligations;
- o Recoverability and realization of assets, most notably in lesser developed areas of the world where fluctuating currencies and frequently unsettled economic conditions can create uncertainty;
- o 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; and
- o The determination of financial instruments employed as effective hedges of cash flows or market risk exposures.

Management believes that full consideration has been given to all 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.

NEW ACCOUNTING STANDARDS

Statement of Financial Accounting Standards (SFAS) No. 146 (FAS 146), Accounting for Costs Associated with Exit or Disposal Activities was issued in June 2002. FAS 146 establishes accounting and reporting standards for exit or disposal activities initiated after December 31, 2002, and requires such costs to be recognized when the liability is incurred and not at project initiation. The Company adopted the provisions of FAS 146 without material impact to reported results.

SFAS No. 148 (FAS 148), Accounting for Stock-Based Compensation -- Transition and Disclosure was issued in December 2002. FAS 148 provides alternate methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. The Company has elected to continue to use the intrinsic method of accounting for stock-based awards to employees. No expense has been recognized for stock-based compensation other than for restricted stock awards.

The Financial Accounting Standards Board issued Interpretation No. 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, and No. 46, Consolidation of Variable Interest Entities. The Company has no investments in entities to which these interpretations apply.

SFAS No. 149 (FAS 149), Amendment of Statement 133 on Derivative Instruments and Hedging Activities was issued in April 2003. FAS 149 amends and clarifies financial accounting and reporting for derivative instruments under FAS 133. The Company adopted this standard without material impact to reported results.

SFAS No. 132 (FAS 132), Employers' Disclosures about Pensions and Other Postretirement Benefits was revised in December 2003. The revised version is effective for fiscal years ending after December 15, 2003. FAS 132, as revised, requires enhanced disclosures about defined benefit pension and other postretirement benefit plan assets, obligations, cash flows, and net cost. The Company has complied with the expanded disclosure requirements prescribed by the revised standard.

NON-GAAP FINANCIAL MEASURES

The discussion of the Company's historical results and its commentary regarding expected future results include and, where indicated, exclude the impact of sales attributable to certain non-core businesses disposed of in 2002 and 2001, the impact of certain charges related to the Company's reorganization activities and the effects of exchange rate fluctuations. Such information is supplemental to information presented in accordance with generally accepted accounting principles (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 assist in a better understanding of, on a period-to-period basis, the impact of sales attributable to certain non-core businesses disposed of in 2002 and 2001, the impact of exchange rate fluctuations and the impact such specifically identified charges have on operating results and financial condition. In addition, management considers each of these non-GAAP measures to evaluate performance on a comparative period-to-period basis.

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 are based on management's reasonable current assumptions and expectations. Certain of such forward-looking information may be identified by such terms as "expect," "believe," "may," "will," and similar terms or variations thereof. All information concerning future revenues, tax rates or benefits, interest savings, and other future financial results or financial position, constitutes forward-looking information. Such forward-looking statements involve risks, uncertainties and other factors, which may cause the actual results of the Company to be materially different from any future results expressed or implied by such forward-looking statements, and there can be no assurance that actual results will not 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; 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. The Company intends its forward-looking statements to speak only as of the time of such statements and does not undertake to update or revise them as more information becomes available or to reflect changes in expectations, assumptions or results.

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

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 London InterBank Offered Rate (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, \$56.5 million and \$19.9 million in 2003, 2002 and 2001, respectively, including accrued interest of \$3.7 million, \$6.5 million and \$3.3 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. At December 31, 2003, the Company had terminated all swap agreements related to the Notes; as a result, the interest rate on the Notes, including amortization of the deferred swap gains, was 3.6% at December 31, 2003. The effective rate on the Notes at December 31, 2002 and 2001 was 3.4% and 3.7%, respectively.

In 2002, the Company entered into certain interest 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, the Company amended the swap and the counterparty paid the Company \$3.0 million, including accrued interest of \$0.5 million. 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 agreement, 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, 2003.

The Company has executed a 10-year Yen U.S. dollar currency swap related to the purchase and sale 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.

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. At December 31, 2003 and 2002, the Company had outstanding foreign currency forward contracts with notional amounts of \$178.0 million and \$131.4 million, respectively. The Company has designated these contracts as qualified fair value and cash flow hedges, as appropriate. The Company had no ineffective foreign currency forward contracts at December 31, 2003 or 2002.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

See index to Financial Statements on page 34. See Item 6 for supplemental data on page 13 and 14.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES.

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 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 also concluded that there have not been any changes in the Company's internal control over financial reporting during the Company's fourth quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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 2004 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 2004 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. 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 granted 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.

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 2004 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 2003", "Aggregated Option Exercises in 2003 and Option/SAR Values at December 31, 2003", "Directors' Compensation", "Employment Contracts and Termination of Employment and Change-in-Control Arrangements", "Compensation Committee Interlocks and Insider Participation and Other Related Party Matters", "Executive Separation Policy" and "Pension Plans" in the IFF 2004 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" in the IFF 2004 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 2004 Proxy Statement and such information is incorporated by reference herein.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The information regarding certain relationships and related transactions is set forth under the caption "Compensation Committee Interlocks and Insider Participation" in the IFF 2004 Proxy Statement and such information is incorporated by reference herein.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

The information regarding principal 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 2004 Proxy Statement and such information is incorporated by reference herein.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

(a)(1) FINANCIAL STATEMENTS: The following consolidated financial statements, related notes, management's report and independent auditors report are included in this report:

Report of Management	34
Report of Independent Auditors	35
Consolidated Statement of Income for the three years ended December 31, 2003	36
Consolidated Balance Sheet--December 31, 2003 and 2002	37
Consolidated Statement of Cash Flows for the three years ended December 31, 2003	38
Consolidated Statement of Shareholders' Equity for the three years ended December 31, 2003.....	39
Notes to Consolidated Financial Statements	40-59

REPORT OF MANAGEMENT

The accompanying consolidated financial statements of International Flavors & Fragrances Inc. have been prepared by management in conformity with accounting principles generally accepted in the United States of America and necessarily include amounts that are based on management's best estimates and judgment. The audit report on the Company's financial statements by PricewaterhouseCoopers LLP, independent auditors, is based on the result of their audits, which were performed in accordance with generally accepted auditing standards.

The Company maintains an internal control structure and related systems, policies and procedures designed to provide reasonable assurance that assets are safeguarded and transactions are properly recorded and executed in accordance with management's authorization so that the accounting records can be relied upon for the preparation of financial statements. The Company's control system is enhanced through a formal Code of Business Conduct and Ethics that establishes standards for professional conduct and integrity for employees worldwide. The Company also has an internal audit function that evaluates and formally reports to management and the Audit Committee of the Board of Directors on the adequacy and effectiveness of controls, policies and procedures.

The Audit Committee of the Board of Directors is composed entirely of non-employee directors. The Committee meets periodically and independently throughout the year with management, the internal auditors and the independent auditors to discuss the Company's internal accounting controls, auditing and financial reporting matters. The internal auditors and independent auditors have unrestricted access to the Audit Committee.

It is management's opinion that IFF's policies and procedures and the system of internal controls currently in place provide reasonable assurance that operations are managed in a responsible and professional manner and with the highest standard of business conduct.

/s/ Richard A. Goldstein

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

/s/ Douglas J. Wetmore

 Douglas J. Wetmore
 Senior Vice President and
 Chief Financial Officer

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

REPORT OF INDEPENDENT AUDITORS

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF INTERNATIONAL FLAVORS & FRAGRANCES INC.

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, cash flows and shareholders' equity present fairly, in all material respects, the financial position of International Flavors & Fragrances Inc. and its subsidiaries at December 31, 2003 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2003 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 auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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.

As discussed in Note 1 to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," effective January 1, 2002.

/s/ PricewaterhouseCoopers LLP

New York, New York
January 27, 2004

INTERNATIONAL FLAVORS & FRAGRANCES INC.

CONSOLIDATED STATEMENT OF INCOME

(DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)	YEAR ENDED DECEMBER 31,		
	2003	2002	2001
Net sales	\$ 1,901,520	\$1,809,249	\$1,843,766
Cost of goods sold	1,092,456	1,035,835	1,063,433
Research and development expenses	159,286	144,027	135,248
Selling and administrative expenses	308,951	305,156	313,335
Amortization	12,632	12,632	46,089
Restructuring and other charges	42,421	11,737	30,069
Interest expense	28,477	37,036	70,424
Other (income) expense, net	5,437	(3,591)	(2,609)
	-----	-----	-----
	1,649,660	1,542,832	1,655,989
	-----	-----	-----
Income before taxes on income	251,860	266,417	187,777
Taxes on income	79,263	90,473	71,775
	-----	-----	-----
Net income	\$ 172,597	\$ 175,944	\$ 116,002
	=====	=====	=====
	2003	2002	2001
	-----	-----	-----
Net income per share - basic	\$1.84	\$1.86	\$1.21
Net income per share - diluted	\$1.83	\$1.84	\$1.20

See Notes to Consolidated Financial Statements

INTERNATIONAL FLAVORS & FRAGRANCES INC.

CONSOLIDATED BALANCE SHEET

(DOLLARS IN THOUSANDS)	DECEMBER 31,	
	2003	2002
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 12,081	\$ 14,858
Short-term investments	474	307
Receivables:		
Trade	336,980	327,306
Allowance for doubtful accounts	(16,212)	(12,933)
Other	18,957	24,234
Inventories	454,631	421,603
Deferred income taxes	66,070	67,176
Prepaid expenses	29,691	24,198
Total Current Assets	902,672	866,749
Property, Plant and Equipment, net	510,612	520,499
Goodwill, net	647,226	642,655
Intangible Assets, net	152,187	151,424
Other Assets	94,195	51,367
Total Assets	\$2,306,892	\$2,232,694

(DOLLARS IN THOUSANDS)	DECEMBER 31,	
	2003	2002
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Bank loans and current portion of long-term debt	\$ 31,371	\$ 11,684
Commercial paper	162,933	37,979
Accounts payable	104,028	104,007
Accrued payrolls and bonuses	41,032	36,250
Dividends payable	14,996	14,138
Income taxes	27,826	38,496
Other current liabilities	143,859	116,943
Total Current Liabilities	526,045	359,497
Other Liabilities:		
Long-term debt	690,231	1,007,085
Deferred gains	73,439	24,834
Retirement liabilities	210,031	197,111
Other liabilities	64,515	69,489
Total Other Liabilities	1,038,216	1,298,519
Commitments and Contingencies (Note 17)		
Shareholders' Equity:		
Common stock 12 1/2(cen) par value; authorized 500,000,000 shares; issued 115,761,840 shares	14,470	14,470
Capital in excess of par value	95,138	109,735
Restricted stock	(3,952)	(5,723)
Retained earnings	1,496,104	1,382,539
Accumulated other comprehensive income:		
Cumulative translation adjustment	(45,188)	(138,175)
Accumulated (losses) gains on derivatives qualifying as hedges (net of tax)	(3,678)	733
Minimum pension liability adjustment (net of tax)	(82,815)	(75,038)
Treasury stock, at cost - 22,032,132 shares in 2003 and 21,507,668 shares in 2002	1,470,079	1,288,541
Note receivable from officer	(727,448)	(712,876)
Total Shareholders' Equity	742,631	574,678
Total Liabilities and Shareholders' Equity	\$2,306,892	\$2,232,694

See Notes to Consolidated Financial Statements

INTERNATIONAL FLAVORS & FRAGRANCES INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

(DOLLARS IN THOUSANDS)	YEAR ENDED DECEMBER 31,		
	2003	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 172,597	\$ 175,944	\$ 116,002
Adjustments to reconcile to net cash provided by operations:			
Depreciation and amortization	86,721	84,458	123,493
Deferred income taxes	(11,565)	(6,381)	(18,113)
Changes in assets and liabilities:			
Current receivables	35,956	15,452	8,925
Inventories	7,690	17,259	(1,207)
Current payables	(32,252)	(27,623)	(20,076)
Other, net	10,449	(15,765)	(27,519)
Net cash provided by operations	269,596	243,344	181,505
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from investments	33	257	8,250
Purchases of investments	(161)	(176)	(19,786)
Acquisitions and purchase of minority interest	(6,400)	(11,791)	-
Additions to property, plant and equipment	(65,955)	(81,815)	(52,016)
Proceeds from disposal of assets	97,675	64,634	14,900
Net cash provided by (used in) investing activities	25,192	(28,891)	(48,652)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Cash dividends paid to shareholders	(58,174)	(56,826)	(57,618)
Net change in bank loans	12,551	(14,774)	(13,088)
Net change in commercial paper outstanding	124,954	(166,250)	(605,123)
Proceeds from long-term debt	35,984	282,329	580,545
Repayments of long-term debt	(386,399)	(251,837)	(49,705)
Proceeds from issuance of stock under stock option and employee stock purchase plans	26,278	29,579	6,842
Purchase of treasury stock	(55,447)	(72,273)	(71,234)
Net cash used in financing activities	(300,253)	(250,052)	(209,381)
Effect of exchange rate changes on cash and cash equivalents.....	2,688	1,936	(3,820)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(2,777)	(33,663)	(80,348)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	14,858	48,521	128,869
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 12,081	\$ 14,858	\$ 48,521

