
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, 2007

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 12½¢ per share

New York Stock Exchange

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

None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12B-2 of the Exchange Act). Yes No

For the purpose of reporting the following market value of Registrant's outstanding common stock, the term "affiliate" refers to persons, entities or groups which directly or indirectly control, are controlled by, or are under common control with the Registrant and does not include individual executive officers, directors or less than 10% shareholders. The aggregate market value of Registrant's common stock not held by affiliates as of June 30, 2007 was \$4,655,751,202.

Indicate the number of shares outstanding of each of the Registrant's classes of common stock, as of February 11, 2008: 81,020,808 shares of common stock, par value 12½¢ per share.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement to be sent to shareholders in connection with the 2008 Annual Meeting (the "IFF 2008 Proxy Statement") are incorporated by reference in Part III of this Form 10-K.

INTERNATIONAL FLAVORS & FRAGRANCES INC.

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PART I

ITEM 1. BUSINESS.

International Flavors & Fragrances Inc., incorporated in New York in 1909, and its subsidiaries (the “Registrant”, “IFF”, “we”, “us”, and “our”), 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, personal care products, hair care products, deodorants, soaps, detergents, fabric care and air care products; our flavor products are sold principally to manufacturers of prepared foods, beverages, dairy foods, pharmaceuticals and confectionery products as well as the food service industry.

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

MARKETS

Our fragrance products are used by customers in the manufacture of consumer products such as soaps, detergents, fabric care, 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 our two largest fragrance customer groups. Most of the major United States companies in this industry are our customers, and five of the largest United States cosmetics companies are among principal customers. The household products industry, including soaps, detergents and fabric care, is the other important fragrance customer group. Four of the largest United States household product manufacturers are our major customers. In the three years ended December 31, 2007, sales of fragrance products accounted for 56%, 57% and 57%, respectively, of our total sales.

Our 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 our largest customers for flavor products are major producers of prepared foods and beverages in the United States. In the three years ended December 31, 2007, sales of flavor products accounted for 44%, 43% and 43%, respectively, of our total sales.

See Note 12, Segment Information, for information concerning the two business segments, Flavors and Fragrances, and our geographic regions, which is incorporated by reference.

PRODUCTS

Our principal fragrance and flavor products consist of compounds of large numbers of ingredients blended in proprietary formulas created by our 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 consumer selection and acceptance of the consumer end product. A smaller number of compounds are sold to manufacturers who further blend them to achieve the finished fragrance or flavor in their products. We produce thousands of compounds, and new compounds are constantly being created in order to meet the many and changing characteristics of our customers’ end products. Most of the fragrance and flavor compounds are created and produced for the exclusive use of particular customers. Our products are sold in solid, powder 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 us in our compounds are both synthetic and natural. We manufacture a substantial portion of the synthetic ingredients. While a majority of our synthetic ingredients production is used in our compounds, a substantial portion is also sold to others. 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 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. Our 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, dual-earner households, teenage population, leisure time, urbanization, health and wellness concerns, including increased demand for nature based products and by the continued growth in world population. In the fragrance field, these developments have expanded the market for hair care, candles and air care products and deodorant and personal wash products with finer fragrance quality, as well as the market for colognes, toilet waters, men's toiletries and other products beyond traditional luxury items such as perfumes. In the flavor field, similar market characteristics have stimulated the demand for products such as convenience foods, soft drinks and low-fat and organic 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 our flavor or fragrance products. These developments have called for the creation of new compounds and ingredients compatible with the newly introduced materials and methods of application.

PRODUCT DEVELOPMENT AND RESEARCH

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

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

Creative and technical product development is conducted in 31 fragrance and flavor laboratories in 23 countries. We maintain a research and development center at Union Beach, New Jersey. We spent \$199 million in 2007, \$186 million in 2006 and \$180 million in 2005 on our research and development activities or about 9% of our revenues each year. We expect these expenditures to remain at approximately 9% of our revenues in 2008. Of the amount expended in 2007 on such activities, 65% was for fragrances and the balance was for flavors. We employed 1,132 persons in 2007 and 1,065 persons in 2006 in such activities.

Our business is not materially dependent upon any patents, trademarks or licenses.

DISTRIBUTION

Distribution for both the flavors and fragrances business units is similar in that most of our sales are through our own sales force. The flavors business operates from two sales offices in the United States and 38 sales offices in 29 foreign countries; while the fragrances business operates from two sales offices in the United States and 36 sales offices in 28 foreign countries. Sales in additional countries are made through agents and distributors. For the year ended December 31, 2007, 28% of our sales were to customers in North America, 37% in Europe, Africa and Middle East ("EAME"), 22% in Greater Asia and 13% in Latin America.

During 2007, our 30 largest customers accounted for 57% of our sales. Sales to one customer accounted for 11% of our sales in 2007. These sales were largely in the fragrances business unit. No single customer accounted for more than 10% of our sales in 2006 and 2005.

GOVERNMENTAL REGULATION

The manufacture and sale of our 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. In particular, the European Union in December 2006 adopted legislation requiring extensive chemical registration and testing over the next 11 years. Compliance with existing governmental requirements regulating the discharge of materials into the environment has not materially affected our operations, earnings or competitive position. In 2008, we expect to spend approximately \$8 million in capital projects and \$20 million in operating expenses and governmental charges for the purpose of complying with such requirements.

RAW MATERIAL PURCHASES

We purchase roughly 10,000 different raw materials from many sources all over the world. The principal natural raw materials 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. We believe that alternate materials or alternate sources of materials are available to enable us to maintain our competitive position in the event of any interruption in the supply of raw materials from present sources.

COMPETITION

We have more than 50 competitors in the United States and world markets; two leading competitors have made significant acquisitions in the last two years. While no single factor is responsible, our competitive position is based principally on the creative skills of our perfumers and flavorists, the technological advances resulting from our research and development activities, the quality of our customer service, the support provided by our marketing and application groups, and our understanding of consumers. We believe that we are one of the largest companies producing and marketing on an international basis a wide range of fragrance and flavor products for sale to manufacturers of consumer products. In particular countries and localities, we face competition from numerous companies specializing in certain product lines, among which are some companies larger than us and some more important in a particular product line or lines. Most of our customers do not buy a ll of their fragrance or flavor products from the same supplier, and some customers make their own fragrance or flavor compounds with ingredients supplied by us or others.

EMPLOYEE RELATIONS

At December 31, 2007, we employed approximately 5,300 persons, of whom approximately 1,400 were employed in the United States. We have never experienced a work stoppage or strike and consider our employee relations to be satisfactory.

EXECUTIVE OFFICERS OF REGISTRANT:

Name	Office and Other Business Experience (1)	Age	Year First Became Officer
Robert M. Amen	Chairman of the Board and Chief Executive Officer since July 2006; President, International Paper from 2003 to March 2006; Executive Vice President, International Paper, prior thereto.	58	2006
Nicolas Mirzayantz	Group President, Fragrances since January 2007; Senior Vice President, Fine Fragrance and Beauty Care and Regional Manager, North America Region from April, 2005 to December 2006; Senior Vice President, Fine Fragrance and Beauty Care from October 2004 to March 2005; Vice President, Global Business Development, Fine Fragrance and Toiletries, prior thereto.	45	2002
Hernan Vaisman	Group President, Flavors since January 2007; Vice President, Latin America Region from October 2004 to December 2006; Regional Finance Director, Latin America Region, prior thereto.	49	2004
Steven J. Heaslip	Senior Vice President, Human Resources since December 2002; Vice President Human Resources, prior thereto.	50	2001
Dennis M. Meany	Senior Vice President, General Counsel and Secretary since January 2004; Associate General Counsel, prior thereto.	60	2004
Douglas J. Wetmore	Senior Vice President, Chief Financial Officer and Treasurer since October 2007; Senior Vice President and Chief Financial Officer, prior thereto.	50	1992
Joseph Faranda	Vice President and Chief Marketing Officer since March 2005; Vice President, Strategic Marketing, The Home Depot, Inc., prior thereto.	54	2005
Kimberly A. Hendricks	Controller since July 2007; Vice President, Finance, JLG Industries, Inc. from January 2006 to February 2007; Vice President, Finance, Bristol-Myers Squibb Company, prior thereto.	44	2007

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

AVAILABLE INFORMATION

We make available free of charge on or through the Investor Relations link on our website, www.iff.com, all materials that we file electronically with the SEC, including our 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, we made all such materials available through our website as soon as reasonably practicable after filing such materials with the SEC.

You may also read and copy any materials filed by us with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, DC 20549, and you may obtain information on the operation of the Public

Reference Room by calling the SEC in the U.S. at 1-800-SEC-0330. In addition, the SEC maintains an Internet website, www.sec.gov, that contains reports, proxy and information statements and other information that we file electronically with the SEC.

A copy of our Corporate Governance Guidelines, Code of Business Conduct and Ethics, and the charters of the Audit Committee, Compensation Committee, and Nominating and Governance Committee of the Board of Directors are posted on the Investor Relations section of our 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 our principal executive office set forth above.

Item 1A. Risk Factors.

Competitive factors may negatively impact our sales and marketability.

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

We are subject to economic and social changes which may impact sales.

Demand for consumer products using flavors and fragrances has been stimulated and broadened by changing social habits resulting from factors such as increases in personal income, dual-earner households, teenage population, leisure time, health concerns and urbanization and by the continued growth in world population. Changes in any number of external economic factors, or changes in social or consumer preferences, could adversely impact our results of operations. The current macro-economic environment in the United States and Western Europe may adversely impact consumer spending on products for which we supply the flavor or fragrance.

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

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

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

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

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

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

Results may be negatively impacted by the outcome of uncertainties related to litigation.

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

Results and cash flows may be negatively impacted by future pension funding and other postretirement obligations.

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

Results may be negatively impacted by the effect of legal and regulatory requirements, as well as restrictions imposed on operations by foreign and domestic governmental entities.

The manufacture and sale of our 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. Our foreign operations are subject to similar substantial governmental regulation in a number of countries, including extensive new requirements within the European Union. Compliance with existing governmental requirements and future governmental regulations may adversely impact financial condition, results of operations or liquidity.

We may face risks associated with events which may affect the world economy.

World events such as terrorist attacks, or regional conflicts have and may in the future weaken world economies. Any resulting weaknesses in these economies may adversely affect our business or the businesses of our customers, with a resultant negative impact on our financial condition, results of operations or liquidity.

ITEM 1B. Unresolved Staff Comments.

None.

ITEM 2. PROPERTIES.

Our principal properties are as follows:

<u>Location</u>	<u>Operation</u>
United States	
Augusta, GA	Production of fragrance ingredients.
Carrollton, TX(1)	Production of flavor compounds; flavor laboratories.
Hazlet, NJ(1)	Production of fragrance compounds; fragrance laboratories.
Jacksonville, FL	Production of fragrance 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	
Neuilly(1)	Fragrance laboratories.
Grasse	Production of flavor and fragrance ingredients; fragrance laboratories.
Great Britain	
Haverhill	Production of flavor compounds and ingredients, and fragrance ingredients; flavor laboratories.
Ireland	
Drogheda	Production of fragrance compounds.

Location	Operation
Netherlands	
Hilversum	Flavor and fragrance laboratories.
Tilburg	Production of flavor compounds and ingredients, and fragrance compounds.
Spain	
Benicarlo	Production of fragrance ingredients.
Argentina	
Garin	Production of flavor compounds and ingredients, and fragrance compounds; flavor laboratories.
Brazil	
Rio de Janeiro	Production of fragrance compounds.
São 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	
Dandenong	Production of flavor compounds and flavor ingredients.
China	
Guangzhou(4)	Production of flavor and fragrance compounds.
Shanghai(6)	Flavor and fragrance laboratories.
Xin'anjiang(5)	Production of fragrance ingredients.
Zhejiang	Production of fragrance 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	Production of flavor and fragrance compounds.
Science Park(1)	Flavor and fragrance laboratories.

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- (1) Leased.
 - (2) We have a 93.4% interest in the subsidiary company that owns this facility.
 - (3) Land is leased and building is partially leased and partially owned.
 - (4) Land is leased and building and machinery and equipment are owned.
 - (5) We have a 90% interest in the subsidiary company that leases the land and owns the buildings and machinery.
 - (6) Building is leased and machinery and equipment are owned.

Our principal executive offices and New York laboratory facilities are located at 521 West 57th Street, New York City.

ITEM 3. LEGAL PROCEEDINGS.

We are subject to various claims and legal actions in the ordinary course of our business. For purposes of reporting these actions, Bush Boake Allen (“BBA”) a wholly owned subsidiary of IFF and/or IFF are referred to as the “Company”.

In September 2001, the Company was named as a defendant in a purported class action brought against it in the Circuit Court of Jasper County, Missouri, on behalf of employees of a plant owned and operated by Gilster-Mary Lee Corp. in Jasper, Missouri (“Benavides case”). The plaintiffs alleged that they sustained respiratory injuries in the workplace due to the use by Gilster-Mary Lee of a BBA, and/or IFF flavor. We are subject to various claims and legal actions in the ordinary course of our business.

In January 2004, the Court ruled that class action status was not warranted. As a result of this decision, each of the 47 plaintiff cases was to be tried separately. Subsequently, 8 cases were tried to a verdict, 4 verdicts resulted for the plaintiffs and 4 verdicts resulted for the Company, all of which were appealed by the losing party. Subsequently all plaintiff cases related to the Benavides case, including those on appeal, were settled.

Sixteen actions based on similar claims of alleged respiratory illness due to workplace exposure to flavor ingredients are currently pending against the Company and other flavor suppliers and related companies.

In May 2004, the Company and another flavor supplier were named defendants, and subsequently a number of third party defendants were added, in a lawsuit by 4 former workers and their spouses at a Ridgeway, Illinois factory in an action brought in the Circuit Court for the Second Judicial Circuit, Gallatin County, Illinois (Barker case) and another concerning 8 other workers and 5 spouses at this same plant was filed in July 2004 and is pending in this same Court against the same defendants (Batteese case). In June 2004, the Company and 2 other flavor suppliers were named defendants in a lawsuit by 1 former worker and spouse at a Northlake, Illinois facility in an action brought in the Circuit Court of Cook County, Illinois. Nine third party defendants have been added (Lopez case). In March 2005, the Company and 8 other companies were named defendants in a lawsuit by 1 former employee and spouse of Bell Flavors and Fragrances, Inc. in an action brought in the Circuit Court of Cook County, Illinois (Robinson case). The Company was dismissed from this lawsuit in November 2007. In July 2005, the Company and 11 other flavor and chemical suppliers were named defendants in a lawsuit by 1 former worker and spouse of Brach’s Confections, Inc. in an action brought in the Circuit Court of Cook County, Illinois. Brach’s has been added as a third party defendant (Campbell case). In August 2005, the Company and 16 other companies were named defendants in a lawsuit by 3 former employees of the Gilster-Mary Lee facility in McBride, Missouri in the Missouri Circuit Court, 32nd Judicial Circuit (Fults case). In August 2006, the Company and 3 other flavor and chemical suppliers were named defendants in a lawsuit by 34 current and former employees and/or a neighbor of the Gilster-Mary Lee facility in Jasper, Missouri in the Missouri Circuit Court of Jasper County (Arles case) and 5 other current and former employees in the same Court (Bowan case). A similar case involving 5 former employees, originally plaintiffs in the Arles case, was filed in the same Court in August 2006 and then removed to the U.S. District Court, Western District of Missouri, Southwest Division (Parker case). In November 2006, the Company, 15 other flavor and chemical suppliers, a trade association and a third party defendant company were named defendants in a lawsuit filed in the Circuit Court of Cook County, Illinois by 1 plaintiff allegedly injured by exposure to butter flavor and other substances at various facilities in which he worked (Solis case). In January 2007, the Company and another flavor supplier were named defendants in a lawsuit filed in Hamilton County, Ohio Court of Common Pleas by approximately 245 current and former employees of two separate Marion, Ohio factories and 92 spouses of such employees (Aldrich case). In May 2007, the Company and 13 other companies were named defendants in a lawsuit filed in Circuit Court of Cook County, Illinois by 5 former employees of Brach’s Confections, Inc. in Chicago, Illinois (Williams case). In June 2007, the Company and another flavor supplier were named defendants in a lawsuit filed in Hamilton County, Ohio Court of Common Pleas by 58 current and former employees of a Marion, Ohio facility and 18 spouses of such employees (Arnold case). In June 2007, the Company and 22 other companies were named defendants in a lawsuit in the Missouri Circuit Court, 32nd Judicial Circuit by 7 former employees of a McBride, Missouri facility (Geile case). In July 2007, the Company and another flavor manufacturer were named defendants in a lawsuit filed in Hamilton County, Ohio Court of Common Pleas by 128 current and former workers of two Ohio facilities and 52 spouses of such employees (Adams case). In July 2007, the Company was joined as a defendant in a case filed in June 2005 against 7 companies and a trade association in the 8th Judicial District Court of Montana by the widow of the former owner/operator of a popcorn business in Montana (Yatsko case).

In October 2007, the Company and 23 other companies were named defendants in a lawsuit in the Missouri Circuit Court, 32nd Judicial Circuit by the widow and daughter of a former worker at a McBride, Missouri facility (Wibbenmeyer case).

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

At each balance sheet date, or more frequently as conditions warrant, we review the status of each pending claim, as well as our insurance coverage for such claims with due consideration given to potentially applicable deductibles, retentions and reservation of rights under its insurance policies with respect to all these matters. While the ultimate outcome of any litigation cannot be predicted, management believes that adequate provision has been made with respect to all known claims. Based on information presently available and in light of the merits of its defenses and the availability of insurance, we do not expect the outcome of the above cases, singly or in the aggregate, to have a material adverse effect on our financial condition, results of operation or liquidity. There can be no assurance that future events will not require us to increase the amount we have accrued for any matter or accrue for a matter that has not been previously accrued. See Note 16 to the Consolidated Financial Statements.

Over the past 20 years, various federal and state authorities and private parties have claimed that we are a Potentially Responsible Party ("PRP") 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 have sought to recover costs incurred and to be incurred to clean up the sites.

We have been identified as a PRP at nine facilities operated by third parties at which investigation and/or remediation activities may be ongoing. We analyze our liability on a regular basis. We accrue for environmental liabilities when they are probable and estimable. At December 31, 2007, we estimated our share of the total future cost for these sites to be less than \$5 million.

While joint and several liability is authorized under federal and state environmental laws, we believe the amounts we have paid and anticipate paying in the future for clean-up costs and damages at all sites are not and will not be material to our financial condition, results of operations or liquidity. This conclusion is based upon, among other things, the involvement of other PRPs at most sites, the status of proceedings, including various settlement agreements and consent decrees, the extended time period over which payments will likely be made and an agreement reached in July 1994 with three of our liability insurers pursuant to which defense costs and indemnity amounts payable by us 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 EQUITY AND RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Market Information.

Our 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	2007		2006	
	High	Low	High	Low
First	\$50.77	\$46.00	\$36.03	\$32.53
Second	52.75	47.14	38.84	33.46
Third	53.93	47.45	39.96	34.32
Fourth	54.20	47.32	49.88	39.19

Approximate Number of Equity Security Holders.

(A) Title of Class	(B) Number of shareholders of record as of December 31, 2007
Common stock, par value 12 ½¢ per share	3,248

Dividends.

Cash dividends declared per share for each quarter ending after January 1, 2006 were as follows:

Quarter	2007	2006
First	\$ 0.210	\$ 0.185
Second	0.210	0.185
Third	0.230	0.185
Fourth	0.230	0.210

Performance graph.

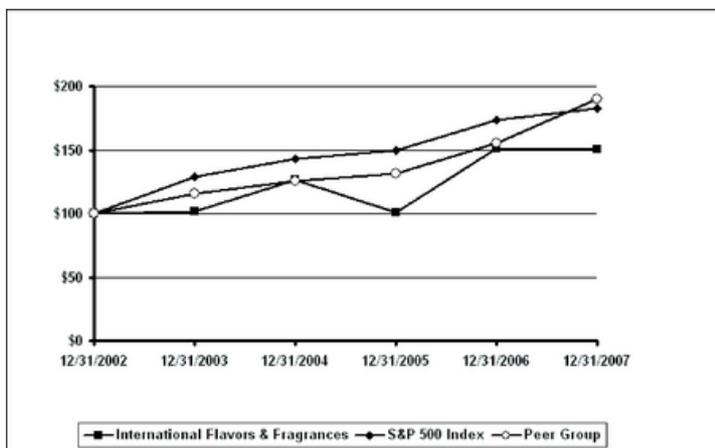
Total Return To Shareholders(1)
(Includes reinvestment of dividends)

Company Name / Index	Annual Return Percentage Years Ending				
	2003	2004	2005	2006	2007
International Flavors & Fragrances	1.42	24.89	-20.21	49.64	-0.36
S&P 500 Index	28.68	10.88	4.91	15.79	5.49
Peer Group	15.93	8.71	4.43	18.29	22.26

Company Name / Index	Base Period 2002	Indexed Returns Years Ending				
		2003	2004	2005	2006	2007
International Flavors & Fragrances	\$100	\$101.42	\$126.65	\$101.06	\$151.23	\$150.69
S&P 500 Index	100	128.68	142.69	149.70	173.34	182.86
Peer Group	100	115.93	126.03	131.61	155.69	190.34

Peer Group Companies(2)

Alberto Culver Company	Hormel Foods Corp.	Unilever NV
Avon Products	Kellogg Co.	W.M. Wrigley Jr Com.
Campbell Soup Co.	Estee Lauder Companies, Inc.	YUM Brands, Inc.
Church & Dwight Inc.	McCormick & Company, Inc.	
Clorox Company	McDonald's Corp.	
Coca-Cola Company	Nestle SA	
Colgate-Palmolive Co.	Pepsico Inc.	
ConAgra Foods, Inc.	Procter & Gamble Co.	
General Mills Inc.	Revlon Inc.	
H.J. Heinz Co.	Sara Lee Corp.	
Hershey Company	Sensient Technologies Corp.	