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 STOCK SHARES	TREASURY STOCK COST	NOTE RECEIVABLE FROM OFFICER	TOTAL COMPREHENSIVE INCOME
Balance at January 1, 2001	\$14,470	\$ 133,041	\$ -	\$1,204,561	\$ (77,578)	(18,335,796)	\$(643,235)	\$ -	
Net income				116,002					\$116,002
Cumulative translation adjustment					(78,688)				(78,688)
Accumulated losses on derivatives qualifying as hedges (net of tax)					(2,261)				(2,261)
Minimum pension liability adjustment (net of tax)					(20,009)				(20,009)
Total comprehensive income									\$15,044
Cash dividends declared				(57,219)		187,056	9,623	(987)	
Stock options		(3,941)							
Reacquired shares						(3,019,100)	(71,234)		
Restricted stock award		(2,930)	(3,065)			170,886	5,995		
Amortization			1,625						
Balance at December 31, 2001	14,470	126,170	(1,440)	1,263,344	(178,536)	(20,996,954)	(698,851)	(987)	
Net income				175,944					\$175,944
Cumulative translation adjustment					18,091				18,091
Accumulated gains on derivatives qualifying as hedges (net of tax)					2,994				2,994
Minimum pension liability adjustment (net of tax)					(55,029)				(55,029)
Total comprehensive income									\$142,000
Cash dividends declared				(56,749)		1,582,486	51,581		
Stock options		(15,652)				(2,293,200)	(72,273)		
Reacquired shares						200,000	6,667		
Restricted stock award		(783)	(5,884)						
Amortization			1,601						
Balance at December 31, 2002	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 losses on derivatives qualifying as hedges (net of tax)					(4,411)				(4,411)
Minimum pension liability adjustment (net of tax)					(7,777)				(7,777)
Total comprehensive income									\$253,396
Cash dividends declared				(59,032)		1,226,836	40,875	987	
Stock options		(14,597)				(1,751,300)	(55,447)		
Reacquired shares									
Amortization			1,771						
Balance at December 31, 2003	\$14,470	\$ 95,138	\$(3,952)	\$1,496,104	\$ (131,681)	(22,032,132)	\$(727,448)	\$ -	

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, although management does not believe such changes will materially affect the financial statements in any individual year.

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 any 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 Revenue is recognized when products are shipped and title and risk of loss transfer to the customer.

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 costs associated with research and development are expensed as incurred.

INVENTORIES Inventories are stated at the lower of cost (generally 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, equipment and software, 3 to 10 years; and leasehold 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 an 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.

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. Through December 31, 2001, goodwill arising from business acquisitions was amortized on a straight-line basis over its estimated useful life, which was generally 20 years.

Effective January 1, 2002, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 142 (FAS 142), Goodwill and Other Intangible Assets. FAS 142 eliminates the amortization of goodwill and indefinite-lived intangibles and requires an evaluation of potential impairment upon adoption, and at least annually thereafter. FAS 142 also prescribes that other indefinite-lived intangibles be included with goodwill.

Fair values for goodwill and indefinite-lived intangibles are determined based on discounted cash flows, market multiples or appraised values, as appropriate.

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 permanently invested in such subsidiaries. No income tax benefit is attributable to the currency translation component of 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 are considered highly effective and the net gain or loss from hedge ineffectiveness is not material.

The Company's derivative instruments that qualify for hedge accounting are primarily designated as either fair value hedges or cash flow hedges. For fair value hedges, changes in the value of the derivative as well as the offsetting changes in fair value of the hedged item are recognized in earnings each period. For cash flow hedges, changes in value of the derivative are recorded in other comprehensive income and are recognized in earnings when the offsetting effect of the hedged item is recognized in earnings.

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. It is unlikely that any one event would have a severe impact on the Company's operating results.

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 include all costs incurred in connection with shipping and handling.

NEW ACCOUNTING STANDARDS SFAS No. 146 (FAS 146), Accounting for Costs Associated with Exit or Disposal Activities was issued in June 2002. FAS 146 establishes accounting and reporting standards for exit or disposal activities initiated after December 31, 2002, and requires such costs to be recognized when the liability is incurred and not at project initiation. The Company adopted the provisions of FAS 146 without material impact to reported results.

SFAS No. 148 (FAS 148), Accounting for Stock-Based Compensation - Transition and Disclosure was issued in December 2002. FAS 148 provides alternate methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. The Company has elected to continue to use the intrinsic method of accounting for stock-based awards to employees. No expense has been recognized for stock-based compensation other than for restricted stock awards.

The Financial Accounting Standards Board issued Interpretation No. 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, and No. 46, Consolidation of Variable Interest Entities. The Company has no investments in entities to which these interpretations apply.

SFAS No. 149 (FAS 149), Amendment of Statement 133 on Derivative Instruments and Hedging activities was issued in April 2003. FAS 149 amends and clarifies financial accounting and reporting for derivative instruments under FAS 133. The Company adopted this standard without material impact to reported results.

SFAS No. 132 (FAS 132), Employers' Disclosures about Pensions and Other Postretirement Benefits was revised in December 2003. The revised version is effective for fiscal years ending after December 15, 2003. FAS 132, as revised, requires enhanced disclosures about defined benefit pension and other postretirement benefit plan assets, obligations, cash flows, and net cost. The Company has complied with the expanded disclosure requirements prescribed by the revised standard.

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		
	2003	2002	2001
Basic	93,718	94,511	95,770
Dilution under stock plans	701	1,362	1,049
Diluted	94,419	95,873	96,819

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 4,440,455, 3,505,414 and 4,138,020 shares were outstanding in 2003, 2002 and 2001, 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.

STOCK PLANS The Company has stock-based compensation plans which are described more fully in Note 12. The Company applies the recognition and measurement principles of Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, and related Interpretations in accounting for these plans. No compensation expense for employee stock options is reflected in net earnings, 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 includes compensation expense related to restricted stock. 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 for the years ended December 31, 2003, 2002 and 2001:

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)	2003	2002	2001
Net income, as reported	\$ 172,597	\$ 175,944	\$ 116,002
Deduct:			
Total stock-based employee compensation expense determined under fair value method for all stock option awards, net of related tax effects	15,404	16,008	14,092
Pro-forma net income	\$ 157,193	\$ 159,936	\$ 101,910
Net income per share:			
Basic -- as reported	\$1.84	\$1.86	\$1.21
Basic -- pro-forma	\$1.68	\$1.69	\$1.06
Diluted -- as reported	\$1.83	\$1.84	\$1.20
Diluted -- pro-forma	\$1.66	\$1.67	\$1.05

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.

RECLASSIFICATIONS Certain reclassifications have been made to the prior years' financial statements to conform to 2003 classifications.

NOTE 2. RESTRUCTURING AND OTHER CHARGES

In October 2000, the Company announced a reorganization including management changes, consolidation of production facilities and related actions. Costs incurred include separation-related costs, asset write-downs and other costs directly related to the restructuring effort.

The actions taken in 2003 completed the reorganization activities as contemplated under the plan announced in October 2000. The restructuring and other charges exclude all costs incurred in connection with the integration of BBA and the Company; such costs were treated as an element of the acquisition cost.

During 2003, the Company recorded pre-tax charges of \$42.4 million; \$38.0 million related to employee terminations and \$4.4 million related to location closures and asset write-downs. The Company eliminated 321 positions; positions by region are as follows: North America, including corporate 81, Europe 97, Asia Pacific 120, Latin America 19 and India 4. The \$4.4 million asset-related charges primarily relate to updates on costs for previously commenced actions.

During 2002, the Company recorded pre-tax charges of \$11.7 million; \$4.3 million related to employee terminations and \$7.4 million related to location closures and asset write-downs. The Company eliminated 148 positions; positions by region are as follows: North America, including corporate 91, Europe 42 and Asia Pacific 15. The \$7.4 million asset-related charges includes \$4.0 million related to a non-cash asset write-off associated with the disposition of the Company's fruit concentrates business in North America.

During 2001, the Company recorded pre-tax charges of \$30.1 million; \$10.1 million related to employee terminations and \$20.0 million related to location closures and asset write-downs. The Company eliminated 465 positions; positions by region are as follows: North America, including corporate 197, Europe 62, Asia Pacific 145 and Latin America 61. There were no significant non-cash related elements in the 2001 charges.

Separation costs for the employees relate primarily to severance, outplacement and other benefit costs. Asset-related and other charges relate to establishment of the new carrying value for assets held for sale or disposal and other costs including lease termination costs and other reorganization expenses incurred to effect the location closure.

Charges by region in each of the three years in the period ended December 31, 2003 were:

(DOLLARS IN THOUSANDS)	2003	2002	2001
North America	\$20,172	\$ 5,565	\$14,722
Europe	16,936	5,814	4,172
Asia Pacific	3,576	358	8,542
Latin America	1,296	-	2,633
India	441	-	-
	-----	-----	-----
	\$42,421	\$11,737	\$30,069
	=====	=====	=====

Movements in related accruals were:

(DOLLARS IN THOUSANDS)	EMPLOYEE- RELATED	ASSET- RELATED AND OTHER	TOTAL
Balance January 1, 2001	\$ 24,379	\$ 2,053	\$ 26,432
Additional charges	10,083	19,986	30,069
Cash and other costs	(27,474)	(21,294)	(48,768)
Balance December 31, 2001	6,988	745	7,733
Additional charges	4,340	7,397	11,737
Cash and other costs	(7,899)	(7,721)	(15,620)
Balance December 31, 2002	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

The balance of the employee-related liabilities will be utilized by 2006 as obligations are satisfied; the asset-related charges will be utilized in 2004 on final decommissioning and disposal of the affected equipment.

NOTE 3. ACQUISITIONS AND DIVESTITURES

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 million. 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. Final allocation of the purchase price is not complete as of December 31, 2003 pending final valuation of the intangible asset.

In November 2000, the Company acquired BBA; total consideration paid, including transaction costs, was \$970.0 million. At acquisition date, BBA owned approximately 73% of its Indian subsidiary, BBA India Limited (BBAIL). During 2002, the Company acquired additional BBAIL shares, raising its ownership interest to 93%; cost of the acquired shares was \$11.8 million.

Minority interests, which in the aggregate, are not material, are included in Other liabilities.

The BBA acquisition was accounted for as a purchase business combination; the purchase price was allocated to assets acquired and liabilities assumed based on their fair values at the date of acquisition. The excess of the purchase price over the estimated value of tangible and identified intangible assets acquired was recorded as goodwill.

The Company established accruals relating to the integration of BBA operations. Costs associated with these integration activities, relating mainly to employee separation and facility closures, were recorded as a component of purchase accounting; such costs did not directly impact current earnings.

Movements in acquisition accounting accruals were:

(DOLLARS IN THOUSANDS)	EMPLOYEE- RELATED	ASSET- RELATED AND OTHER	TOTAL
Balance January 1, 2001	\$ 4,103	\$ 6,230	\$ 10,333
Additional charges	41,012	24,961	65,973
Cash and other costs	(31,259)	(21,325)	(52,584)
Balance December 31, 2001	13,856	9,866	23,722
Cash and other costs	(7,850)	(8,797)	(16,647)
Balance December 31, 2002	6,006	1,069	7,075
Cash and other costs	(3,576)	(1,069)	(4,645)
Balance December 31, 2003	\$ 2,430	\$ -	\$ 2,430
	=====	=====	=====

The remaining liability will be utilized in 2004 as severance obligations are satisfied.

The Company sold its concentrate business based in Oregon in June 2002 and recorded a restructuring and other charge of \$4.3 million related to employee separation and other disposal costs. Sales for the business up to the date of disposition were \$9.4 million; operating profit was not significant.

In October 2001, the Company sold its formulated fruit and vegetable preparation businesses in the United States and Brazil and recorded a restructuring and other charge of \$7.4 million related to employee separation and other disposal costs. Sales for the business up to the date of disposition were \$23.0 million, with operating profit of approximately \$2.2 million.

In December 2001, the Company sold the U.K.-based aroma chemicals business acquired as part of the BBA purchase. Sales for the business up to the date of disposition were \$36.7 million, with operating profit of approximately \$1.5 million. No gain or loss was recognized as a result of this transaction.

Proceeds from the sales, which were not material, were used to reduce current borrowings.

NOTE 4. MARKETABLE SECURITIES

Marketable securities are included in cash equivalents or short-term investments, as appropriate. At December 31, 2003 and 2002, marketable securities totaling \$0.1 million and \$0.1 million, respectively, were available for sale and recorded at fair value that approximated cost. Realized gains and losses on the sale of marketable securities were not material.

NOTE 5. INVENTORIES

(DOLLARS IN THOUSANDS)	DECEMBER 31,	
	2003	2002
Raw materials	\$233,313	\$222,161
Work in process	15,815	12,680
Finished goods	205,503	186,762
	\$454,631	\$421,603
	=====	=====

NOTE 6. PROPERTY, PLANT AND EQUIPMENT, NET

(DOLLARS IN THOUSANDS)	DECEMBER 31,	
	2003	2002
Land	\$ 38,370	\$ 35,249
Buildings and improvements	218,381	221,899
Machinery, equipment and software	699,148	630,252
Construction in progress	54,498	62,814
	1,010,397	950,214
Accumulated depreciation	499,785	429,715
	\$ 510,612	\$520,499
	=====	=====

NOTE 7. INTANGIBLE ASSETS, NET

Effective January 1, 2002, the Company adopted FAS 142; adoption eliminated annual goodwill amortization expense of \$32.8 million.