- (1) The Cumulative Shareholder Return assumes that the value of an investment in our Common Stock and each index was \$100 on December 31, 2002, and that all dividends were reinvested.
- (2) Due to the international scope and breadth of our business, we believe that a Peer Group comprised of international public companies, which are representative of the customer group to which we sell our products, with market capitalizations ranging from approximately \$589 million to approximately \$205 billion, is the most appropriate group against which to compare shareholder returns.

Issuer Purchases of Equity Securities.

During the first six months of 2007, under a share repurchase program of \$300 million authorized in October 2006 (the “October 2006 Plan”), we repurchased approximately 1.6 million shares at a cost of \$81 million; at June 30, 2007, we had approximately \$125 million remaining under the October 2006 Plan. In July 2007, the October 2006 Plan was terminated and superseded by a new program authorized by our Board of Directors (“Board”) to repurchase up to 15% or \$750 million worth of our outstanding common stock, whichever is less (the “July 2007 Plan”).

In September 2007, under the July 2007 Plan, we entered into two agreements to purchase shares of our common stock under a \$450 million accelerated share repurchase (“ASR”) program. On September 28, 2007, we paid \$450 million in exchange for an initial delivery of 7.6 million shares under the ASR, representing 90% of the shares that could have been purchased, based on the average trading price of IFF stock, on that date. The remaining 10%, or \$45 million, not used in the initial settlement will be included in the determination of the cost of the shares purchased upon completion of the ASR and is reflected in the accompanying Consolidated Balance Sheet as a reduction to Capital in excess of par value.

As a result of the ASR, we did not purchase any of our equity securities in the quarter ended December 31, 2007.

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)			
	2007	2006	2007	2006	2007	2006	Basic		Diluted	
							2007	2006	2007	2006
First	\$ 566,101	\$ 511,432	\$ 236,719	\$ 216,614	\$ 62,689	\$ 53,690	\$0.70	\$0.59	\$0.69	\$0.58
Second	573,726	530,505	246,058	227,616	78,372	61,182	0.88	0.67	0.87	0.67
Third	583,313	539,135	244,138	228,986	58,844	63,646	0.68	0.71	0.67	0.70
Fourth	553,498	514,318	225,299	210,915	47,223	47,982	0.59	0.54	0.58	0.53
	<u>\$ 2,276,638</u>	<u>\$ 2,095,390</u>	<u>\$ 952,214</u>	<u>\$ 884,131</u>	<u>\$ 247,128</u>	<u>\$ 226,500</u>	<u>\$2.86</u>	<u>\$2.50</u>	<u>\$2.82</u>	<u>\$2.48</u>

(a) Net Income in the 2007 second and fourth quarter includes the after-tax benefit of gains on sale of assets of (\$3,686) and (\$4,033), respectively; the third quarter includes the after-tax effects of a pension curtailment charge of \$3,685. Net Income in the 2007 second quarter also includes a tax benefit of \$9,718; see Note 9 to the Consolidated Financial Statements for further discussion. Net Income in the 2006 first, second, third and fourth quarter includes the after-tax effects of restructuring charges (credits) of \$461, (\$200), \$210, and \$1,405, respectively. The 2006 third and fourth quarters also include after-tax benefits of gains on sale of assets of (\$5,325) and (\$4,743), respectively; and the benefit of an insurance recovery of (\$2,496) in the third quarter. Net income in the 2006 fourth quarter also includes a tax benefit of \$3,511.

(b) The sum of the 2007 and 2006 quarters' net income per share does not equal the earnings per share for the full year due to changes in average shares outstanding.

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

	2007	2006	2005	2004	2003
Consolidated Statement of Income Data					
Net sales	\$ 2,276,638	\$ 2,095,390	\$ 1,993,393	\$ 2,033,653	\$ 1,901,520
Cost of goods sold(b)	1,324,424	1,211,259	1,168,992	1,160,235	1,092,456
Research and development expenses(b)	199,023	185,692	179,812	175,173	159,286
Selling and administrative expenses(b)	375,287	351,923	339,323	341,306	308,951
Amortization of intangibles	12,878	14,843	15,071	14,830	12,632
Curtailment loss	5,943	—	—	—	—
Restructuring and other charges, net(a)	—	2,680	23,319	31,830	42,421
Interest expense	41,535	25,549	23,956	24,002	28,477
Other (income) expense, net	(11,136)	(9,838)	(3,268)	5,275	5,437
	<u>1,947,954</u>	<u>1,782,108</u>	<u>1,747,205</u>	<u>1,752,651</u>	<u>1,649,660</u>
Income before taxes	328,684	313,282	246,188	281,002	251,860
Taxes on income	81,556	86,782	53,122	84,931	79,263
Net income	<u>\$ 247,128</u>	<u>\$ 226,500</u>	<u>\$ 193,066</u>	<u>\$ 196,071</u>	<u>\$ 172,597</u>
Percentage of net sales	10.9	10.8	9.7	9.6	9.1
Percentage of average shareholders' equity	32.5	24.9	21.1	23.7	26.2
Net income per share – basic	\$ 2.86	\$ 2.50	\$ 2.06	\$ 2.08	\$ 1.84
Net income per share – diluted	\$ 2.82	\$ 2.48	\$ 2.04	\$ 2.05	\$ 1.83
Average number of shares (thousands)	86,541	90,443	93,584	94,143	93,718
Consolidated Balance Sheet Data					
Cash and short-term investments	\$ 152,075	\$ 115,112	\$ 272,897	\$ 32,995	\$ 12,555
Receivables, net	450,579	405,302	368,519	358,361	339,725
Inventories	484,222	446,606	430,794	457,204	454,631
Property, plant and equipment, net	508,820	495,124	499,145	501,334	510,612
Goodwill and intangible assets, net	732,836	745,716	772,651	789,676	799,413
Total assets(d)	2,726,788	2,478,904	2,638,196	2,363,294	2,306,892
Bank borrowings, overdrafts and current portion of long-term debt	152,473	15,897	819,392	15,957	194,304
Long-term debt	1,060,168	791,443	131,281	668,969	690,231
Shareholders' equity(b)(c)(d)	617,197	905,168	915,347	910,487	742,631
Other Data					
Current ratio(e)	2.2	2.4	1.0	2.4	1.7
Gross additions to property, plant and equipment	\$ 65,614	\$ 58,282	\$ 93,433	\$ 70,607	\$ 65,955
Depreciation and amortization expense	82,788	89,733	91,928	90,996	86,721
Cash dividends declared per share	\$ 76,465	\$ 68,956	\$ 68,397	\$ 64,789	\$ 59,032
	\$ 0.880	\$ 0.765	\$ 0.730	\$ 0.685	\$ 0.630
Number of shareholders of record at year-end	3,248	3,393	3,207	3,419	3,655
Number of employees at year-end	5,315	5,087	5,160	5,212	5,454

(a) Restructuring and other charges (\$1,982 after tax) in 2006, (\$15,857 after tax) in 2005, (\$20,370 after tax) in 2004, and (\$27,514 after tax) in 2003 were the result of various reorganization programs of the Company.

(b) 2006 and 2007 amounts include equity compensation expense in accordance with FAS123(R). See Note 11 to the Consolidated Financial Statements for additional details.

(c) The 2006 amounts reflect adoption of FAS158. See Note 13 to the Consolidated Financial Statements for additional details.

(d) The 2007 amounts reflect adoption of FIN 48. See Note 9 to the Consolidated Financial Statements for additional details.

(e) Current ratio is equal to current assets divided by current liabilities.

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

(UNLESS INDICATED OTHERWISE, DOLLARS IN MILLIONS EXCEPT PER SHARE AMOUNTS)

Organization of Information

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

- Executive Overview
- Sales Commentary
- Consolidated Operating Results
- Goodwill and Intangible Assets
- Restructuring and Other Charges
- Income Taxes
- Retirement Benefits
- Financial Condition
- Critical Accounting Policies and Use of Estimates
- New Accounting Standards
- Non-GAAP Financial Measures
- Cautionary Statement Under the Private Securities Litigation Reform Act of 1995

Executive Overview

We are 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 a limited number of publicly traded companies in the industry; certain customers maintain in-house capabilities fulfilling a portion of their flavor or fragrance needs; and the quality and depth of market information in developing regions of the world is limited. Analysts generally estimate the global market to be \$11 - \$12 billion of which IFF represents 17-19%; the largest competitor in the industry has approximately a 25% market share. Currently, the largest companies in the industry combined represent approximately 65% of the global market.

Effective January 1, 2007, IFF reorganized into two units that reflect our flavor and fragrance businesses. Approximately 44% of our 2007 net sales were flavor compounds. Flavor compounds are sold to the food and beverage industries for use in consumer products such as prepared foods, beverages, dairy, food and confectionery products. The remaining 56% of sales, representing the fragrances business unit, were in three fragrance categories: functional fragrances, including fragrance compounds for personal care (e.g., soaps) and household products (e.g., detergents and cleaning agents); fine fragrance and beauty care, including perfumes, colognes and toiletries; and ingredients, consisting of synthetic ingredients that can be combined with other materials to create unique functional and fine fragrance compounds. Major fragrance customers include the cosmetics industry, including perfume and toiletries manufacturers, and the household products industry, including manufacturers of soaps, detergents, fabric care, household cleaners and air fresheners. Approximately 55% of our ingredient production is consumed internally; the balance is sold to third party customers.