During 2003 and 2002, the Company performed its impairment assessment and concluded there was no impairment.

The principle changes in goodwill and intangible assets in 2003 relate to the acquisition of Celesence.

(DOLLARS IN THOUSANDS)	DECEMBER 31, 2003	
	GROSS CARRYING VALUE	ACCUMULATED AMORTIZATION
Goodwill	\$688,760	\$41,534
Other indefinite-lived intangibles	19,200	1,184
Trademarks and other	174,699	40,528
Total	\$882,659	\$83,246
	=====	=====

(DOLLARS IN THOUSANDS)	DECEMBER 31, 2002	
	GROSS CARRYING VALUE	ACCUMULATED AMORTIZATION
Goodwill	\$684,189	\$41,534
Other indefinite-lived intangibles	19,200	1,184
Trademarks and other	161,162	27,754
Total	\$864,551	\$70,472
	=====	=====

The following table reflects the net income per share effect of adopting FAS 142.

(DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)	YEAR ENDED DECEMBER 31,		
	2003	2002	2001
Reported net income	\$ 172,597	\$ 175,944	\$ 116,002
Add back:			
Goodwill amortization	-	-	32,774
Adjusted net income	\$ 172,597	\$ 175,944	\$ 148,776
	=====	=====	=====
BASIC NET INCOME			
PER SHARE			
Reported net income	\$1.84	\$1.86	\$1.21
Goodwill amortization	-	-	0.34
Adjusted net income	\$1.84	\$1.86	\$1.55
	=====	=====	=====
DILUTED NET INCOME			
PER SHARE			
Reported net income	\$1.83	\$1.84	\$1.20
Goodwill amortization	-	-	0.34
Adjusted net income	\$1.83	\$1.84	\$1.54
	=====	=====	=====

Amortization expense for the year ended December 31, 2003 was \$12.6 million; estimated annual amortization from 2004 to 2006 is \$14.8 million, \$13.4 million in 2007 and \$6.7 million in 2008.

NOTE 8. SALE AND LEASEBACK TRANSACTIONS

In 2003, the Company sold its New York corporate headquarters to an unrelated third party for \$91.0 million in cash, concurrently, entering into a long-term lease with respect to the space it occupies (approximately 40% of the building). The lease is classified as an operating lease in accordance with SFAS No. 13 (FAS 13), Accounting for Leases. The gain realized on the sale, after transaction costs, of \$52.7 million, has been deferred and is being credited to income over the initial 27.5-year lease term.

In 2002, the Company entered into agreements for the sale and leaseback of its Hazlet and South Brunswick, New Jersey facilities to an unrelated third party for \$48.0 million in cash. Concurrently, the Company entered into a long-term lease with respect to the facilities. The leases are classified as operating leases in accordance with FAS 13. The gain realized on the sale, after transaction costs, of \$26.7 million, has been deferred and is being credited to income over the initial 22-year lease term.

The Company has cumulative deferred gains on disposition of real estate totaling \$76.4 million and \$26.0 million at December 31, 2003 and 2002, respectively. At December 31, 2003 and 2002, \$73.4 million and \$24.8 million, respectively, are reflected in the accompanying balance sheet under the caption Deferred gains, with the respective remaining amounts included as a component of Other current liabilities.

NOTE 9. BORROWINGS

Debt consists of the following at December 31:

(DOLLARS IN THOUSANDS)	RATE	MATURITIES	2003	2002
Commercial paper (U.S.)			\$162,933	\$ 37,979
Bank loans			30,610	10,979
Current portion of long-term debt			761	705
Total current debt			194,304	49,663
U.S. dollars	6.45%	2006	498,675	699,112
Euro facility	2.55%		-	106,018
Japanese Yen notes	2.45%	2008-11	141,516	126,824
Japanese Yen notes	1.74%	2005	11,172	10,012
Other		2005	861	1,587
			652,224	943,553
Deferred realized gains on interest rate swaps			39,685	57,868
FAS 133 adjustment			(1,678)	5,664
Total long-term debt			690,231	1,007,085
Total debt			\$884,535	\$1,056,748

At December 31, 2003, outstanding commercial paper had an effective interest rate of 1.2% compared to 1.6% at December 31, 2002. Commercial paper maturities did not extend beyond January 22, 2004.

In 2002, the Company entered into a five-year Euro 350.0 million (approximately \$440.0 million at December 31, 2003), multi-currency revolving credit facility. Prior to July 2002, the Company had a Euro 140.0 million facility which was cancelled and all borrowings were repaid. Prior to the third quarter of 2003, the five-year Euro facility was characterized as long-term debt; the Company currently employs this facility as a European-wide working capital facility. At December 31, 2003, the Company had no borrowings under this facility.

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. As a result of premiums paid for the Notes repurchased, the Company incurred pre-tax losses, included in Other (income) expense, net of \$4.2 million.

In 2002, the Company exercised an option under its existing \$500.0 million U.S. revolving credit facility and cancelled the \$200.0 million 364-day portion of the agreement. The remaining \$300.0 million revolving credit facility extends to September 2006. The revolving credit agreement is used as backstop for the Company's commercial paper program; there have been no borrowings under this agreement. The Company compensates participating banks in the form of fees, the amounts of which are not material.

Short-term bank loans, in addition to the five-year Euro facility, were outstanding in several foreign countries and averaged \$22.7 million in 2003, compared with \$16.7 million in 2002. The highest levels were \$37.4 million in 2003, \$52.2 million in 2002 and \$69.0 million in 2001, respectively. The 2003 weighted average interest rate of these foreign bank loans, based on balances outstanding at the end of each month, was 4% and the average rate on loans outstanding at December 31, 2003 was 4%. These rates compare with 5% and 4%, respectively, in 2002 and 7% and 5%, respectively, in 2001.

Annual maturities on long-term debt outstanding at December 31, 2003 are as follows: 2004, \$0.8 million; 2005, \$12.0 million; 2006, \$499.3 million; 2008, \$124.5 million; 2009, \$0; and thereafter, \$17.0 million. At December 31, 2003, the estimated fair value of the \$499.3 million 6.45% Notes, including deferred gains on interest rate swaps, was \$533.7 million. The estimated fair value of the remaining long-term debt at December 31, 2003 and 2002, 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 \$44.6 million in 2003, \$61.6 million in 2002 and \$77.2 million in 2001; such cash payments exclude the benefit of cash payments the Company received under its various interest rate swap agreements of \$11.6 million, \$56.5 million and \$19.9 million in 2003, 2002 and 2001, respectively.

At December 31, 2003 and 2002, the Company and its subsidiaries had unused lines of credit approximating \$532.0 million and \$368.0 million, respectively, in addition to the facility serving as backstop to the Company's commercial paper program.

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)	2003	2002	2001
U.S. loss before taxes	\$ (53,200)	\$ (8,918)	\$ (59,390)
Foreign income before taxes	305,060	275,335	247,167
Total income before taxes	<u>\$ 251,860</u>	<u>\$266,417</u>	<u>\$ 187,777</u>

(DOLLARS IN THOUSANDS)	2003	2002	2001
Current			
Federal	\$ 4,762	\$ 18,452	\$ 7,507
State and local	902	1,884	3,816
Foreign	85,164	76,518	78,565
	<u>90,828</u>	<u>96,854</u>	<u>89,888</u>
Deferred			
Federal	(18,497)	(19,496)	(17,836)
State and local	(2,660)	(2,591)	(5,821)
Foreign	9,592	15,706	5,544
	<u>(11,565)</u>	<u>(6,381)</u>	<u>(18,113)</u>
Total income taxes	<u>\$ 79,263</u>	<u>\$ 90,473</u>	<u>\$ 71,775</u>

At December 31, 2003 and 2002, gross deferred tax assets were \$154.1 million and \$146.8 million, respectively; gross deferred tax liabilities were \$77.7 million and \$77.2 million, respectively. No valuation allowance was required for deferred tax assets. At December 31, 2003 and 2002, non-current deferred tax assets of \$10.3 million and \$2.5 million, respectively, were included in Other assets. The principal components of deferred tax assets (liabilities) were:

(DOLLARS IN THOUSANDS)	2003	2002
Employee and retiree benefits	\$ 67,700	\$ 71,700
Inventory	5,400	5,800
Tax credit carryforwards	18,700	13,800
Property, plant and equipment	10,900	(8,200)
Trademarks and other	(37,600)	(41,500)
Interest	10,000	17,400
Foreign earnings	(25,100)	(19,400)
Other, net	26,400	30,000
	-----	-----
	\$ 76,400	\$ 69,600
	=====	=====

Of the tax credit carryforwards, \$7.6 million will expire, if unused, beginning in 2006; the remaining \$11.1 million can be carried forward indefinitely.

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

	2003	2002	2001
Statutory tax rate	35.0%	35.0%	35.0%
Difference in effective tax rate on foreign earnings and remittances	(1.4)	0.1	(1.4)
State and local taxes	(0.5)	(0.2)	(0.7)
Goodwill	-	-	6.0
Other, net	(1.6)	(0.9)	(0.7)
	-----	-----	-----
Effective tax rate	31.5%	34.0%	38.2%
	====	====	====

Income taxes paid were \$96.9 million in 2003, \$100.3 million in 2002 and \$88.6 million in 2001.

Undistributed earnings of foreign subsidiaries for which no deferred taxes have been provided totaled \$635.4 million and \$576.6 million at December 31, 2003 and 2002, respectively. The portion of these foreign earnings which the Company intends to permanently reinvest in its foreign operations totaled \$117.3 million and \$66.8 million at December 31, 2003 and 2002, respectively. No federal income or foreign withholding tax has been provided on these permanently 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.

NOTE 11. SHAREHOLDERS' EQUITY

In January 2001, the Company awarded approximately 190,000 IFF Stock Units (Units) to eligible employees in exchange for surrender of their "under water" stock options. The Units vest, in four equal installments, over not more than a seven-year period, upon the Company's common stock attaining successively higher market price targets beginning at \$22.50 per share, and earn dividend equivalents as and when cash dividends are paid. Compensation expense is recognized over the vesting period. In 2001, the first two market price targets were achieved and compensation expense of \$1.7 million was recognized. In 2002, the third price target of \$31.50 was achieved and the Company recognized compensation expense of \$0.8 million. The remaining unvested Units are reported as Restricted stock on the Company's Consolidated Balance Sheet.

On August 1, 2002, the Company's Board of Directors granted an award of 200,000 restricted shares of the Company's common stock. Entitlement to all or a portion of the award is subject to the Company achieving certain levels of shareholder return compared to those of a specified group of companies, over the three-, four- and five-year periods commencing August 1, 2002. Compensation expense relating to the award is recognized over the restriction period.

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.

Dividends paid per share were \$0.62, \$0.60 and \$0.60 in 2003, 2002 and 2001, respectively.

The Accumulated other comprehensive income balance includes Cumulative translation adjustments of (\$45.2) million and (\$138.2) million, Accumulated (losses) gains on derivatives qualifying as hedges of (\$3.7) million and \$0.7 million, and Minimum pension liability of (\$82.8) million and (\$75.0) million, in 2003 and 2002, respectively. Amounts are shown net of tax, where appropriate.

NOTE 12. STOCK PLANS

The Company has various stock option 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.

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, except for options granted to two senior executives in 2000 and certain other options granted to foreign employees, which may be exercised immediately. Options granted in November 2000, however, constituting approximately 8% of options outstanding (as of December 31, 2003), generally become exercisable in four equal installments as corresponding market price targets for the Company's common stock of \$22.50, \$27.00, \$31.50 and \$36.00 are attained, and expire seven years after the date of grant or sooner if certain price levels (which differ among individuals) are achieved. The November 2002 options vest six years and nine months after date of grant, based only on continued employment, regardless of whether the prescribed price targets have been met.

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 2003, options were granted at exercise prices ranging from \$29.86 to \$32.39 per share. At December 31, 2003, the price range for shares under option was \$17.94 to \$49.88; options for 5,146,449 shares were exercisable at that date.

The Company has a Global Employee Stock Purchase Plan (GESPP) that was established in January 2001. Eligible employees may purchase a limited number of shares of the Company's common stock at a discount of 15% of the market value on the grant date. The purchase date is one year after grant. Shares purchased under the GESPP in 2003 and 2002 were 188,862 and 206,541, respectively.

Stock plan transactions were:

	SHARES OF COMMON STOCK		WEIGHTED AVERAGE EXERCISE PRICE
	AVAILABLE FOR GRANT	UNDER OPTION	
Balance			
January 1, 2001	5,953,424	9,604,957	\$ 31.55
Granted	(2,042,000)	2,042,000	27.06
Exercised	-	(288,400)	17.94
Terminated	2,997,188	(2,997,188)	38.00
Lapsed	(113,143)	-	-
Reserved for Units	(83,888)	-	-
Balance			
December 31, 2001	6,711,581	8,361,369	28.37
Granted	(2,899,950)	2,899,950	32.19
Exercised	-	(1,356,964)	18.42
Terminated	154,947	(154,947)	31.40
Lapsed	(1,735,856)	(87,500)	34.57
Reserved for Units	(50,710)	-	-
Increase under existing plans	4,500,000	-	-
Restricted Stock award	(200,000)	-	-
Balance			
December 31, 2002	6,480,012	9,661,908	30.66
Granted	(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			
December 31, 2003	4,420,958	10,423,572	\$ 31.18

The following table summarizes information concerning currently outstanding and exercisable options:

	RANGE OF EXERCISE PRICES	
	\$10-\$30	\$30-\$50
Number outstanding	5,173,089	5,250,483
Weighted average remaining contractual life, in years	8.1	6.8
Weighted average exercise price	\$ 26.81	\$ 35.49
Number exercisable	1,857,595	3,288,854
Weighted average exercise price	\$ 25.70	\$ 37.16

Using the Black-Scholes option valuation model, the estimated fair values of options granted during 2003, 2002 and 2001 were \$7.84, \$10.07 and \$8.09, 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.

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

	2003	2002	2001
	-----	-----	-----
Risk-free interest rate	2.6%	4.5%	4.6%
Expected life, in years	5	5	5
Expected volatility	31.7%	33.7%	32.2%
Expected dividend yield	2.0%	1.8%	2.2%
	====	====	====

The Company has a share repurchase program. In October 2002, the Board of Directors authorized the Company to purchase \$100.0 million in shares under that program. At December 31, 2003, the Company had authorization for \$42.0 million remaining under this plan. The repurchased shares are used in connection with the above stock option programs and for general corporate purposes.

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 operating profit, excluding interest expense, other income and expense, certain unallocated expenses, amortization of goodwill, the effects of restructuring and other items and accounting changes, and income tax expense ("segment profit"). Transfers between geographic areas are accounted for at prices that approximate arm's-length market prices. Unallocated assets are principally cash, short-term investments and other corporate assets.

The Company is divided into five geographic regions for management purposes: North America, Latin America, Europe, Asia Pacific and India.

The Company's reportable segment information, based on geographic region, follows:

2003 (DOLLARS IN THOUSANDS)	NORTH AMERICA	EUROPE	INDIA	LATIN AMERICA	ASIA PACIFIC	ELIMINATIONS	CONSOLIDATED
-----	-----	-----	-----	-----	-----	-----	-----
Sales to unaffiliated customers	\$583,224	\$782,680	\$42,209	\$208,714	\$284,693	\$ -	\$1,901,520
Transfers between regions	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	\$ (490)	\$ 370,302
Corporate and other unallocated expenses							(42,107)
Restructuring and other charges							(42,421)
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	\$ (101,945)	\$2,263,530
Unallocated assets							43,362
Total assets							\$2,306,892

2002 (DOLLARS IN THOUSANDS)	NORTH AMERICA	EUROPE	INDIA	LATIN AMERICA	ASIA PACIFIC	ELIMINATIONS	CONSOLIDATED
Sales to unaffiliated customers	\$592,974	\$695,384	\$37,626	\$216,938	\$266,327	\$ -	\$1,809,249
Transfers between regions	86,089	127,830	1,766	1,022	17,126	(233,833)	-
Total sales	\$679,063	\$823,214	\$39,392	\$217,960	\$283,453	\$ (233,833)	\$1,809,249
Segment profit	\$ 81,888	\$161,720	\$ 9,311	\$ 48,596	\$ 52,619	\$ 983	\$ 355,117
Corporate and other unallocated expenses							(43,518)
Restructuring and other charges							(11,737)
Interest expense							(37,036)
Other income (expense), net							3,591
Income before taxes on income							\$ 266,417
Segment assets	\$789,642	\$883,050	\$55,088	\$159,425	\$357,908	\$ (67,265)	\$2,177,848
Unallocated assets							54,846
Total assets							\$2,232,694

2001 (DOLLARS IN THOUSANDS)	NORTH AMERICA	EUROPE	INDIA	LATIN AMERICA	ASIA PACIFIC	ELIMINATIONS	CONSOLIDATED
Sales to unaffiliated customers	\$616,806	\$682,574	\$32,684	\$245,517	\$266,185	\$ -	\$1,843,766
Transfers between regions	83,115	134,862	2,698	1,678	16,620	(238,973)	-
Total sales	\$699,921	\$817,436	\$35,382	\$247,195	\$282,805	\$ (238,973)	\$1,843,766
Segment profit	\$ 86,928	\$158,175	\$ 7,857	\$ 52,907	\$ 58,798	\$ 2,691	\$ 367,356
Corporate and other unallocated expenses							(48,624)
Amortization of goodwill							(33,071)
Restructuring and other charges							(30,069)
Interest expense							(70,424)
Other income (expense), net							2,609
Income before taxes on income							\$ 187,777
Segment assets	\$836,208	\$803,011	\$55,572	\$197,365	\$340,134	\$ (41,916)	\$2,190,374
Unallocated assets							77,677
Total assets							\$2,268,051

(DOLLARS IN THOUSANDS)	CAPITAL EXPENDITURES			DEPRECIATION AND AMORTIZATION		
	2003	2002	2001	2003	2002	2001
North America	\$21,153	\$23,129	\$18,531	\$43,063	\$41,852	\$ 33,784
Europe	21,565	29,688	20,441	29,909	26,418	27,616
India	2,318	555	491	938	962	533
Latin America	4,919	3,206	1,559	3,368	3,768	4,628
Asia Pacific	11,322	8,445	4,571	7,112	6,842	7,749
Unallocated assets	4,678	16,792	6,423	2,331	4,616	49,183
Consolidated	\$65,955	\$81,815	\$52,016	\$86,721	\$84,458	\$123,493

Sales of fragrance products were \$1,035.0 million, \$1,000.2 million and \$1,008.1 million in 2003, 2002 and 2001, respectively. Sales of flavor products were \$866.5 million, \$809.0 million and \$835.7 million in 2003, 2002 and 2001, respectively. Sales in the United States, based on the final country of destination of the Company's products, were \$520.3 million, \$544.3 million and \$570.5 million in 2003, 2002 and 2001, respectively. No other country of destination exceeded 8% of consolidated sales. No customer accounted for 10% or more of sales in 2003, 2002 or 2001. Total long-lived assets consists of net property, plant and equipment and net intangible assets and amounted to \$1,310.0 million, \$1,314.6 million and \$1,328.4 million at December 31, 2003, 2002 and 2001, respectively; of the respective

totals, \$998.4 million, \$1,029.6 million and \$1,071.1 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 gains of \$1.6 million in 2003, \$2.3 million in 2002 and \$1.9 million in 2001 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; however, 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 profits. 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 and life insurance coverage for retired employees of foreign subsidiaries; however, such benefits are provided in most foreign countries by government-sponsored plans, and the cost of these programs is not significant to the Company.

Pension expense included the following components:

(DOLLARS IN THOUSANDS)	U.S. PLANS			NON-U.S. PLANS		
	2003	2002	2001	2003	2002	2001
Service cost for benefits earned	\$ 8,466	\$ 7,874	\$ 7,293	\$ 8,226	\$ 7,327	\$ 9,552
Interest cost on projected benefit obligation	19,771	19,091	18,351	23,564	21,339	24,306
Expected return on plan assets	(21,875)	(23,506)	(23,082)	(24,418)	(23,455)	(27,691)
Net amortization and deferrals	709	(306)	(1,347)	5,843	2,923	679
Special termination benefits	1,300	-	-	1,223	-	-
Defined benefit plans	8,371	3,153	1,215	14,438	8,134	6,846
Defined contribution and other retirement plans	2,533	3,121	2,368	3,217	3,227	2,425
Total pension expense	\$ 10,904	\$ 6,274	\$ 3,583	\$ 17,655	\$ 11,361	\$ 9,271
Weighted-average actuarial assumptions used to determine pension data:						
Discount rate	6.25%	6.75%	7.25%	5.24%	5.48%	5.90%
Expected return on plan assets	8.50%	9.00%	9.00%	7.35%	7.53%	7.50%
Rate of compensation increase	3.75%	4.00%	4.50%	2.52%	2.80%	3.25%

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 5%-10% employed in cash and fixed income investments expected to yield 1.5%; 20%-25% employed in corporate and government bonds expected to yield 1.7%-2.2%; and 65%-70% in equity investments with a long-term expected yield of 8.0% to 8.9%. The inflation rate assumed in the model was 2.2%. The plan has employed a similar asset allocation strategy for the prior 15 years and has achieved a compound annual return of approximately 10.1% during this period. Discount rates used in determining future pension obligations of individual plans are based on a review of long-term bonds that receive a high rating by a recognized rating agency. The rate of compensation increase is based on plan experience.

The Company's pension plan asset allocation for U.S. plans at December 31, 2003 and 2002, and target allocation for 2004 is:

ASSET CATEGORY	TARGET ALLOCATION 2004	PERCENTAGE OF PLAN ASSETS AT DECEMBER 31, 2003	PERCENTAGE OF PLAN ASSETS AT DECEMBER 31, 2002
Equity investments	65%-70%	78%	66%
Corporate and government bonds	20%-25%	11%	13%
Other cash and short-term investments	5%-10%	11%	21%
		---	---
Total		100%	100%
		===	===

Equity investments include the Company's common stock in the amounts of \$18.1 million (7.2% of total plan assets) and \$18.2 million (8.3% of total plan assets) at December 31, 2003 and 2002, respectively.

In 2003, the percentage of assets held in equities increased solely from strong market performance relative to fixed income investments. There has been no change in the Company's long-term target allocation.

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

(DOLLARS IN THOUSANDS)	2003	2002	2001
Service cost for benefits earned	\$ 2,751	\$2,034	\$1,722
Interest on benefit obligation	6,220	5,545	5,377
Net amortization and deferrals	1,044	532	508
	-----	-----	-----
Total postretirement benefit expense	\$10,015	\$8,111	\$7,607
	=====	=====	=====

Changes in pension and postretirement benefit obligations were:

(DOLLARS IN THOUSANDS)	U.S. PENSION PLANS		NON-U.S. PENSION PLANS		POSTRETIREMENT BENEFITS	
	2003	2002	2003	2002	2003	2002
Benefit obligation at beginning of year	\$ 287,777	\$ 256,647	\$ 414,777	\$ 351,390	\$ 92,283	\$ 83,506
Service cost for benefits earned	8,466	7,874	8,226	7,327	2,751	2,034
Interest cost on projected benefit obligation	19,771	19,091	23,564	21,339	6,220	5,545
Actuarial loss	22,196	18,934	21,764	7,921	12,545	6,488
Plan amendments	-	631	-	-	(24,539)	-
Plan participants' contributions	-	-	1,105	106	220	165
Benefits paid	(16,712)	(15,400)	(20,110)	(18,025)	(4,485)	(5,455)
Curtailments	-	-	(1,776)	-	-	-
Special termination benefits	1,300	-	1,223	-	-	-
Translation adjustments	-	-	65,170	44,719	-	-
	-----	-----	-----	-----	-----	-----
Benefit obligation at end of year	\$ 322,798	\$ 287,777	\$ 513,943	\$ 414,777	\$ 84,995	\$ 92,283
	=====	=====	=====	=====	=====	=====

Changes in pension plan assets were:

(DOLLARS IN THOUSANDS)	U.S. PLANS		NON-U.S. PLANS	
	2003	2002	2003	2002
Fair value of plan assets at beginning of year	\$ 219,956	\$ 256,189	\$ 314,165	\$ 294,993
Actual return on plan assets	36,836	(31,143)	37,850	(34,702)
Employer contributions	10,014	10,310	24,697	35,792
Plan participants' contributions	-	-	1,105	106
Benefits paid	(16,712)	(15,400)	(20,110)	(18,025)
Translation adjustments	-	-	53,491	36,001
Fair value of plan assets at end of year	<u>\$ 250,094</u>	<u>\$ 219,956</u>	<u>\$ 411,198</u>	<u>\$ 314,165</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	
	2003	2002	2003	2002	2003	2002
Plan assets (less than) projected benefit obligation	\$ (72,704)	\$ (67,821)	\$ (102,745)	\$ (100,612)	\$ (84,995)	\$ (92,283)
Remaining balance of unrecognized net (asset) liability established at adoption of FAS 87	-	(286)	363	676	-	-
Unrecognized prior service cost (benefit)	8,002	8,867	3,776	3,861	(25,584)	(1,700)
Unrecognized net loss	56,563	49,458	147,193	128,115	40,096	29,250
Net asset (liability)	<u>\$ (8,139)</u>	<u>\$ (9,782)</u>	<u>\$ 48,587</u>	<u>\$ 32,040</u>	<u>\$ (70,483)</u>	<u>\$ (64,733)</u>

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

(DOLLARS IN THOUSANDS)	U.S. PLANS		NON-U.S. PLANS	
	2003	2002	2003	2002
Prepaid benefit cost	\$ -	\$ -	\$ 45,052	\$ 30,950
Accrued benefit liability	(50,223)	(41,289)	(84,708)	(86,413)
Accumulated other comprehensive income	34,082	23,301	86,440	85,693
Intangible asset	8,002	8,206	1,803	1,810
Net amount recognized	<u>\$ (8,139)</u>	<u>\$ (9,782)</u>	<u>\$ 48,587</u>	<u>\$ 32,040</u>

At December 31, 2003, \$43.6 million of the Non-U.S. prepaid benefit cost is included in Other assets with the remaining amount included in prepaid expenses on the Consolidated Balance Sheet.