Changing social habits resulting from such factors as changes in disposable income, leisure time, health concerns, urbanization and population growth stimulate demand for consumer products utilizing flavors and fragrances. These developments expand the market for products with finer fragrance quality, as well as the

market for colognes and toiletries. Such developments also stimulate demand for convenience foods, soft drinks and low-fat and organic food products that must conform to expected tastes. These developments necessitate the creation and development of flavors and fragrances and ingredients that are compatible with newly introduced materials and methods of application used in consumer products.

Flavors and fragrances are generally:

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

The flavor and fragrance industry is impacted by macroeconomic factors in all product categories and geographic regions. Such factors include the impact of currency on the price of raw materials and operating costs as well as on translation of reported results. In addition, pricing pressure placed on our customers by large and powerful retailers and distributors is inevitably passed along to us, and our competitors. Leadership in innovation and creativity mitigates the impact of pricing pressure. Success and growth in the industry is dependent upon creativity and innovation in meeting the many and varied needs of the customers' products in a cost-efficient and effective manner, and with a consistently high level of timely service and delivery.

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

Our strategic direction is defined by the following:

- Be a global leader in fragrances and flavors.
- Provide our customers with differentiated solutions.

Our plan to achieve this strategy is to:

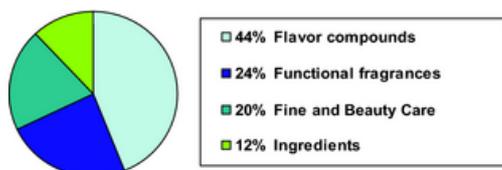
- Execute on our business unit focus that will align management and resources with the needs of our strategic customers and provide greater accountability; this will drive improved results.
- Focus our research and development efforts on projects considered most likely to drive future profitable growth. We anticipate much of this research will be conducted internally, but such efforts may be augmented by joint research undertakings and through acquisition of technology.
- Provide quality, safe and suitable products, for inclusion in our customers' end products; an essential element is the consistent assurance of the quality and safety of raw materials through a combination of steps including but not limited to vendor certification and quality assurance testing.
- Continuously improving our operations and customer service, and related initiatives.
- Build a culture that attracts, retains and develops the best talent in the world. Our customers, stakeholders and employees expect the best.

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

Sales Commentary

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

2007 Sales by Category



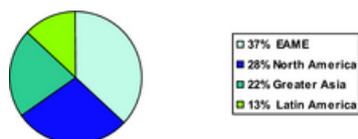
Our five largest customers comprise 32% of consolidated sales and our top 30 customers 57%; these percentages have remained fairly constant for several years although sales to larger customers are trending higher. We have one customer that accounts for 11% of our sales. A key factor for commercial success is inclusion on the strategic customers' core supplier lists, opening opportunities to win new business. We are on the core supplier lists of a majority of our strategic customers.

Net sales by business unit for 2007, 2006 and 2005 were as follows:

<u>Net Sales</u>	<u>2007</u>	<u>Percent Change</u>	<u>2006</u>	<u>Percent Change</u>	<u>2005</u>
Flavors	\$ 1,006	12%	\$ 895	4%	\$ 858
Fragrances	1,271	6%	1,200	6%	\$ 1,135
Total net sales	\$ 2,277	9%	\$ 2,095	5%	\$ 1,993

2007 Sales by Destination

We currently manage our operations by business unit but consider destination sales a supplemental performance measure. Although reported sales and earnings are affected by the weakening or strengthening of the U.S. dollar, this has not had a long-term effect on the underlying strength of our business.



Net sales by destination for 2007, 2006 and 2005 were as follows:

Sales by Destination	2007	Percent Change	2006	Percent Change	2005
EAME(1)	\$ 850	12%	\$ 758	3%	\$ 739
North America	630	3%	612	7%	572
Greater Asia	491	12%	439	5%	420
Latin America	306	7%	286	9%	262
Total net sales, as reported	<u>\$ 2,277</u>	9%	<u>\$ 2,095</u>	5%	<u>\$ 1,993</u>

(1) Europe, Africa and Middle East

2007 in Comparison to 2006

Sales totaled \$2,277 million, up 9% from 2006; flavor and fragrance sales increased 12% and 6%, respectively. 2007 sales benefited from the generally weaker U.S. dollar and at comparable exchange rates would have increased 5% over the prior year.

Flavors Business Unit

Flavors delivered strong sales performance across all regions – most notably in Latin America, Greater Asia and Europe – and in virtually all categories, particularly beverages and savory.

Fragrances Business Unit

Total Fragrance sales increased by 6% for the year and were driven by continued growth in Fine and Beauty Care of 8% and Ingredients of 9%, despite a decline in Ingredients pricing. Foreign exchange accounted for 4% of the sales increase.

Sales By Region and Category

Regional and product category sales performance for 2007 compared to the prior year, in reported dollars and local currency, was as follows:

		2007 vs. 2006					
		Percent Change in Sales by Region of Destination					
		Fine & Beauty Care	Functional	Ingredients	Total Frag.	Flavors	Total
North America	Reported	4%	-1%	1%	2%	4%	3%
EAME	Reported	8%	12%	17%	12%	13%	12%
	Local Currency	0%	4%	8%	3%	5%	4%
Latin America	Reported	11%	-7%	3%	-1%	27%	7%
Greater Asia	Reported	16%	2%	4%	6%	16%	12%
	Local Currency	13%	1%	4%	4%	12%	9%
Total	Reported	8%	3%	9%	6%	12%	9%
	Local Currency	4%	0%	5%	2%	9%	5%

- North America fine fragrance growth was driven by new product introductions of \$20 million partially offset by volume declines. Ingredients volume growth was partially offset by pricing declines. The decline in Functional fragrances was mainly volume related. Flavors sales growth was driven by new product introductions of \$20 million mainly in the beverage and savory categories.
- EAME flavor sales growth resulted mainly from new product introductions of \$25 million. Functional fragrance growth was strong primarily due to new product introductions of \$23 million partially offset by volume declines and to a lesser extent lower pricing. The growth in fine fragrance related to new product introductions of \$28 million was offset by volume declines. Ingredients sales growth was volume related, partially offset by lower pricing.

- Latin America sales growth reflects strong performances in both flavors and fine fragrances. Flavors growth was driven by new product introductions of \$21 million. Fine fragrances sales growth is largely attributable to new product introductions of \$9 million. Functional fragrance performance was primarily volume related in the fabric care category; we saw some reversal of this trend in the fourth quarter as a result of new product introductions. Ingredients sales performance was largely due to volume increases partially offset by price declines.
- Greater Asia sales growth was driven by new product introductions of \$35 million in flavors. Fragrance sales growth was driven by fine fragrances as a result of new product introductions of \$4 million.

2006 in Comparison to 2005

In 2006, sales increased 5% in both reported dollars and local currency compared to 2005. Foreign exchange had no impact on sales growth over 2005.

Flavors Business Unit

Flavors sales grew by 4% driven by new product introductions and volume growth most notably in Latin America.

Fragrances Business Unit

Total Fragrance sales increased by 6% for the year and were driven by continued growth in Fine and Beauty Care of 13% primarily as a result of new product introductions.

Sales By Region and Category

Regional and product category sales performance for 2006 compared to the prior year, in reported dollars and local currency, was as follows:

		2006 vs. 2005					
		% Change in Sales by Region of Destination					
		Fine & Beauty			Total		
		Care	Functional	Ingredients	Frag.	Flavors	Total
North America	Reported	20%	2%	10%	10%	3%	7%
EAME	Reported	7%	5%	-4%	4%	1%	3%
	Local Currency	8%	5%	-3%	4%	1%	3%
Latin America	Reported	25%	2%	6%	8%	11%	9%
Greater Asia	Reported	8%	2%	7%	4%	5%	4%
	Local Currency	7%	1%	10%	4%	6%	5%
Total	Reported	13%	3%	3%	6%	4%	5%
	Local Currency	13%	3%	3%	6%	4%	5%

- North America fine fragrance and flavors increased primarily from new product introductions of \$25 million and \$21 million, respectively. Functional fragrances new product introductions totaled \$14 million, the benefit of which was partially offset by declines in volume. Ingredient sales growth was due to a combination of both volume and price.
- EAME growth was strongest in Eastern Europe, Middle East, France, Italy and Spain. Fine and functional fragrance growth resulted from new product introductions of \$33 million, in each category, while the decline in ingredients was volume related. Flavor growth was the result of new product introductions of \$11 million, partially offset by declines in volume.
- Latin America fine fragrance sales growth resulted from new product introductions of \$14 million while functional fragrance product introductions of \$9 million were partially offset by volume decreases. Ingredient sales growth resulted from new product introductions. Flavor sales were strong throughout the region, driven mainly by new product introductions of \$8 million.
- Greater Asia fragrance sales growth resulted mainly from new product introductions of \$4 million and volume growth in India; ingredients sales growth was mainly volume related. Flavor sales growth resulted from new product introductions of \$11 million and volume growth.

Consolidated Operating Results

The percentage relationship of cost of goods sold and other operating expenses to reported sales is detailed as follows:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Cost of goods sold	58.2%	57.8%	58.6%
Research and development expenses	8.7%	8.9%	9.0%
Selling and administrative expenses	16.5%	16.8%	17.0%

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

2007 in Comparison to 2006

Cost of goods sold, as a percentage of sales, was 58.2% compared with 57.8% in 2006. This increase was mainly as a result of product mix, notably higher sales of fragrance ingredients and flavor compounds. Lower selling prices for fragrance ingredients, some impact of higher material costs and under absorption of manufacturing costs at a new fragrance ingredient facility in China, which scaled up production in 2007, also contributed to the increase. The average cost of raw materials increased 2-3% over the prior year.

Research and Development expense, as a percentage of sales, was 8.7%, comparable to the prior year levels.

Selling and administrative expenses, as a percentage of sales, were 16.5% in the current period compared to 16.8% in the prior year period, reflecting good cost control and the benefit of headcount reductions that occurred in the first half of 2006. Selling and administrative expenses in 2007 include \$4 million of business transformation costs to enable us to better leverage our global SAP software platform; such costs are not expected to recur in 2008. The 2006 results also included the benefit of a \$3 million insurance recovery related to a 2005 product contamination matter; excluding the insurance recovery, 2006 Selling and administrative expenses would have been 16.9% of sales for the year.

Interest Expense

In 2007, interest expense totaled \$42 million, increasing 63% compared to 2006, due to higher borrowings incurred in connection with share repurchase activities. See Note 10 to the Consolidated Financial Statements for further discussion of the share repurchase activities. Average cost of debt was 4.5% for 2007 compared to 3.3% in 2006.