At the end of 2003 and 2002, the projected benefit obligation, accumulated benefit obligation, 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	
	2003	2002	2003	2002
Projected benefit obligation	\$322,798	\$287,777	\$341,144	\$294,085
Accumulated benefit obligation	300,317	261,245	322,230	277,013
Fair value of plan assets	<u>250,094</u>	<u>219,956</u>	<u>238,046</u>	<u>191,071</u>

Information about the expected cash flows for the U.S. pension plan follows:

EMPLOYER CONTRIBUTIONS (DOLLARS IN THOUSANDS)	PENSION BENEFITS
2004 (expected)	\$3,800 =====

Expected employer contributions include \$1.8 million in benefit payments.

Principal actuarial assumptions used to determine the above postretirement data were:

	2003	2002
Discount rate	6.25%	6.75%
Current medical cost trend rate	9.00%	10.00%
Ultimate medical cost trend rate	4.75%	5.00%
Medical cost trend rate decreases to ultimate rate in year	2010 ====	2009 =====

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 \$15.6 million and \$1.9 million, respectively; a 1% decrease in the rate would decrease the obligation and expense by approximately \$12.3 million and \$1.5 million, respectively.

The special termination benefits in 2003 are the result of termination agreements in the U.S. and Europe providing for enhanced retirement benefits to eligible employees. The curtailment amount in the non-U.S. plans reflects the required adjustment for the Netherlands plan.

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. Following the guidance of the Financial Accounting Standards Board, the Company has elected to defer recognition of this Act at this time. The accumulated postretirement benefit obligation and net periodic postretirement benefit cost do not reflect the effect of the Act on the plan. Specific authoritative guidance on the accounting for the federal subsidy is pending and guidance, when issued, could require a change to previously reported information.

The Company recorded an additional minimum pension liability of \$93.7 million and \$94.2 million at December 31, 2003 and 2002, respectively, as required by Financial Accounting Standards Board Statement No. 87. The adjustment 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, Ireland and Japan.

NOTE 15. FINANCIAL INSTRUMENTS

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 London InterBank Offered Rate (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, \$56.5 million and \$19.9 million in 2003, 2002 and 2001, respectively, including accrued interest of \$3.7 million, \$6.5 million and \$3.3 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. At December 31, 2003, the Company had terminated all swap agreements related to the

Notes; as a result, the interest rate on the Notes, including amortization of the deferred swap gains, was 3.6% at December 31, 2003. The effective rate on the Notes at December 31, 2002 and 2001 was 3.4% and 3.7%, respectively.

In 2002, the Company entered into certain interest 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, the Company amended the swap and the counterparty paid the Company \$3.0 million, including accrued interest of \$0.5 million. 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 agreement, 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, 2003.

The Company has executed a 10-year Yen U.S. dollar currency swap related to the purchase and sale 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.

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. At December 31, 2003 and 2002, the Company had outstanding foreign currency forward contracts with notional amounts of \$178.0 million and \$131.4 million, respectively. The Company has designated these contracts as qualified fair value and cash flow hedges, as appropriate. The Company had no ineffective foreign currency forward contracts at December 31, 2003 or 2002.

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 noncancellable operating leases for office and warehouse facilities are \$15.3 million in 2004, \$13.8 million in 2005, \$12.0 million in 2006, \$10.1 million in 2007, \$10.1 million in 2008 and thereafter thru 2030, the aggregate lease obligations are \$209.9 million. The corresponding rental expense amounted to \$20.7 million, \$12.1 million and \$2.2 million in 2003, 2002 and 2001, respectively.

There are various lawsuits and claims pending against the Company. Management believes that any liability resulting from those actions or claims will not have a material adverse effect on the Company's financial condition, results of operations or liquidity.

NOTE 18. RELATED-PARTY TRANSACTIONS

At December 31, 2002, the Company held a note receivable from an executive officer, resulting from the exercise of a stock option. This note bore interest, determined and payable quarterly, at the higher of a market rate for such a loan by a third-party lender or the Company's weighted average cost of borrowed funds. The applicable rate as of December 31, 2002 was 3.3%. The note was collateralized by 55,000 shares of common stock. In 2003, the loan was repaid in full along with related interest, and the 55,000 shares of common stock securing the loan were released.

(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, 2003	S-1
Report of Independent Auditors on Financial Statement Schedule	64

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

NUMBER	
2	Agreement and Plan of Merger dated as of September 25, 2000 among Registrant, Bush Boake Allen Inc. and B Acquisition Corp. incorporated by reference to Exhibit 2.1 to Registrant's Report on Form 8-K dated September 25, 2000.
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, as amended through March 9, 2004.
4.1	Shareholders Protection Rights Agreement dated as of March 21, 2000 between Registrant and The Bank of New York, as Rights Agent, incorporated by reference to Exhibit 4 to Registrant's Report on Form 8-K dated March 22, 2000.
4.1a	First Amendment dated as of September 26, 2000, to Shareholder Protection Rights Agreement, incorporated by reference to Exhibit 4 to Registrant's Report on Form 8-K dated September 26, 2000.
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 filed 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., 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., 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).

NUMBER

- 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).
- *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 Promissory Note dated June 29, 1999 between Registrant and Nicolas Mirzayantz, Vice President, Global Business Development, Fine Fragrance and Toiletries.
- *10.3 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.
- *10.4 Retirement Agreement dated as of March 31, 2003, as amended, between Julian W. Boyden, former Executive Vice President of the Company, and the Company, incorporated by reference to Exhibit 10 (a) to Registrant's Report on Form 10-Q dated August 12, 2003 and to Exhibit 10(a) to Registrant's Report on Form 10-Q dated May 13, 2003.
- *10.5 Retirement Agreement dated as of March 31, 2003, between Stephen A. Block, Senior Vice President, General Counsel and Secretary of the Company, and the Company, incorporated by reference to Exhibit 10(b) to Registrant's Report on Form 10-Q dated May 13, 2003.
- *10.6 Separation Agreement dated as of March 31, 2003 between Robert J. Gordon, former Vice President, Global Account Sales of the Company, and the Company, incorporated by reference to Exhibit 10(b) to Registrant's Report on Form 10-Q dated August 12, 2003.
- *10.7 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.
- *10.8 2000 Stock Award and Incentive Plan adopted by the Registrant's Board of Directors on March 9, 2000, as amended and restated through March 9, 2004.
- *10.9 2000 Supplemental Stock Award Plan adopted by the Registrant's Board of Directors on November 14, 2000, as amended and restated through March 9, 2004.
- *10.10 Registrant's Executive Death Benefit Plan effective July 1, 1990, incorporated by reference to Exhibit 10(c) to Registrant's Report on Form 10-Q dated May 14, 1997.
- *10.11 Registrant's "Vision 2001 Compensation Program" adopted by Registrant's Board of Directors on December 12, 2000, incorporated by reference to Exhibit 10(k) to Registrant's Report on Form 10-K for the fiscal year ended December 31, 2000.
- *10.12 Registrant's Executive Separation Policy, as amended through February 13, 2001, incorporated by reference to Exhibit 10(a) to Registrant's Report on Form 10-Q dated August 12, 2002.

NUMBER	
*10.13	Registrant's Employee Stock Option Plan adopted in 1992, incorporated by reference to Exhibit 10.11 to Registrant's Report on Form 10-K for fiscal year ended December 31, 2002.
*10.14	1997 Employee Stock Option Plan as amended by Registrant's Board of Directors on February 8, 2000, incorporated by reference to Exhibit 10(11) to Registrant's Report on Form 10-K for the fiscal year ended December 31, 1999.
*10.15	Registrant's Global Employee Stock Purchase Plan adopted by Registrant's Board of Directors on November 14, 2000, incorporated by reference to Exhibit B to Registrant's Proxy Statement dated March 30, 2001.
*10.16	Deferred Compensation Plan adopted by the Company's Board of Directors on December 12, 2000, incorporated by reference to Exhibit 99 to the Company's Registration Statement on Form S-8 dated May 16, 2001 (Reg. No. 333-61072)
10.17	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, incorporated by reference to Exhibit 10(b) to Registrant's Report on Form 10-Q dated November 14, 2000.
*10.18	Stock Option Plan for Non-Employee Directors, incorporated by reference to Exhibit 10(h) to Registrant's Report on Form 10-Q dated May 14, 1997.
*10.19	2000 Stock Option Plan for Non-Employee Directors adopted by Registrant's Board of Directors on February 8, 2000, incorporated by reference to Exhibit A to the Registrant's Proxy Statement dated March 29, 2000.
*10.20	Director Charitable Contribution Program adopted by the Board of Directors on February 14, 1995, incorporated by reference to Exhibit 10(j) to Registrant's Report on Form 10-K for the fiscal year ended December 31, 1994
*10.21	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 filed on September 29, 2000 (Reg. No. 333-46932).
10.22	Five Year Credit Agreement dated as of September 26, 2001 among the Company, as Borrower, certain Initial Lenders, Citibank N.A., as Administrative Agent, and Salomon Smith Barney Inc., as Arranger, incorporated by reference to Exhibit 10(b) to Registrant's Report on Form 10-Q dated November 14, 2001.
10.22a	Amendment No. 1 dated as of June 10, 2002 to the Five Year Credit Agreement dated as of September 26, 2001 among the Company, as Borrower, certain Initial Lenders and Citibank N.A., as Administration Agent, incorporated by reference to Exhibit 10 (c) to Registrant's Report on Form 10-Q dated August 12, 2002.
10.23	Multi-currency Revolving Credit Facility Agreement dated July 19, 2002, among International Flavor & Fragrances (Luxembourg) S.A.R.L., as Borrower, the Company, as Guarantor, certain Original Lenders, Barclays Bank PLC, as Agent, ABN AMRO Bank NV and Barclays Capital, as Arrangers, incorporated by references to Exhibit 10(b) to Registrant's Report on Form 10-Q dated August 12, 2002.
21	List of Principal Subsidiaries.
23	Consent of PricewaterhouseCoopers LLP.

NUMBER

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- 31.1 Certification of Richard A. Goldstein, Chairman of the Board and Chief Executive Officer of the Company, pursuant to Securities Exchange Act Rule 13a-14(a).
 - 31.2 Certification of Douglas J. Wetmore, Senior Vice President and Chief Financial Officer of the Company, pursuant to Securities Exchange Act Rule 13a-14(a).
 - 32 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of The Sarbanes-Oxley Act of 2002, signed by Richard A. Goldstein, Chairman of the Board and Chief Executive Officer of the Registrant and Douglas J. Wetmore, Senior Vice President and Chief Financial Officer of the Registrant.

* Management contract or compensatory plan or arrangement.

(b) REPORTS ON FORM 8-K

The Company furnished to the SEC a Current Report on Form 8-K on October 23, 2003 for the purpose of furnishing a press release announcing the Company's financial results for the third quarter and nine months ended September 30, 2003.

REPORT OF INDEPENDENT AUDITORS ON FINANCIAL STATEMENT SCHEDULE

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

Our audits of the consolidated financial statements referred to in our report dated January 27, 2004 appearing 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.

PRICEWATERHOUSECOOPERS LLP

New York, New York
January 27, 2004

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 11, 2004

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/ Arthur C. Martinez

ARTHUR C. MARTINEZ

/s/ Burton M. Tansky

BURTON M. TANSKY

/s/ William D. Van Dyke, III

WILLIAM D. VAN DYKE, III

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

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

	For the Year Ended December 31, 2002				
	Balance at beginning of period	Additions charged to costs and expenses	Accounts written off	Trans- lation adjust- ments	Balance at end of period
Allowance for doubtful accounts	\$10,835	\$4,067	\$2,707	\$738	\$12,933

	For the Year Ended December 31, 2001				
	Balance at beginning of period	Additions charged to costs and expenses	Accounts written off	Trans- lation adjust- ments	Balance at end of period
Allowance for doubtful accounts	\$11,074	\$2,947	\$2,306	\$(880)	\$10,835

INTERNATIONAL FLAVORS & FRAGRANCES INC.

BY-LAWS

(as adopted March 10, 1964, including all amendments
effective through May 11, 2004)

BY-LAWS

of

INTERNATIONAL FLAVORS & FRAGRANCES INC.

(a New York corporation)

ARTICLE I

MEETINGS OF STOCKHOLDERS

SECTION 1. ANNUAL MEETING. The annual meeting of the stockholders of the Corporation for the election of directors and for the transaction of such other business as may properly come before the meeting shall be held at such place, on such date and at such time as shall be designated from time to time by the Board of Directors.

SECTION 2. SPECIAL MEETING. Special meetings of the stockholders, unless otherwise prescribed by statute, may be called at any time by the Chairman of the Board, the President or the Board of Directors.

SECTION 3. NOTICE OF MEETINGS. (a) Nomination of Directors. Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the Corporation. Nominations of persons for election to the Board of Directors may be made at any annual meeting of stockholders, or at any special meeting of stockholders called for the purpose of electing directors, (i) by or at the direction of the Board of Directors (or any duly authorized committee thereof) or (ii) by any stockholder of the Corporation (A) who is a stockholder of record on the date of the giving of the notice provided for in this Section 3(a) and on the record date for the determination of stockholders entitled to vote at such meeting and (B) who complies with the notice procedures set forth in this Section 3(a).

In addition to any other applicable requirements, for a nomination to be made by a stockholder, such stockholder must have given timely notice thereof in proper written form to the Secretary of the Corporation. To be timely, a stockholder's notice to the Secretary must be delivered to or mailed and received at the principal executive offices of the Corporation (i) in the case of an annual meeting, not less than sixty (60) days nor more than ninety (90) days prior to the anniversary date of the immediately preceding annual meeting of stockholders; provided, however, that in the event that the annual meeting is called for a date that is not within thirty (30) days before or after such anniversary date, notice by the stockholder in order to be timely must be so received not later than the close of business on the tenth (10th) day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure of the date of the annual meeting was made, whichever first occurs; and (ii) in the case of a special meeting of stockholders called for the purpose of electing directors, not later than the close of business on the tenth (10th) day following the day on which notice of the date of the special meeting was mailed or public disclosure of the date of the special meeting was made, whichever first occurs.

To be in proper written form, a stockholder's notice to the Secretary must set forth (i) as to each person whom the stockholder proposes to nominate for election as a director (A) the name, age, business address and residence address of the person, (B) the principal occupation or employment of the person, (C) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by the person and (D) any other information relating to the person that would be required to be disclosed in a proxy

statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations promulgated thereunder; and (ii) as to the stockholder giving the notice (A) the name and record address of such stockholder, (B) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by such stockholder, (C) a description of all arrangements or understandings between such stockholder and each proposed nominee and any other person or persons (including their names) pursuant to which the nomination(s) are to be made by such stockholder, (D) a representation that such stockholder intends to appear in person or by proxy at the meeting to nominate the persons named in its notice and (E) any other information relating to such stockholder that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder. Such notice must be accompanied by a written consent of each proposed nominee to being named as a nominee and to serve as a director if elected. The Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as a director of the Corporation.

Notwithstanding anything in these By-Laws to the contrary, no person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth in this Section 3(a). If the Chairman of the meeting determines that a nomination was not made in accordance with the foregoing procedures, the Chairman shall declare to the meeting that the nomination was defective and such defective nomination shall be disregarded.

(b) Nature of Business at Meetings of Stockholders. No business may be transacted at an annual meeting of stockholders, other than business that is either (i) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors (or any duly authorized committee thereof), (ii) otherwise properly brought before an annual meeting, by or at the direction of the Board of Directors (or any duly authorized committee thereof) or (iii) otherwise properly brought before an annual meeting by any stockholder of the Corporation (A) who is a stockholder of record on the date of the giving of the notice provided for in this Section 3(b) and on the record date for the determination of stockholders entitled to vote at such meeting and (B) who complies with the notice procedures set forth in this Section 3(b).

In addition to any other applicable requirements, for business to be properly brought before an annual meeting by a stockholder, such stockholder must have given timely notice thereof in proper written form to the Secretary of the Corporation.

To be timely, a stockholder's notice to the Secretary must be delivered to or mailed and received at the principal executive offices of the Corporation not less than sixty (60) days nor more than ninety (90) days prior to the anniversary date of the immediately preceding annual meeting of stockholders; provided, however, that in the event that the annual meeting is called for a date that is not within thirty (30) days before or after such anniversary date, notice by the stockholder in order to be timely must be so received not later than the close of business on the tenth (10th) day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure of the date of the annual meeting was made, whichever first occurs.

To be in proper written form, a stockholder's notice to the Secretary must set forth as to each matter such stockholder proposes to bring before an annual meeting, (i) a brief description of the business desired to be brought before such meeting and the reasons for conducting such business at such meeting, (ii) the name and record address of such stockholder, (iii) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by such stockholder, (iv) a description of all arrangements or understandings between such stockholder and any other person or persons (including their names) in connection with the proposal of such business by such stockholder and any material interest of such stockholder in such business and (v) a representation that such stockholder intends to appear in person or by proxy at the meeting to bring such business before such meeting. Notwithstanding the foregoing provisions of this Section, a stockholder seeking to have a proposal included in the Corporation's proxy statement shall comply with the requirements of Section 14 of the Exchange Act, including, but not limited to, Rule 14a-8 promulgated thereunder or its successor provision. The Corporation may require any stockholder to furnish such other information as may reasonably be required by the Corporation to determine if the business shall be properly brought before an annual meeting of the stockholders.

Notwithstanding anything in these By-Laws to the contrary, no business shall be conducted at an annual meeting of stockholders except business brought before such meeting in accordance with the procedures set forth in this Section; provided, however, that, once business has been properly brought before the meeting in accordance with such procedures, nothing in this Section 3(b) shall be deemed to preclude discussion by any stockholder of any such business. If the Chairman of an annual meeting determines that business was not properly brought before such meeting in accordance with the foregoing procedures, the Chairman shall declare to the meeting that the business was not properly brought before the meeting and such business shall not be transacted.

SECTION 4. QUORUM. At all meetings of the stockholders of the Corporation, the holders of a majority of the stock of the Corporation entitled to vote thereat, present in person or by proxy, shall constitute a quorum for the transaction of any business except as otherwise provided by law.

SECTION 5. ORDER OF BUSINESS. The order of business at all meetings of the stockholders shall be as determined by the Chairman of the meeting, but the order of business to be followed at any meeting at which a quorum is present may be changed by a majority in voting interest of the stockholders present at the meeting in person or by proxy and entitled to vote thereat.

SECTION 6. ORGANIZATION; ADJOURNMENT. At each meeting of the stockholders, the Chairman of the Board of the Corporation, or, if he shall be absent therefrom, the President of the Corporation, or, if he shall be absent therefrom, the Executive Vice-President, or, if he shall be absent therefrom, any other Vice-President of the Corporation, or, if the Chairman of the Board, the President, the Executive Vice-President and all the other Vice-Presidents shall be absent from such meeting, then some other officer of the Corporation, or, if all its officers shall be absent therefrom, a stockholder holding of record shares of stock of the Corporation having voting powers, or the proxy of such a stockholder, who is chosen chairman of such meeting, shall act as chairman thereof and preside thereat; and the Secretary of the Corporation, or, if he shall be absent from such meeting, or, if he shall be required or chosen pursuant to the provisions of this Section 6 to act as chairman of such meeting, the person (who shall be an Assistant Secretary of the Corporation, if any of them shall be present thereat) whom the chairman of such meeting shall appoint secretary of such meeting, shall act as secretary of such meeting and keep the minutes thereof.

If a quorum, determined in accordance with Article I, Section 4 hereof, shall not be present or represented at any meeting of the stockholders, the Chairman of the meeting, or if so requested by the Chairman, the stockholders present in person or represented by proxy, shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. In addition, the Chairman of any meeting of stockholders shall have the power to adjourn the meeting at the request of the Board of Directors if the Board of Directors determines that adjournment is necessary or appropriate to enable stockholders to consider fully information which the Board of Directors determines has not been made sufficiently or timely available to stockholders.

SECTION 7. VOTING. When a quorum is present or represented at any meeting, the vote of the holders of a majority of the stock having voting power present in person or represented by proxy shall decide any question brought before such meeting, except as otherwise expressly provided by the Certificate of Incorporation or by Law. At each meeting of the stockholders every stockholder of record of the Corporation entitled to vote at such meeting shall be entitled to one vote for each share of Common Stock standing in his name on the books of the Corporation; provided, however, that the Board of Directors may fix, in advance, a date not more than sixty nor less than ten days prior to the date of such meeting as the date as of which stockholders entitled to notice of, and to vote at, such meeting shall be determined, and in case the Board of Directors shall fix a date, only stockholders of record on such date shall be entitled to notice of, and to vote at, such meeting. The vote of stock of the Corporation may be given by the stockholder entitled thereto in person or by proxy duly appointed by an instrument in writing subscribed by such stockholder or by his attorney thereunto duly authorized, and delivered to the Secretary of the meeting. Unless demanded by a stockholder of the Corporation present in person or by

proxy at any meeting of the stockholders and entitled to vote thereat or so directed by the chairman of the meeting, the vote thereat on any question need not be by ballot. Upon a demand of any such stockholder for a vote by ballot on any question or at the direction of such chairman that a vote by ballot be taken on any question, such vote shall be taken by ballot. On a vote by ballot each ballot shall be signed by the stockholder voting, or in his name by his proxy, if there be such proxy, and it shall show the number of shares voted by him.

SECTION 8. INSPECTORS OF ELECTION. At any meeting of the stockholders, an inspector or inspectors of election may be appointed as provided in the Business Corporation Law and shall have duties as provided in said Law. An inspector of election need not be a stockholder of the Corporation, and any officer of the Corporation may be an inspector of election on any question other than a vote for or against his election to any position with the Corporation or any other question in which he may be directly interested.

ARTICLE II

BOARD OF DIRECTORS

SECTION 1. GENERAL POWERS. Except as otherwise provided in these By-laws or in the Certificate of Incorporation, the property, business and affairs of the Corporation shall be managed by the Board of Directors.

SECTION 2. NUMBER. The number of directors shall be eight* but the number thereof may, from time to time, be diminished to not less than six by amendment of these By-laws. As used in these By-laws, the term "whole Board of Directors" shall mean the total number of directors which the Corporation would have at the time if there were no vacancies.

SECTION 3. ELECTION OF DIRECTORS. At each meeting of the stockholders for the election of directors at which a quorum is present, the persons receiving a plurality of the votes cast by the holders of stock entitled to vote thereat shall be the directors. No person shall be eligible to serve as director of the Corporation after the date of, or stand for the re-election at, the annual meeting of stockholders which follows the date of his or her 72nd birthday, except that persons serving as directors on February 8, 2000 who are re-elected at the annual meeting held on May 18, 2000 (or any adjournment thereof) may continue to serve as directors until the date of the annual meeting of stockholders held in 2001.

SECTION 4. ORGANIZATION. The Board of Directors may choose one of their number as Chairman of the Board. At each meeting of the Board of Directors, the Chairman of the Board, or, if there shall be no Chairman or if he shall be absent, the President of the Corporation, or in case of his absence, the Executive Vice-President, or in case of his absence, a chairman who shall be any director chosen by a majority of the directors present thereat, shall act as chairman of such meeting and preside thereat. The Secretary of the Corporation, or in the case of his absence, any person (who shall be an Assistant Secretary of the Corporation, if an Assistant Secretary of the Corporation shall be present at such meeting) whom the chairman shall appoint secretary of such meeting, shall act as secretary of such meeting and keep the minutes thereof.

SECTION 5. RESIGNATIONS. Any director of the Corporation may resign at any time by giving written notice of his resignation to the Board of Directors, the President or the Secretary of the Corporation. Any such resignation shall take effect at the time specified therein, then it shall take effect immediately upon its receipt by such Board of Directors, President or Secretary; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

SECTION 6. VACANCIES. Vacancies occurring in the Board of Directors for any reason, except the removal of directors without cause by the stockholders, may be filled by the affirmative vote of at least two-thirds (2/3) of the whole Board of Directors. A director elected to fill a vacancy shall be elected to hold office for the unexpired term of his predecessor. Newly-created directorships resulting from an increase in the number of directors may be filled by vote of a majority of the directors then in office, although less than a quorum exists.

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* Amended from "nine" to "eight" effective May 11, 2004, by action of the Board of Directors at its March 9, 2004 meeting. Prior amendments changed the number of directors from "eight" to "nine" (effective October 14, 2003), "nine" to "eight" (effective May 14, 2003), "eleven" to "nine" (effective May 7, 2002), "ten" to "eleven" (effective December 11, 2001) and "twelve" to "ten" (effective May 16, 2001).

SECTION 7. ORGANIZATION MEETING. After each annual election of directors, the Board of Directors may hold a regular meeting for the purpose of organization and the transaction of other business as soon as practicable on the same day, at the place where other regular meetings of the Board of Directors are held. Notice of such meeting need not be given. Such meeting may be held at any other time or place which shall be specified in a notice given as hereinafter provided for special meetings of the Board or in a consent and waiver of notice thereof signed by all the directors.

SECTION 8. REGULAR MEETINGS. Regular meetings of the Board of Directors shall be held at such other times and at such places within or without the State of New York or the United States as the Board shall from time to time by resolution determine. If any day fixed for a regular meeting shall be a legal holiday at the place where the meeting is to be held, then the meeting which otherwise would be held on that day shall be held at the same hour on the next succeeding business day. Notice of regular meetings need not be given.

SECTION 9. SPECIAL MEETINGS; NOTICE. Special meetings of the Board of Directors shall be held whenever called by the Chairman of the Board, the President of the Corporation, the Executive Vice-President of the Corporation, or by any two (2) of the directors at the time in office. A notice shall be given as hereinafter in this Section provided of each such special meeting, stating the time and place thereof. Except as otherwise provided by law, notice of each meeting shall be given by mail, telegraph, cable, wireless, telephone or personal delivery to each director, at his residence or usual place of business at least two (2) days before the day on which such meeting is to be held; provided, however, in the case of any director residing outside the United States, such notice shall be sent addressed to him at such place by telegraph, cable or wireless, or be delivered personally or by telephone not later than five (5) days before the day on which such meeting is to be held. Notice of any meeting of the Board need not, however, be given to any director, if waived by him in writing before or after the meeting or if he shall attend the meeting without protesting, prior thereto or at its commencement, the lack of notice to him.

SECTION 10. QUORUM AND MANNER OF ACTING.

(a) A majority of the whole Board of Directors shall be present in person at any meeting of the Board in order to constitute a quorum for the transaction of business at such meeting and, except as otherwise specifically provided by the Certificate of Incorporation, these By-laws or by law, the act of a majority of the directors present at any such meeting, at which quorum is present, shall be the act of the Board. In the absence of a quorum from any such meeting, a majority of the directors present thereat may adjourn such meeting from time to time until a quorum shall be present thereat. Notice of any adjourned meeting need not be given.