Other (Income) Expense, Net

Other (income) expense, net in 2007 increased \$1 million over the prior year, mainly due to favorable exchange results and higher interest income as a result of higher interest rates. Other income included \$11 million and \$15 million, in 2007 and 2006, respectively, primarily related to gains on asset sales.

Income Taxes

The effective tax rate was 24.8% in 2007 as compared to a rate of 27.7% in the prior year. Both the 2007 and 2006 rates benefited from favorable tax rulings with respect to prior years; excluding the benefit of these rulings from both years, the 2007 effective tax rate would have been 27.8% compared to a rate of 28.8% for 2006. The lower effective tax rate for the current year was largely the result of a greater percentage of consolidated pre-tax earnings in lower tax jurisdictions.

Operating Results by Business Unit

We evaluate the performance of business units based on operating profit before gains/losses on the disposition of assets, interest expense, other income (expense), net and income taxes. See Note 12 to our Consolidated Financial Statements for the reconciliation to Income before taxes.

Flavors Business Unit

In 2007, Flavors operating profit of \$187 million or 18.6%, as a percentage of sales, increased as compared to \$153 million or 17.1% in 2006. The amount reported in 2006 benefited from a \$3 million insurance recovery related to a 2005 product contamination matter; excluding the insurance recovery from the prior year comparative, Flavors profitability would have increased an additional 30 basis points over 2006. This profitability improvement was primarily driven by margin improvement enabled by strong sales growth, favorable product mix, increased absorption of manufacturing expenses and good cost control.

Fragrances Business Unit

In 2007, Fragrance operating profit of \$210 million or 16.5%, as a percentage of sales, declined from the \$212 million or 17.7% reported in 2006. Profitability was negatively impacted by lower selling prices of fragrance ingredients, higher material costs and underabsorption of manufacturing costs related to scaling up the China facility in 2007.

Global Expenses

Global expenses represent corporate and headquarters-related expenses which include legal, finance, human resources and other administrative expenses that are not allocated to an individual business unit, as well as gains on asset sales and a pension curtailment charge. In 2007, Global expenses increased \$9 million to \$27 million from \$18 million incurred in 2006. In 2007, Global expenses included approximately \$6 million of curtailment loss as a result of changes to the U.S. defined benefit pension plan and approximately \$11 million related to gains on asset sales. The 2006 expenses included approximately \$15 million of other income primarily related to gains on asset sales.

2006 in Comparison to 2005

Cost of goods sold, as a percentage of sales, decreased 80 basis points compared with 2005, mainly as a result of the improved sales performance leading to better absorption of manufacturing expenses, and favorable product mix. We also benefited from the elimination of 69 manufacturing positions in 2005, mainly in North America and Europe, which resulted in savings of \$4 million. The average cost of raw materials increased 2-3% over the prior year.

Research and development expenses were 8.9% of sales, in-line with our objective of spending approximately 9% of revenues on research and development annually.

Selling and administrative expenses were 16.8% of sales compared to 17.0% in 2005. The 2005 results included \$8 million relating to a product contamination matter; 2006 results reflect the benefit of a \$3 million insurance recovery related to this contamination matter. We benefited from the elimination of 129 positions, mainly in North America and Europe, which resulted in savings of \$8 million. The 2006 period also included \$31 million in incentive compensation expense driven by improved sales and operating performance; the 2005 results included \$5 million of such expense.

Interest Expense

Interest expense totaled \$26 million and \$24 million in 2006 and 2005, respectively. The average interest rate remained at 3.3% for both years. The interest rate for each period reflects our debt and interest rate management plans. Additional details are contained in Note 8 of the Notes to the Consolidated Financial Statements.

Other (Income) Expense, Net

Other (income) expense, net was \$10 million of income in 2006 and \$3 million of expense in 2005. In 2006, income resulted from gains on asset sales of \$18 million, partially offset by higher exchange losses and other non-operating expenses. In 2005, income resulted primarily from exchange gains and higher levels of interest income earned on higher cash balances. Exchange (losses) or gains were \$(7) million and \$3 million in 2006 and 2005, respectively. The exchange losses in 2006 were mainly the result of having U.S. dollar positions in Europe and Latin America which resulted in exchange losses upon the weakening of the U.S. dollar in comparison to the Euro and other currencies.

Income Taxes

The effective tax rate for 2006 was 27.7% and 21.6% for 2005. Our effective tax rate fluctuates as a result of earnings in the countries in which we operate. The 2005 rate was significantly reduced as a result of a tax benefit associated with the American Jobs Creation Act (“AJCA”), which provided for a special one-time tax deduction of 85% of dividends received on eligible repatriated foreign earnings. Tax expense in 2005 reflects a benefit of \$25 million relating to our repatriation of \$242 million of dividends under the provisions of AJCA. Excluding the benefit of AJCA, the effective tax rate for 2005 would have been 31.6%.

Operating Results by Business Unit

Flavors Business Unit

Flavors operating profit of \$153 million or 17.1%, as a percentage of sales, increased as compared to \$108 million or 12.6% in 2005. The 2005 results included \$8 million relating to a product contamination matter; 2006 results reflect the benefit of a \$3 million insurance recovery related to this contamination matter. The 2005 results also included approximately \$6 million of restructuring charges. This profitability improvement was partially the result of increased sales volume leading to better absorption of manufacturing expenses, and favorable product mix. Selling and administrative expenses declined substantially from 2005 largely as a result of a reduction in headcount related to the restructuring more fully described below, while research and development expenses remained constant with 2005. Offsetting the benefit of the headcount reduction was approximately a \$6 million increase in incentive compensation as a result of improved operating results.

Fragrances Business Unit

Fragrance operating profit of \$212 million increased from the \$187 million reported in 2005, with a corresponding increase in operating profit, as a percentage of sales, to 17.7% in 2006 from 16.4% in 2005. The 2005 results included approximately \$10 million in restructuring charges compared to \$3 million in 2006. Higher sales volume led to increased absorption of manufacturing expenses, which was partially offset by higher raw material costs, resulting in improved profitability. Spending on research and development remained fairly constant between the two years while selling and administrative expenses declined as a result of the headcount reduction related to the restructuring discussed below. Offsetting the benefit of the headcount reduction was approximately a \$10 million increase in incentive compensation as a result of improved operating results.

Global Expenses

The Global expense caption represents corporate and headquarters-related expenses which include legal, finance, human resources and other administrative expenses that are not allocated to individual business unit, as well as gains on asset sales. Global expenses increased by \$9 million in 2006 over 2005, primarily due to approximately \$11 million of additional incentive compensation in 2006. 2005 Global expenses included \$7 million in restructuring charges.

Goodwill and Intangible Assets

At December 31, 2007 and 2006, goodwill and other intangible assets, net of accumulated amortization, totaled \$733 million and \$746 million, respectively. We completed our annual assessments in 2007 and 2006 concluding there was no impairment of goodwill or other intangible assets. Additional details are contained in Note 4 to the Consolidated Financial Statements.

We perform a goodwill impairment test on at least an annual basis or more frequently in certain circumstances, by assessing the fair value of our reporting units based upon both discounted cash flow and comparison of multiples of comparable companies. We deem goodwill to be impaired if the carrying amount of the reporting unit exceeds the estimated fair value. We completed our annual assessments in 2007 and 2006, concluding there was no impairment of goodwill.

Other intangible assets include patents, trademarks and other intellectual property, valued at acquisition, primarily through independent appraisals, which are amortized on a straight-line basis over periods ranging from 7 to 20 years. We review our other intangible assets for impairment when events or changes in business conditions indicate that their full carrying value may not be recovered.

Restructuring and Other Charges

With respect to the restructuring and other charges:

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

In 2005, we undertook to eliminate 300 positions in manufacturing, selling, research and administration functions, principally in our European and North American operating regions. The majority of affected positions involve employee separation while the balance related to open positions that are not expected to be filled. We recorded pre-tax restructuring charges relating primarily to employee separation expenses of \$23 million in 2005 and \$3 million in 2006. This plan is essentially complete. Annual savings from these actions approximated \$16-\$18 million.

Positions eliminated, including those not replaced by the 2005 program, and charges by business segment in 2006 and 2005 are detailed in the table below; there were no such actions undertaken in 2007 nor charges incurred.

Restructuring Charges

	<i>(In Thousands)</i>		Positions Eliminated	
	2006	2005	2006	2005
Flavors	\$ (463)	\$ 6,293	19	148
Fragrances	2,639	9,617	29	155
Global	504	7,409	10	126
Total	<u>\$ 2,680</u>	<u>\$ 23,319</u>	<u>58</u>	<u>429</u>

Movements in related accruals in each of the three years in the period ended December 31, 2007 were:

<i>(In Millions)</i>	Employee- Related	Asset- Related and Other	Total
Balance January 1, 2005	\$ 29	\$ 14	\$ 43
Additional charges	22	1	23
Cash and other costs	(21)	(11)	(32)
Balance December 31, 2005	30	4	34
Additional charges	4	(1)	3
Cash and other costs	(21)	(1)	(22)
Balance December 31, 2006	13	2	15
Cash and other costs	(10)	(2)	(12)
Balance December 31, 2007	<u>\$ 3</u>	<u>\$ —</u>	<u>\$ 3</u>

The remaining employee-related liabilities are expected to be utilized in 2008 as obligations are satisfied.

Income Taxes

In September 2006, the FASB issued Interpretation No. 48 (“FIN 48”), Accounting for Uncertainty in Income Taxes, which clarifies the application of FAS 109 by prescribing the minimum threshold a tax position must meet before being recognized in the financial statements. The adoption of FIN 48 did not have a material impact on the Consolidated Financial Statements. See Note 9 to the Consolidated Financial Statements for more information.

Retirement Benefits

In 2007, we amended our U.S. salaried qualified and non-qualified pension plans under which accrual of future benefits was suspended for all participants that did not meet the rule of 70 (age plus years of service equal at least 70) at December 31, 2007. As a result of this suspension, we recorded a curtailment loss of \$5.9 million to recognize a portion of the unrecognized prior service costs associated with years of service no longer expected to be rendered and credited as service under the plans. We also introduced an enhanced defined contribution plan for those employees affected by the pension curtailment that will become effective January 1, 2008. As a result of these events, we expect to realize a net annual cost savings of approximately \$4 million beginning in 2008.

Financial Condition

Cash, cash equivalents and short-term investments totaled \$152 million at December 31, 2007 compared to \$115 million and \$273 million at December 31, 2006 and 2005, respectively. Working capital totaled \$652 million at year-end 2007 compared to \$633 million and (\$11) million at December 31, 2006 and 2005, respectively. The increase in working capital was primarily related to increases in accounts receivable and inventories partially offset by an increase of \$137 million in current debt largely as a result of borrowings that mature in November 2008. The 2005 working capital balance resulted from the classification of certain debt as current due to its maturity in May 2006; such debt was refinanced during 2006. Gross additions to property, plant and equipment were \$66 million, \$58 million and \$93 million in 2007, 2006 and 2005, respectively, and are expected to approximate \$90 million in 2008.

Our financial condition continues to be of high quality, as evidenced by substantial cash flow from operations and ready access to capital markets at competitive rates. Operating cash flow provides the primary source of funds for operating and capital needs as well as dividends paid to shareholders and share repurchase activities. We anticipate that cash flows from operations and availability under our existing credit facilities are expected to be sufficient to fund our currently anticipated capital spending and other currently expected cash requirements for at least the next eighteen months.

Operating cash flow in 2007 was \$314 million compared to \$282 million and \$177 million in 2006 and 2005, respectively. Operating cash flows in 2006 were revised from the \$263 million previously reported. Amounts

previously reported had been reduced by the purchase of investments of \$18 million and deferred financing costs totaling \$1 million that were determined to be more appropriately classified as investing and financing activities, respectively; 2005 operating cash flows were unaffected by the revision. The increase in operating cash flow in 2007 compared to the prior year was primarily the result of higher net income; net earnings adjusted for non-cash items (primarily depreciation, amortization, and equity-based compensation) was the primary source of operating cash flows.

Operating cash flow increased in 2006 as compared to 2005 as a result of improved sales and operating results; net earnings adjusted for non-cash items (primarily depreciation, amortization and equity-based compensation) was the primary source of operating cash flows. Improvements in inventory and current payables were sufficient to offset an increase in receivables; the increases in receivables and payables supported the business growth achieved in 2006.

Net investing activities in 2007 utilized \$51 million compared to \$48 million and \$91 million in 2006 and 2005, respectively. The 2006 cash used in investing activities increased \$18 million as a result of revising the cash flow for certain investing and financing activities as discussed above. Investing cash outflows increased primarily due to purchase of investments of \$13 million partially offset by proceeds from investment sales of \$10 million.

In 2007 and 2006, we realized cash proceeds from the sale of assets. In both years, the proceeds related to the sale of land and buildings; to the extent such assets had been written down in connection with previous restructuring activities, any gain or loss on disposition was accounted for as part of the restructuring activities. All transactions were with third party investors and we retained no ownership interest in any of the disposed assets.

Compliance with existing governmental requirements regulating the discharge of materials into the environment has not materially affected our operations, earnings or competitive position. In 2007, we spent \$3 million on capital projects and \$18 million 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, we are 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 our financial condition, results of operations or liquidity.

The dividend paid per share in 2007, 2006 and 2005 was \$.86, \$.74 and \$.72, respectively. In January, April and July 2007, we paid a quarterly cash dividend of \$.21 per share to shareholders. In July 2007, we announced a 10% increase in our quarterly dividend rate to \$.23 per share effective with the dividend payable in October 2007. We paid dividends totaling \$77 million, \$67 million and \$68 million in 2007, 2006 and 2005. Our current intention is to pay dividends approximating 30 – 35% of yearly earnings; however, the payment of dividends is determined by the Board at its discretion based on various factors, and no assurance can be provided as to future dividends.

We supplement short-term liquidity with access to capital markets, mainly through the issuance of commercial paper, and with bank credit facilities. In 2005, we, including certain subsidiaries, entered into a revolving credit agreement (the "Facility") with certain banks. The Facility provides for a five-year U.S. \$350 million ("Tranche A") and Euro 400 million ("Tranche B") multi-currency revolving credit facility. Tranche A is available to IFF for commercial paper backstop and general corporate purposes; Tranche B is available to both IFF and the European subsidiaries for general corporate purposes. Borrowings under the Facility bear interest at an annual rate of LIBOR (London Inter Bank Offer Rate) (or in relation to any Euro-denominated loans, EURIBOR, European Inter Bank Offer Rate) plus a margin, currently 20 basis points, linked to our credit rating. We pay a commitment fee on the aggregate unused commitments and a utilization fee based on amounts outstanding under the Facility; such fees are not material. As permitted by the Facility, in 2007, the termination dates were extended by one year until November 23, 2012. The Facility contains various affirmative and negative covenants customary in a facility of this type, including a covenant requiring us to maintain, at the end of each fiscal quarter, a ratio of net debt for borrowed money to EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) in respect of the previous 12-month period of not more than 3.25 to 1. We have complied with this covenant at all times.

In addition, including our subsidiaries, we had unused lines of credit totaling \$846 million at December 31, 2007 compared to \$701 million at December 31, 2006.

At December 31, 2007, we had \$1,213 million of debt outstanding. On September 27, 2007, we issued \$500 million of Senior Unsecured Notes (“Senior Notes – 2007”) in four series under the Note Purchase Agreement (“NPA”): (i) \$250 million in aggregate principal amount of 6.25% Series A Senior Notes due September 27, 2017, (ii) \$100 million in aggregate principal amount of 6.35% Series B Notes due September 27, 2019, (iii) \$50 million in aggregate principal amount of 6.50% Series C Notes due September 27, 2022 and (iv) \$100 million in aggregate principal amount of 6.79% Series D Notes due September 27, 2027. Proceeds were used primarily to fund repurchases of IFF stock (discussed below). Under the NPA, we may at any time, with notice, prepay all or a portion equal to or greater than 10% of the Notes, for an amount equal to the principal, accrued interest and a “make-whole” prepayment premium as calculated under the NPA. We may also prepay the Senior Notes – 2007 solely for the principal and accrued interest thereon in connection with certain asset sales. We will be required to make an offer to prepay the Senior Notes – 2007 following a change in control (as defined in the NPA) for an amount equal to the principal and accrued interest but without a “make-whole” or other premium.

In contemplation of this debt issuance, we entered into interest rate hedge contracts, with a notional amount of \$400 million to manage our exposure to changes in interest rates. The contracts were designated as hedges of the variability of the cash flows due to changes in the long-term benchmark interest rates and the credit spread. We recorded a \$1.6 million gain on the settlement of these interest rate hedge contracts, which coincided with the issuance of the long-term fixed-rate debt. For additional information regarding this transaction, see Note 8 to the Consolidated Financial Statements.

Pursuant to the NPA, we are required to maintain a consolidated net debt to consolidated EBITDA ratio of 3.5:1 (as calculated under the NPA), provided that such ratio may exceed 3.5:1 (but not 4:1) upon the payment of certain additional interest and provided further that such ratio does not exceed 3.5:1 for more than eight consecutive quarters. In addition, we are required not to permit the aggregate amount of our subsidiaries’ debt to exceed 20% of our consolidated total assets as calculated under the NPA, with certain exceptions. We, including our subsidiaries, will not incur any liens, subject to certain permitted categories of liens and a general lien allowance of \$120 million. We also made certain affirmative and negative covenants relating to the operation of our business; material events such as asset sales and mergers, and the pari passu ranking of the Senior Notes-2007.

As a result of the additional debt, Moody’s and Standard & Poor’s (“S&P”) affirmed their short-term credit rating for IFF at P2 and A2, respectively, and Moody’s and S&P adjusted their long-term rating to Baa1 and BBB, respectively, with a stable outlook.

During the first six months of 2007, under a share repurchase program of \$300 million authorized in October 2006 (the “October 2006 Plan”), we repurchased approximately 1.6 million shares at a cost of \$81 million; at June 30, 2007, we had approximately \$125 million remaining under the October 2006 Plan. In July 2007, the October 2006 Plan was terminated and superseded by a new program authorized by our Board to repurchase up to 15% or \$750 million worth of our outstanding common stock, whichever is less (the “July 2007 Plan”).

In September 2007, under the July 2007 Plan, we entered into two agreements to purchase shares of our common stock under a \$450 million accelerated share repurchase (“ASR”) program. On September 28, 2007, we paid \$450 million in exchange for an initial delivery of 7.6 million shares under the ASR, representing 90% of the shares that could have been purchased, based on the prior closing price of our stock. The remaining 10%, or \$45 million, not used in the initial settlement will be included in the determination of the cost of the shares purchased on completion of the ASR and was reflected in the accompanying Consolidated Balance sheet as a reduction to Capital in excess of par value.

On completion of the ASR, which is expected to be by the end of the second quarter of 2008, we may receive additional shares or may be required to pay cash or additional shares at our option, based on the volume-weighted average price (“VWAP”) of the common stock during the agreement term. For additional information regarding these transactions, see Note 10 to the Consolidated Financial Statements. Proceeds from the \$500 million Senior Notes — 2007 described above funded the payment.

In the year ended December 31, 2007, we purchased 10.2 million shares at a cost of \$532 million. In the year ended December 31, 2006, we purchased 6.9 million shares at a cost of \$271 million.

At December 31, 2007, we have contractual payment obligations due within the time periods as specified in the following table:

Contractual Obligations	Payments Due				
	Total	2008	2009-2010	2011-2012	2013 and thereafter
Borrowings(1)	\$ 1,213	\$ 153	\$ 50	\$ 276	\$ 734
Interest on borrowings(1)	571	63	120	109	279
Operating leases(2)	293	24	41	34	194
Purchase commitments(3)	19	19	—	—	—
Pension funding obligations(4)	20	16	1	1	2
Post-retirement obligations(4)	49	4	8	9	28
Total	\$ 2,165	\$ 279	\$ 220	\$ 429	\$ 1,237

- (1) See Note 8 to the Consolidated Financial Statements for a further discussion of our various borrowing facilities.
- (2) Operating leases include facility and other lease commitments executed in the normal course of the business. Additional details concerning the United States facilities are contained in Note 7 of the Notes to the Consolidated Financial Statements and further details concerning worldwide aggregate operating leases are contained in Note 16 of the Notes to the Consolidated Financial Statements.
- (3) Purchase obligations and capital project commitments are not recorded on our consolidated balance sheet.
- (4) See Note 13 to the Consolidated Financial Statements for a further discussion of our retirement plans. Anticipated funding obligations are based on current actuarial assumptions. Minimum funding requirements reported in the above table do not extend beyond 2016.

Critical Accounting Policies and Use of Estimates

Our accounting policies are more fully described in Note 1 to the Consolidated Financial Statements. As disclosed in Note 1, the preparation of financial statements in conformity with U.S. generally accepted accounting principles (“GAAP”) requires management to make estimates and assumptions that affect reported amounts and accompanying disclosures. These estimates are based on management’s best judgment of current events and actions that we may undertake in the future. Actual results may ultimately differ from estimates.