(b) Unless otherwise restricted by the Certificate of Incorporation or these By-laws, any one or more members of the Board or any committee thereof may participate in a meeting of the Board or committee by means of a conference telephone or similar communications equipment allowing all persons participating in the meeting to hear each other at the same time. Participation by such means shall constitute presence in person at a meeting.

SECTION 11. COMMITTEES. There may be an Executive Committee consisting of three or more directors as may be designated from time to time by a majority of the whole Board of Directors. The Chairman of the Board shall be a member ex officio of the Executive Committee. Such Committee may meet at stated times or on notice to all by any of their number. During the intervals between the meetings of the Board of Directors, the Executive Committee shall possess and may exercise, to the extent provided in the resolution of the Board of Directors appointing such committee, all the powers of the Board of Directors, except as otherwise provided in the Business Corporation Law, in the management and direction of the business and affairs of the Corporation in such manner as the Executive Committee shall deem for the best interest of the Corporation. The Executive Committee shall keep regular minutes of its proceedings and report the same to the Board of Directors when required, but no approval by the Board of Directors of the actions taken by the Executive Committee shall be required.

A majority of the whole Board of Directors may also designate directors to constitute one or more other committees, which shall in each case consist of such number of directors and shall have such duties and may exercise such powers as the Board of Directors may determine.

A majority of the whole Board may designate one or more directors as alternate members of any such committee, including the Executive Committee, who may replace any absent member or members at any meeting of such committee.

Each committee, including the Executive Committee and each member thereof, shall serve at the pleasure of the Board.

SECTION 12 REMOVAL. Any director may be removed with cause by the affirmative vote of at least two-thirds of the whole Board of Directors or with or without cause by vote of the stockholders at a regular or special meeting, subject to the provisions of the Business Corporation Law.

SECTION 13. COMPENSATION. The directors and the members of any committee of the Corporation provided for by resolution of the Board of Directors shall be entitled to be reimbursed for any expenses, including all travel expenses, incurred by them on account of their attendance at any regular or special meeting of the Board of Directors or of such committee, and the Board of Directors may at any time or from time to time by resolution provide that the Corporation shall pay each such director or member of such committee such compensation for his services as may be specified in such resolution. Nothing in this Section shall be construed to preclude any director from serving the Corporation in any other capacity and receiving compensation therefor.

SECTION 14. INDEMNIFICATION.

(a) RIGHT TO INDEMNIFICATION. The Corporation shall indemnify any person made, or threatened to be made, a party to an action or proceeding, whether civil or criminal, by reason of the fact that he, or a person of whom he is the legal representative, is or was a director or officer of the Corporation, or, while serving as director or officer of the Corporation, is or was serving in any capacity, at the request of the Corporation, any other corporation or any partnership, joint venture, trust, employee benefit plan or other enterprise, against judgments, fines, amounts paid in settlement and reasonable expenses, including attorney's fees, incurred by such person as a result of such action or proceeding, or any appeal therein, unless a judgment or other final adjudication adverse to such person establishes that his acts, or the acts of the person of whom he is the legal representative, were committed in bad faith or were the result of active and deliberate dishonesty and were material to the cause of action so adjudicated, or that he, or the person of whom he is the legal representative, personally gained in fact a financial profit or other advantage to which he, or the other person of whom he is the legal representative, was not legally entitled. The Corporation shall advance to such person funds to pay for such expenses, including attorney's fees, incurred by such person in defending against any such action or proceeding, or any appeal therein, upon receipt of an undertaking by or on behalf of such person to repay such funds to the Corporation if a judgment or other final adjudication adverse to such person establishes that his acts, or the acts of the person of whom he is the legal representative, were committed in bad faith or were the result of active and deliberate dishonesty and were material to the cause of action so adjudicated, or that he, or the person of whom he is the legal representative, personally gained in fact a financial profit or other advantage to which he, or such person, was not legally entitled.

(b) RIGHT OF CLAIMANT TO SUE. If a claim under paragraph (a) is not paid in full by the Corporation within thirty days after a written claim has been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expenses of the prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the Corporation) that the claimant, or the person of whom he is the legal representative, has not met the standard of conduct established in paragraph (a), but the burden of proving such defense shall be on the Corporation. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such action that indemnification of

the claimant is proper because the claimant or such person has met the said standard of conduct, nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) that the claimant or such person has not met such applicable standard of conduct, shall be a defense to action or create a presumption that the claimant or such person has not met such standard of conduct.

(c) NON-EXCLUSIVITY OF RIGHTS. Subject to the limitations contained in paragraph (a), the right to indemnification and the payment of expenses conferred in this Section shall not be deemed exclusive of any other right to which any person seeking indemnification or advancement or payment of expenses may be entitled, whether under any statute, provision of the Certification of Incorporation, by-law, agreement, vote of stockholders or disinterested directors or otherwise.

ARTICLE III

OFFICERS

SECTION 1. NUMBER. The principal officers of the Corporation shall include a President, an Executive Vice-President, one or more other Vice-Presidents, a Treasurer, a Controller and a Secretary. Any two or more offices may be held by the same person, except the offices of President and Secretary.

SECTION 2. ELECTION, TERM OF OFFICE AND QUALIFICATIONS. The principal officers of the Corporation shall be chosen annually by the Board of Directors. Each principal officer shall hold office until his successor shall have been duly chosen and shall qualify, or until his death or until he shall resign, or shall have been removed in the manner hereinafter provided.

SECTION 3. ADDITIONAL OFFICERS. In addition to the principal officers mentioned in Section 1 of this Article III, the Board of Directors may appoint such other officers as the Board may determine, each of which officers shall hold office for such period, have such authority and perform such duties as are provided in these By-laws or as the Board of Directors may from time to time determine.

SECTION 4. REMOVAL. Any officer of the Corporation elected or appointed by the Board of Directors may be removed by the Board of Directors with or without cause at any time.

SECTION 5. RESIGNATIONS. Any officer of the Corporation may resign at any time by giving written notice of his resignation to the Board of Directors or to the President or Secretary of the Corporation. Any such resignation shall take effect at the time specified therein, or, if the time when it shall become effective shall not be specified therein, then it shall take effect immediately upon its receipt by such Board of Directors, President or Secretary; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

SECTION 6. VACANCIES. A vacancy in any office due to death, resignation, removal, disqualification or any other cause shall be filled for the unexpired portion of the term in the manner prescribed in these By-laws for regular appointments or elections to such office.

SECTION 7. THE PRESIDENT. The President shall be the chief executive officer of the Corporation and shall have general supervision of the business of the Corporation and over its several officers, subject, however, to the control of the Board of Directors. He shall in the absence of the Chairman of the Board preside at all meetings of the stockholders and at all meetings of the Board of Directors. He shall see that all orders and resolutions of the Board of Directors are carried into effect. He may sign, execute and deliver in the name of the Corporation all deeds, mortgages, bonds, contract or other instruments authorized by the Board of Directors except where the signing, execution or delivery thereof shall be expressly delegated by the Board of Directors or by these By-laws to some other officer or agent of the Corporation or where any of them shall be required by law to be otherwise signed, executed or delivered, and he may affix the seal of the Corporation to any instrument which shall require it. He shall perform all duties incident to the office of President and such other duties as from time to time may be assigned to him by the Board of Directors.

SECTION 8. THE EXECUTIVE VICE-PRESIDENT. The Executive Vice-President shall have such powers and perform such duties as the Board of Directors may from time to time prescribe and shall perform such other duties as may be prescribed by these By-laws. At the request of the President

or, in the case of his inability to act, he shall have all the powers of, and be subject to all the restrictions upon, the President.

SECTION 9. THE VICE-PRESIDENTS. Each Vice-President shall have such powers and perform such duties as the Board of Directors may from time to time prescribe and shall perform such other duties as may be prescribed by these By-laws. At the request of the President, or, in case of the inability of the President and the Executive Vice-President to act, any of the Vice-Presidents may perform the duties of the President, and when so acting shall have all the powers of, and be subject to all the restrictions upon, the President.

SECTION 10. THE TREASURER. The Treasurer shall have the care and custody of the books of account and of all the funds and securities of the Corporation, and deposit the funds in the name of the Corporation in such bank or trust company as the directors may designate. If required by the Board of Directors, the Treasurer shall give a bond for the faithful discharge of his duties in such sum and with such surety or sureties as the Board of Directors shall determine. He shall perform all the duties incidental to the office of Treasurer and such other duties as from time to time may be assigned to him by the President or the Board of Directors.

SECTION 11. THE CONTROLLER. The Controller shall maintain adequate records of all assets, liabilities and transactions of the Corporation, and have adequate audits thereof currently and regularly made. In addition, he shall perform such other duties relating to the finances of the Corporation or otherwise, as may be prescribed by the Board of Directors, the President or the Treasurer.

SECTION 12. THE SECRETARY. The Secretary shall attend all meetings of the Board of Directors and of the stockholders and record all votes and the minutes of all proceedings in a book to be kept for that purpose and shall perform like duties for the standing committees when required. He shall give, or cause to be given, notice of all meeting of the stockholders and special meetings of the Board of Directors, and shall perform such other duties as may be prescribed by the Board of Directors or President, under whose supervision he shall be. He shall keep or cause to be kept a stock-book, containing the names, alphabetically arranged, of all persons who are stockholders of the Corporation, showing their places of residence, the number of shares of stock owned by them respectively, the times when they respectively became the owners thereof and the amount paid thereon. He shall keep in safe custody the seal of the Corporation and, when properly authorized, affix the same to any instrument requiring it and, when so affixed, it shall be attested by his signature or by the signature of the Treasurer or an Assistant Secretary.

SECTION 13. SALARIES. The salaries of the officers of the Corporation shall be fixed from time to time by the Board of Directors, and none of such officers shall be prevented from receiving a salary by reason of the fact that he is also a member of the Board.

ARTICLE IV

CONTRACTS, CHECKS, DRAFTS, BANK ACCOUNTS, ETC.

SECTION 1. EXECUTION OF CONTRACTS, ETC. Except as otherwise required by law or by these By-laws, the Board of Directors may authorize any officer or officers, agent or agents, to execute and deliver any contract or other instrument in the name of the Corporation and on its behalf.

SECTION 2. CHECKS, DRAFTS, ETC. All checks, drafts and other orders for the payment of money, bills of lading, warehouse receipts, obligations, bills of exchange and insurance certificates shall be signed or endorsed, except endorsements for collection for the account of the Corporation or for deposit to its credit, by such officer or officers, agent or agents of the Corporation and in such manner as shall from time to time be determined by resolution of the Board of Directors.

SECTION 3. DEPOSITS. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation or otherwise as the Board of Directors, or any officer of the Corporation to whom power in that respect shall have been delegated by the Board of Directors, shall direct in such banks, trust companies or other depositories as said Board may select or as may be selected by any officer or officers or agent or agents of the Corporation to whom power in that respect shall have been delegated by the Board of Directors. For the purpose of deposit and for the purpose of collection for the account of the Corporation, checks, drafts and other orders for the payment of money which are payable to the order of the Corporation may be endorsed, assigned and delivered by any officer or agent of the Corporation.

SECTION 4. GENERAL AND SPECIAL BANK ACCOUNTS. The Board of Directors may from time to time authorize the opening and keeping of general and special bank accounts with such banks, trust companies or other depositories as the Board of Directors may select, or as may be selected by any officer or officers, agent or agents of the Corporation to whom power in that respect shall have been delegated by the Board of Directors. The Board of Directors may make such special rules and regulations with respect to such bank accounts, not inconsistent with the provisions of these By-laws, as it may deem expedient.

ARTICLE V

SHARES AND THEIR TRANSFER

SECTION 1 CERTIFICATES FOR STOCK. Every owner of shares of stock of the Corporation shall be entitled to have a certificate therefor, in such form as the Board of Directors shall prescribe, certifying the number and class of shares thereof owned by him. The certificates representing such shares shall be numbered in the order in which they shall be issued and shall be signed in the name of the Corporation by the President, the Executive Vice-President or a Vice-President, and by the Treasurer or the Secretary or an Assistant Treasurer or Assistant Secretary of the Corporation and its seal shall be affixed thereto; provided, however, that where such certificate is signed by a transfer agent or registered by a registrar other than the Corporation itself or its employee, if the Board of Directors shall by resolution so authorize, the signatures of such President, Executive Vice-President, Vice-President, Treasurer, Secretary, Assistant Treasurer or Assistant Secretary and the seal of the Corporation may be facsimile. In case any officer or officers of the Corporation who shall have signed, or whose facsimile signature or signatures has been placed upon a certificate or certificates shall cease to be such officer or officers, whether by reason of death, resignation or otherwise, before such certificate or certificates shall have been delivered by the Corporation, such certificate or certificates may nevertheless be adopted by the Corporation and be issued and delivered as if the person or persons who signed such certificate or certificates had not ceased to be such officer or officers. A record shall be kept of the respective names of the persons, firms or corporations owning the shares represented by certificates for stock of the Corporation, the number of shares represented by such certificates, respectively, and the respective dates thereof, and in case of cancellation, the respective dates of cancellation. Every certificate surrendered to the Corporation for exchange or transfer shall be canceled and a new certificate or certificates shall not be issued in exchange for any existing certificate, until such existing certificate shall have been so canceled except in cases provided for in Section 4 of this Article V.

SECTION 2. TRANSFERS OF STOCK. Transfers of shares of the stock of the Corporation shall be made on the books of the Corporation only by the registered holder thereof, or by his attorney thereunto authorized by power of attorney duly executed and filed with the Secretary of the Corporation or with a transfer clerk or transfer agent appointed as in Section 3 of this Article V provided, and on surrender of the certificate or certificates for such shares properly endorsed and the payment of all taxes thereon. The person in whose name shares of stock stand on the books of the Corporation shall be deemed the owner thereof for all purposes as regards the Corporation.

SECTION 3. REGULATIONS. The Board of Directors may make such rules and regulations, as it may be deem expedient, not inconsistent with these By-laws, concerning the issue, transfer and registration of certificates for shares of the stock of the Corporation. It may appoint, or authorize any principal officer or officers to appoint, one or more Transfer Clerks or one or more Transfer Agents or one or more Registrars, and may require all certificates of stock to bear the signature or signatures of any of them.

SECTION 4. LOST, DESTROYED AND MUTILATED CERTIFICATES. The holder of any share of stock of the Corporation shall immediately notify the Corporation of any loss, destruction or mutilation of the certificate therefor, and the Corporation may issue a new certificate of stock in the place of any certificate theretofore issued by it, alleged to have been lost or destroyed, and the Board of Directors may, in its discretion, require the owner of the lost or destroyed certificate or his legal representatives to give the Corporation a bond in such sum, limited or unlimited, and in such form and with such surety or sureties, as the Board shall in its uncontrolled discretion determine, to indemnify the Corporation against any claim that may be made against it on account of the alleged loss or destruction of any such certificate, or the issuance of such new certificate. The Board of Directors,

however, may in its discretion refuse to issue any such new certificate, except pursuant to legal proceedings under the laws of the State of New York in such case made and provided.

ARTICLE VI

SEAL

The seal of the Corporation shall be in the form of a circle, and shall bear the full name of the Corporation and the year of its incorporation.

ARTICLE VII

FISCAL YEAR

The fiscal year of the Corporation shall end with the thirty-first day of December in each year.

ARTICLE VIII

AMENDMENTS

The Board of Directors shall have the power to amend, repeal or adopt the By-laws of the Corporation, and the By-laws may be amended, repealed or adopted by the stockholders entitled at the time to vote in the election of directors.

INTERNATIONAL FLAVORS & FRAGRANCES INC.

2000 STOCK AWARD AND INCENTIVE PLAN
As Amended and Restated March 9, 2004

INTERNATIONAL FLAVORS & FRAGRANCES INC.

2000 STOCK AWARD AND INCENTIVE PLAN
AS AMENDED AND RESTATED MARCH 9, 2004

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INTERNATIONAL FLAVORS & FRAGRANCES INC.

2000 STOCK AWARD AND INCENTIVE PLAN
AS AMENDED AND RESTATED MARCH 9, 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.

(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 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-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 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 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 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 notes and other contractual obligations of Participants to make payment on a deferred basis, such as through "cashless exercise" arrangements, to the extent permitted by applicable law), 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 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 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.

(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 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 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).

(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 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 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.

(e) Loan Provisions. With the consent of the Committee, and subject at all times to, and only to the extent, if any, permitted under and in accordance with, laws and regulations and other binding obligations or provisions applicable to the Company, the Company may make, guarantee, or arrange for a loan or loans to a Participant with respect to the exercise of any Option or other payment in connection with any Award, including the payment by a Participant of any or all federal, state, or local income or other taxes due in connection with any Award. Subject to such limitations, the Committee shall have full authority to decide whether to make a loan or loans hereunder and to determine the amount, terms, and provisions of any such loan or loans, including the interest rate, if any, to be charged in respect of any such loan or loans, whether the loan or loans are to be with or without recourse against the borrower, the terms on which the loan is to be repaid and conditions, if any, under which the loan or loans may be forgiven.

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 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 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 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 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.

(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 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 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 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 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.

INTERNATIONAL FLAVORS & FRAGRANCES INC.

2000 SUPPLEMENTAL STOCK AWARD PLAN
AS AMENDED AND RESTATED MARCH 9, 2004

INTERNATIONAL FLAVORS & FRAGRANCES INC.

2000 SUPPLEMENTAL STOCK AWARD PLAN
AS AMENDED AND RESTATED MARCH 9, 2004

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INTERNATIONAL FLAVORS & FRAGRANCES INC.

2000 SUPPLEMENTAL STOCK AWARD PLAN
AS AMENDED AND RESTATED MARCH 9, 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 delegee.

(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.

(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 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 delegatee 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 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 notes and other contractual obligations of Participants to make payment on a deferred basis, such as through "cashless exercise" arrangements, to the extent permitted by applicable law), 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 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 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 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.

(d) Loan Provisions. With the consent of the Committee, and subject at all times to, and only to the extent, if any, permitted under and in accordance with, laws and regulations and other binding obligations or provisions applicable to the Company (including applicable margin regulations), the Company may make, guarantee, or arrange for a loan or loans to a Participant with respect to the exercise of any Option or other payment in connection with any Award, including the payment by a Participant of any or all federal, state, or local income or other taxes due in connection with any Award. Subject to such limitations, the Committee shall have full authority to decide whether to make a loan or loans hereunder and to determine the amount, terms, and provisions of any such loan or loans, including the interest rate, if any, to be charged in respect of any such loan or loans, whether the loan or loans are to be with or without recourse against the borrower, the terms on which the loan is to be repaid and conditions, if any, under which the loan or loans may be forgiven.

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 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 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 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.

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 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.

(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 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 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 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.

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.

Name of Subsidiary	Place of Incorporation
International Flavors & Fragrances I.F.F. (Nederland) B.V.	The Netherlands
Aromatics Holdings Limited	Ireland
IFF-Benicarlo, S.A.	Spain
International Flavours & Fragrances (China) Ltd.	China
Irish Flavours and Fragrances Limited	Ireland
International Flavours & Fragrances I.F.F. (Great Britain) Ltd.	England
International Flavors & Fragrances I.F.F. (Italia) S.r.l.	Italy
International Flavors & Fragrances I.F.F. (Deutschland) G.m.b.H.	Germany
International Flavors & Fragrances I.F.F. (Switzerland) A.G.	Switzerland
International Flavors & Fragrances I.F.F. (France) S.a.r.l.	France
International Flavors & Fragrances (Hong Kong) Ltd.	Hong Kong
International Flavors & Fragrances (Japan) Ltd.	Japan
International Flavors & Fragrances S.A.C.I.	Argentina
I.F.F. Essencias e Fragrancias Ltda.	Brazil
International Flavours & Fragrances (Australia) Pty. Ltd.	Australia
P.T. Essence Indonesia	Indonesia
International Flavors & Fragrances (Mexico) S.A. de C.V.	Mexico
IFF Mexico Manufactura, S.A. de C.V.	Mexico
International Flavors & Fragrances I.F.F. (Espana) S.A.	Spain
International Flavors & Fragrances (Poland) Sp.z.o.o.	Poland
IFF Trading Company B.V.	The Netherlands
International Flavors & Fragrances (Hangzhou) Co. Ltd (1)	China
International Flavors & Fragrances I.F.F. (S.A.) (Pty) Ltd.	South Africa
The PAKS Corporation	New York
International Flavors & Fragrances I.F.F. (Canada) Ltd.	Canada
IFF FSC Inc.	U.S. Virgin Islands
Alva Insurance Ltd.	Bermuda
van Ameringen-Haebler, Inc.	New York
International Flavors & Fragrances (Caribe) Inc.	Delaware
Sabores y Fragrancias S.A.	Colombia

IFF Sabores y Fragancias de Chile Ltda.	Chile
International Flavors & Fragrances I.F.F. (Sverige) A.B.	Sweden
International Flavors & Fragrances I.F.F. (Norge) A.S.	Norway
IFF Aroma Esans Sanay A.S.	Turkey
International Flavors & Fragrances I.F.F. (Israel) Ltd.	Israel
Misr Co. for Aromatic Products (MARF) S.A.E.	Egypt
International Flavors & Fragrances I.F.F. (Portugal) Lds.	Portugal
International Flavors & Fragrances (Zimbabwe) (Private) Ltd.	Zimbabwe
International Flavours & Fragrances (Mauritius) Ltd.	Mauritius
Speciality Fragrances (India) Private Limited	India
International Flavors & Fragrances (Philippines) Inc.	Philippines
International Flavors & Fragrances (Asia Pacific) Pte. Ltd.	Singapore
International Flavours & Fragrances (Thailand) Ltd.	Thailand
International Flavors & Fragrances (Korea) Inc.	Korea
Laboratoire Monique Remy SAS	France
International Flavors & Fragrances (Nederland) Holding B.V.	The Netherlands
International Flavors & Fragrances Ardenne S.a.r.l.	Luxembourg
International Flavors & Fragrances (Luxembourg) S.a.r.l.	Luxembourg
International Flavors & Fragrances (Luxembourg) Holding S.a.r.l.	Luxembourg
International Flavours & Fragrances (GB) Holdings Limited	United Kingdom
IFF International Inc.	New York
IFF Financial Services	Ireland
International Flavors & Fragrances Global Holding S.a.r.l.	Luxembourg
IFF Capital Services	Ireland
IFF (Gibraltar) Limited	Gibraltar
IFF Australia Holdings Pty Limited	Australia
IFF Chemical Holdings Inc.	Delaware
IFF (Gibraltar) Holdings	Gibraltar
IFF Mexico Holdings LLC	Delaware
IFF Latin American Holdings (Espana) SL	Spain
IFF Augusta Limited	England
Fragrance Ingredients Holdings Inc.	Delaware
Bush Boake Allen Inc.	Virginia
Bush Boake Allen (Chile) S.A.	Chile
Bush Boake Allen Industria E Commercial do Brasil Limitada	Brazil
Bush Boake Allen Controladora S.A. de C.V.	Mexico

Bush Boake Allen (Nominees) Limited	England
Bush Boake Allen Holdings (U.K.) Limited	England
Bush Boake Allen Pension Investments Limited	England
Bush Boake Allen (Executive Pension Trustees) Limited	England
Bush Boake Allen (Pension Trustees) Limited	England
Bush Boake Allen (Works Pension Trustees) Limited	England
Bush Boake Allen Limited	England
W.J. Bush & Co., Inc.	Delaware
GMB Proteins Limited	England
Bush Boake Allen Australia Pty Ltd.	Australia
Bush Boake Allen (Guangzhou) Co. Ltd.	China
A. Boake, Roberts And Company (Holding), Limited	England
Bush Boake Allen (New Zealand) Limited	New Zealand
International Flavours & Fragrances (New Zealand) Limited	New Zealand
International Flavors & Fragrances Singapore Pte. Ltd.	Singapore
Bush Boake Allen (Malaysia) SDN. BHD. (Kuala Lumpur)	Malaysia
Bush Boake Allen Denmark ApS.	Denmark
Bush Boake Allen France	France
Bush Boake Allen Zimbabwe (Private) Limited	Zimbabwe
International Flavours & Fragrances (India) Limited (2)	India
Hindustan Flavours and Fragrances (International) Limited (3)	India
Bush Boake Allen (Jamaica) Limited (4)	Jamaica
Bush Boake Allen (SA) (Proprietary) Limited	South Africa
Bush Boake Allen (Thailand) Limited	Thailand
Bush Boake Allen, Moscow, Ltd.	Russia
Bush Boake Allen Benelux B.V.	Netherlands
International Flavors & Fragrances I.F.F. (Norden) AB	Sweden
Bush Boake Allen (C.R.) s.r.o.	Czech Republic
Stafford Specialty Ingredients Limited	England
Bush Boake Allen Pakistan (Private) Limited (5)	Pakistan
Asian Investments, Inc.	Delaware
Fragrance Holdings Private Limited	India
Essence Scientific Research Private Limited	India
Jamaica Extracts Limited (6)	Jamaica
Bush Boake Allen Barbados Inc.	Barbados

Bush Boake Allen Enterprises Ltd.	England
Bush Boake Allen Holdings I B.V.	The Netherlands
Bush Boake Allen Holdings II B.V.	The Netherlands
Celessence International Limited (7)	England

- (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.

CONSENT OF INDEPENDENT ACCOUNTANTS

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. 333-102825, No. 333-61072, No. 333-51436, No. 333-50752 and No. 33-54423) of International Flavors & Fragrances Inc. of our reports dated January 27, 2004 relating to the financial statements and financial statement schedule, which appear in this Form 10-K.

PRICEWATERHOUSECOOPERS LLP

PricewaterhouseCoopers LLP
New York, New York
March 11, 2004

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 annual 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 annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual 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)) 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) 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
 - c) 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.

Dated: March 11, 2004

By: /s/ Richard A. Goldstein

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 annual 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 annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual 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)) 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) 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
 - c) 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.

Dated: March 11, 2004

By: /s/ Douglas J. Wetmore

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

CERTIFICATIONS PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with this Annual Report on Form 10-K of International Flavors & Fragrances Inc. (the "Company") for the year ended December 31, 2003, as filed with the Securities and Exchange Commission on the date hereof, (the "Report"), each of the undersigned officers of the Company 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 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 11, 2004

/s/ Richard A. Goldstein

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

/s/ Douglas J. Wetmore

Douglas J. Wetmore
Senior Vice President and
Chief Financial Officer