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

The periodic assessment of potential impairment of intangible assets acquired in business combinations. We currently have net intangible assets, including goodwill, of \$733 million. Goodwill is evaluated for impairment annually. In assessing goodwill, management uses the most current actual and forecasted operating data available, and current market based assumptions. A two-step approach is employed. The first step involves estimating the value of reporting units based on the present value of estimated future cash flows. The second step, if necessary, is to measure the value of the impairment loss, if any. Management’s most subjective assumptions relate to the estimated/projected sales and operating growth values employed in the forecast.

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

In 2007, we adopted SFAS No. 48, “Accounting for Uncertainty in Income Taxes”, an interpretation of FAS 109 (“FIN 48”). As a result of adopting FIN 48, we recognized a \$1 million increase in Other liabilities for unrecognized tax benefits and a corresponding cumulative effect adjustment to Retained earnings. Also as prescribed by FIN 48, certain tax related amounts in the Consolidated Balance Sheet are classified differently than in prior periods. Amounts receivable from various tax jurisdictions are now included in Other current assets and tax reserves previously classified as accrued taxes on income are now included in Other liabilities.

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

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

We regularly evaluate potential environmental exposure in terms of total estimated cost and the viability of other potentially responsible parties (“PRP’s”) associated with our exposure. Recorded liabilities are adjusted periodically as remediation efforts progress and additional information becomes available. Critical management assumptions relate to expected total costs to remediate and the financial viability of PRP’s to share such costs.

Determination of the various assumptions employed in the valuation of pension and retiree health care expense and associated obligations. Amounts recognized in the Consolidated Financial Statements related to pension and other postretirement benefits are determined from actuarial valuations. Inherent in such valuations are assumptions including expected return on plan assets, discount rates at which the liabilities could be settled, rates of increase in future compensation levels, mortality rates and health care cost trend rates. These assumptions are updated annually and are disclosed in Note 13 to the Consolidated Financial Statements. In accordance with GAAP, actual results that differ from the assumptions are accumulated and amortized over future periods and, therefore, affect expense recognized and obligations recorded in future periods.

With respect to the U.S. plans, the expected return on plan assets was determined based on an asset allocation model using the current benchmark allocation, real rates of return by asset class and an anticipated inflation rate. The benchmark asset allocation was: 10 – 20% in cash and fixed income investments expected to yield 1.0%; 10 – 20% employed in corporate and government bonds expected to yield 2.1%; and 65 – 75% in equity investments with a long-term expected yield of 8.5 – 9.3%. The inflation rate assumed in the model was 2.5%. The plan has achieved a compounded annual rate of return of 9.6% over the previous 20 years. The expected annual rate of return for the non-U.S. plans employs a similar set of criteria adapted for local investments, inflation rates and in certain cases specific government requirements. The discount rate used for determining future pension obligations for each individual plan is based on a review of long-term bonds that receive a high rating from a recognized rating agency. Additionally, for the U.S. plans, the discount rate was based on the internal rate of return for a portfolio of Moody’s Aa3-rated high quality bonds with maturities that are consistent with the projected future benefit payment obligations of the plan. The rate of compensation increase for all plans and the medical cost trend rate for the applicable U.S. plans are based on plan experience.

Management establishes the assumptions concerning discount rates and actuarial assumptions based on current market conditions, including asset returns and other factors applicable under the circumstances. Changes in pension and other post-employment benefits, and associated expenses, may occur in the future due to changes in these assumptions. The impact that a .25% decrease in the discount rate or a 1% change in the medical cost trend rate would have on our pension and other post-employment benefit expense, as applicable, is discussed in Note 13 to the Consolidated Financial Statements.

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

Determination of various assumptions employed in the calculation of equity compensation expense. Amounts recognized in the Consolidated Financial Statements related to equity compensation are determined based on the number of awards and type of award as well as specific assumptions regarding expected life, stock price volatility, risk free interest rate, termination rates, exercise multiple and the dividend yield. These assumptions are employed in the Binomial model used to value certain awards. Management establishes the assumptions based on current market conditions and historical trends related to the equity awards.

We changed our valuation model used for estimating the fair value of options granted after January 1, 2006, from a Black-Scholes option-pricing model to a Binomial lattice-pricing model. This change was made in order to provide a better estimate of fair value since the Binomial model is a more flexible method for valuing employee stock options than the Black-Scholes model. The flexibility of the simulated Binomial model stems from the ability incorporate inputs that change over time, such as volatility and interest rates, and to allow for actual exercise behavior of option holders. We are using an average of implied and historical volatility while the expected term assumption was determined based on historical patterns.

Developing the assumptions used in the Binomial model requires significant judgment on our part and, generally, may involve analyzing available historical data, considering whether historical data is relevant to predicting future behavior, making appropriate adjustments to historical data for future expectations, supplementing or replacing company-specific historical data with data from other supportable sources and appropriately weighting each of the inputs. These assumptions are evaluated at each grant date. If factors change and we employ different assumptions for estimating share-based compensation expense in future periods or if we decide to use a different valuation model, the future periods may differ significantly from what we have recorded in the current period and could materially affect operating income, net income and net income per share.

We believe that we have considered relevant circumstances that we may be currently subject to, and the financial statements accurately reflect our best estimate of the results of our operations, financial condition and cash flows for the years presented. We have discussed the decision process and selection of these critical accounting policies with the Audit Committee of the Board of Directors.

New Accounting Standards

In September 2006, the FASB issued SFAS No. 157 (“FAS 157”), “Fair Value Measurements.” This Statement defines fair value, establishes a framework for measuring fair value and expands disclosures regarding fair value measurements. FAS 157 is effective for years beginning after December 15, 2007. We are currently assessing the impact of this interpretation, but we do not believe its adoption will have a material impact on our results or financial condition.

In February 2007, the FASB issued SFAS No. 159 “The Fair Value Option for Financial Assets and Liabilities — Including an amendment of FASB No. 115” (“FAS 159”). This standard allows companies to elect, at specific election dates, to measure eligible financial assets and liabilities at fair value that are not otherwise required to be measured at fair value. If a company elects the fair value option, subsequent changes in that item’s fair value must be recognized in current earnings. FAS 159 is effective for years beginning after November 15, 2007. We are currently evaluating the impact of this standard.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), “Business Combinations” (“FAS 141(R)”). In FAS 141(R), the FASB retained the fundamental requirements of Statement No. 141 to account for all business combinations using the acquisition method (formerly the purchase method) and for an acquiring entity to be identified in all business combinations. However, the new standard requires the acquiring entity in a business combination to recognize the assets acquired and liabilities assumed in the transaction; establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed; and requires the acquirer to disclose to investors and other users all of the information they need to evaluate and understand the nature and financial effect of the business combination. FAS 141(R) is effective for annual periods beginning on or after December 15, 2008. We have not yet determined the impact, if any, that FAS 141(R) will have on our results of operations or financial position.

Non-GAAP Financial Measures

The discussion of our historical results include and, where indicated, exclude the benefit of a 2006 insurance recovery relating to a product contamination issue, certain favorable tax rulings with respect to prior years and the

impact of repatriation of certain dividends from foreign subsidiaries under the AJCA, as well as the effects of exchange rate fluctuations. Such information is supplemental to information presented in accordance with GAAP and is not intended to represent a presentation in accordance with GAAP. In discussing our historical and expected future results and financial condition, we believe it is meaningful for investors to be made aware of and to be assisted in a better understanding of, on a period-to-period comparative basis, such matters as the 2006 insurance recovery relating to a product contamination issue, repatriation of certain dividends from foreign subsidiaries under AJCA, certain favorable tax rulings with respect to prior years as well as the impact of exchange rate fluctuations on operating results and financial condition. We believe such additional non-GAAP information provides investors with an overall perspective of the period-to-period performance of our core business. In addition, management internally reviews each of these non-GAAP measures to evaluate performance on a comparative period-to-period basis in terms of absolute performance, trends and expected future performance with respect to its core continuing business. A material limitation of these non-GAAP measures is that such measures do not reflect actual GAAP amounts, an insurance recovery includes actual cash inflows, and the benefit from favorable tax rulings and AJCA reflect actual accounting and cash benefits realized; and we compensate for such limitations by presenting the accompanying reconciliation to the most directly comparable GAAP measure. These non-GAAP measures may not be comparable to similarly titled measures used by other companies.

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 current assumptions, estimates and expectations. Certain of such forward-looking information may be identified by such terms as “expect,” “believe,” “outlook,” “guidance,” “may,” and similar terms or variations thereof. All information concerning future revenues, tax rates or benefits, interest savings, earnings and other future financial results or financial position, constitutes forward-looking information. Such forward-looking statements involve significant risks, uncertainties and other factors. Actual results of the Company may differ materially from any future results expressed or implied by such forward-looking statements. 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, quality 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 on cash and the impact of increased borrowings related to the July 2007 share repurchase program; 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 outcome of uncertainties related to litigation; 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 U.S. and foreign governments. The Company intends its forward-looking statements to speak only as of the time of such statements and does not undertake or plan to update or revise them as more information becomes available or to reflect changes in expectations, assumptions or results.

Any public statements or disclosures by IFF following this report that modify or impact any of the forward-looking statements contained in or accompanying this report will be deemed to modify or supersede such outlook or other forward-looking statements in or accompanying this report.

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

We operate on a global basis and are exposed to currency fluctuation related to the manufacture and sale of our products in currencies other than the U.S. dollar. The major foreign currencies involve the markets in the European Union, Great Britain, Mexico, Brazil, China, Indonesia, Australia and Japan, although all regions are subject to foreign currency fluctuations versus the U.S. dollar. We actively monitor our foreign currency exposures in all major markets in which we operate, and employ a variety of techniques to mitigate the impact of exchange rate fluctuations, including foreign currency hedging activities. We enter into foreign currency forward contracts with the objective of reducing exposure to cash flow volatility associated with foreign currency receivables and payables, and with anticipated purchases of certain raw materials used in operations. These contracts, the counterparties to which are major international financial institutions, generally involve the exchange of one

currency for a second currency at a future date, and have maturities not exceeding six months. The notional amount and maturity dates of such contracts match those of the underlying transactions. The gain or loss on the hedging instrument is recorded in earnings at the same time as the transaction being hedged is recorded in earnings. In February 2003, we executed a 10-year Yen – U.S. dollar currency swap related to the monthly sale and purchase of products between the U.S. and Japan, which is designated as a cash flow hedge. The annual notional value of this swap is approximately \$5 million. The associated asset or liability on the open hedge instrument is recorded in Current Assets or Current Liabilities, as applicable. 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 (“AOCI”).

In addition to the foreign exchange forward contracts noted above, we use non-U.S. dollar borrowings and foreign exchange swap agreements, to hedge the foreign currency exposures of our net investment in certain foreign affiliates, primarily in the European Union. These foreign exchange swap agreements are designated as hedges of net investments. In September 2007 and January 2006, we entered into a \$250 million and a \$300 million Cross Currency Interest Rate Swap, respectively, to hedge a portion of our consolidated EUR net investment. The derivative was structured as a swap of floating USD LIBOR to floating EURIBOR, with both floating interest rates reset and paid semi-annually. Because the derivative is structured as a floating to floating swap, the only value, other than that derived from changes in the spot Foreign Exchange (FX) rate, are interest rate accruals which are reset semi-annually. These accruals are netted and booked in current earnings. Mark-to-market changes due to differences in the underlying FX rate are recorded in AOCI and provide an offset to the cumulative translation adjustment of the underlying Euro net investments being hedged. Effectiveness is assessed quarterly. At maturity, or if the swaps are terminated early, any gain or loss will not be recorded to earnings, but will be recorded to AOCI until the EUR net investment is divested.

We use derivative instruments as part of our interest rate risk management strategy. The derivative instruments used are comprised principally of fixed to floating rate interest rate swaps. In September 2007, we entered into a \$250 million interest rate swap agreement effectively converting the fixed rate on our long-term U.S. dollar borrowings to a variable short-term rate based on USD LIBOR rate plus markup. In addition, in 2005, we entered into certain interest rate swap agreements effectively converting the fixed rate on our long-term Japanese Yen borrowings to a variable short-term rate based on the Japanese Yen LIBOR rate plus markup. These swaps are designated as qualified fair value hedges. Swap contracts are generally held to maturity and are intended to create an appropriate balance of fixed and floating rate debt. To the extent we have 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 following table summarizes our derivatives outstanding as of December 31, 2007. These swaps were all effective under FAS 133.

Notional Amount	300,000,000	250,000,000	15,150,000,000	50,000,000	250,000,000
Currency	USD	USD	JPY	USD	USD
Description	Cross Currency Interest Rate Swap (USD/EUR)	Cross Currency Interest Rate Swap (USD/EUR)	Interest Rate Swap	10 Year Cross Currency Swap (JPY/USD)	Interest Rate Swap
Hedged risk	Foreign Exchange Risk(1)	Foreign Exchange Risk(1)	The risk of changes in fair value attributable to interest rate risk(2)	The variability of cash flows attributable to foreign exchange risk(3)	The risk of changes in fair value attributable to interest rate risk(2)

Method used to test for effectiveness:

- (1) Quarterly hedge effectiveness is tested using spot-to-spot methodology. We use a hypothetical derivative on an after-tax basis, and ensure that the hedged amount is less than the designated Euro net investment. We ensure that the terms of the hedging instrument have not changed and perform a review of counterparty creditworthiness.
- (2) Changes in fair value attributable to the risk being hedged are expected to be completely offset by the

hedging derivative because the critical terms of the Interest Rate Swap and the hedged debt match (i.e., the currency, notional amount, timing and date of interest payments). Quarterly hedge effectiveness testing includes ensuring the terms of the hedging instrument and the debt have not changed and reviewing counterparty creditworthiness.

- (3) Changes in cash flow attributable to the risk being hedged are expected to be completely offset by the hedging derivative because the critical terms of the Cross Currency Swap and the forecasted transaction match (i.e., the currency, notional amount and timing). Quarterly hedge effectiveness testing includes reviewing counterparty creditworthiness, ensuring the probability of hedged forecasted transactions has not changed and ensuring the terms of the hedging instrument have not changed.

We have established a centralized reporting system to evaluate the effects of changes in interest rates, currency exchange rates and other relevant market risks. Our risk management procedures include the monitoring of interest rate and foreign exchange exposures and hedge positions utilizing statistical analyses of cash flows, market value and sensitivity analysis. However, the use of these techniques to quantify the market risk of such instruments should not be construed as an endorsement of their accuracy or the accuracy of the related assumptions. Market exposures are evaluated using a sensitivity model that is intended to measure the potential 10% loss in interest rate and foreign exchange financial instruments, assuming adverse market conditions occur. Historical interest rates and foreign exchange rates are used to estimate the volatility and correlation of future rates.

The estimated maximum potential one-day loss in fair value of interest rate or foreign exchange rate instruments, calculated using the sensitivity model, is not material to our consolidated financial position, results of operations or cash flows in 2007, 2006 and 2005. The estimated maximum yearly loss in earnings due to interest rate or foreign exchange rate instruments, calculated utilizing the sensitivity model, is not material to our results of operations in 2007, 2006 and 2005. Actual results in the future may differ materially from these projected results due to actual developments in the global financial markets.

The foreign currency and interest rate swap contracts existing during 2007 and 2006 were entered into for the purpose of seeking to mitigate the risk of certain specific adverse currency and interest rate risks. As a result of these financial instruments, we reduced financial risk in exchange for foregoing any gain (reward) that might have occurred if the markets moved favorably. In using these contracts, management exchanged the risks of the financial markets for counterparty risk. Counterparty risk arises from the inability of a counterparty to meet its obligations. To mitigate counterparty risk, we entered into derivative contracts with major leading financial institutions that have credit ratings equal to or better than our credit rating.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

See index to Consolidated Financial Statements on page 38. See Item 6 for supplemental quarterly data on page 14.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES.

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

Our Chief Executive Officer and Chief Financial Officer, with the assistance of other members of our management, have evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Annual Report on Form 10-K. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective as of the end of the period covered by this Annual Report on Form 10-K.

We have established controls and procedures designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms and is accumulated and communicated to management, including the principal executive officer and the principal financial officer, to allow timely decisions regarding required disclosure.

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

The Report of Independent Registered Public Accounting Firm is contained in Part IV of this Annual Report on Form 10-K and is incorporated herein by reference.

Management's Report on Internal Control Over Financial Reporting.

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

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

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2007. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in *Internal Control – Integrated Framework*.

Based on this assessment, management determined that, as of December 31, 2007, our internal control over financial reporting was effective.

PricewaterhouseCoopers LLP, our independent registered public accounting firm, has audited the effectiveness of our internal control over financial reporting as of December 31, 2007 as stated in their report which is included herein.

Certifications to NYSE and SEC

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

ITEM 9B. OTHER INFORMATION.

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

The information relating to our directors and nominees are set forth under the caption “Election of Directors” in the IFF 2008 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 2008 Proxy Statement is also incorporated by reference herein. See Part I, Item 1 of this Form 10-K for information relating to our Executive Officers.

We have adopted a Code of Business Conduct and Ethics (the “Code of Ethics”) that applies to our Chief Executive Officer, principal financial officer, principal accounting officer, and to all of our other directors, officers and employees. The Code of Ethics is available at the Investor Relations / Corporate Governance section on our 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 or the Audit Committee of the Board and any such waiver will be publicly disclosed. We will disclose substantive amendments to and any waivers from the Code of Ethics provided to our Chief Executive Officer, principal financial officer or principal accounting officer, as well as any other executive officer or director, at the Investor Relations / Corporate Governance section on our Internet website: www.iff.com. On August 15, 2007, we initiated an anonymous worldwide Hotline to address the serious concerns of employees. We contracted with Global Compliance Services to assist our employees in identifying issues that might compromise our health, safety, or reputation, employees or shareholders.

The information regarding our Audit Committee and designated audit committee financial expert is set forth under the captions “Board and Committee Memberships” and “Audit Committee” in the IFF 2008 Proxy Statement and such information is incorporated by reference herein.

The information concerning procedures by which shareholders may recommend director nominees is set forth under “Director Candidates” in the IFF 2008 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 “Executive Compensation” and “Directors’ Compensation” in the IFF 2008 Proxy Statement and such information is incorporated by reference herein; except that the information under the caption “Compensation Committee Report” shall be deemed “furnished” with this report and shall not be deemed “filed” with this report, not deemed incorporated by reference into any filing under the Securities Act of 1933 except only as may be expressly set forth in any such filing by specific reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The information relating to security ownership of management and certain beneficial owners is set forth under the caption “Beneficial Ownership Table” in the IFF 2008 Proxy Statement and such information is incorporated by reference herein. The information relating to our equity plans is set forth under the caption “Equity Compensation Plans” in the IFF 2008 Proxy Statement and such information is incorporated by reference herein.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

The information regarding certain relationships and related party transactions and director independence is set forth under the caption “Independence of Directors and Committee Members and Related Person Matters” in the IFF 2008 Proxy Statement and such information is incorporated by reference herein.

ITEM 14. PRINCIPAL ACCOUNTING FIRM FEES AND SERVICES.

The information regarding fees and services of the independent registered public accounting firm (“independent accountant”) and our pre-approval policies and procedures for audit and non-audit services provided by our independent accountant are set forth under the captions “Principal Accountant Fees and Services” and “Audit Committee Pre-Approval Policies and Procedures” in the IFF 2008 Proxy Statement and such information is incorporated by reference herein.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

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

Report of Independent Registered Public Accounting Firm	39
Consolidated Statement of Income for the three years ended December 31, 2007	41
Consolidated Balance Sheet — December 31, 2007 and 2006	42
Consolidated Statement of Cash Flows for the three years ended December 31, 2007	43
Consolidated Statement of Shareholders' Equity for the three years ended December 31, 2007	44
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(a)(2) FINANCIAL STATEMENT SCHEDULES

Schedule II — Valuation and Qualifying Accounts and Reserves for the three years ended December 31, 2007	S-1
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All other schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

In our opinion, the consolidated financial statements listed in the index appearing under item 15(a)(1) present fairly, in all material respects, the financial position of International Flavors & Fragrances Inc. and its subsidiaries at December 31, 2007 and December 31, 2006, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2007 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Managements' Report on Internal Control Over Financial Reporting, appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included 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. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 9 to the Consolidated Financial Statements, the Company changed the manner in which it accounts for uncertain tax positions in 2007. As discussed in Note 11 to the Consolidated Financial Statements, the Company changed the manner in which it accounts for share-based compensation in 2006. As discussed in Note 13 to the Consolidated Financial Statements, the Company changed the manner in which it accounts for defined benefit pension and other postretirement plans effective December 31, 2006.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

/s/ PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP
New York, New York
February 27, 2008

International Flavors & Fragrances Inc.**CONSOLIDATED STATEMENT OF INCOME**

<i>(DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)</i>	Year Ended December 31,		
	2007	2006	2005
Net sales	\$ 2,276,638	\$ 2,095,390	\$ 1,993,393
Cost of goods sold	1,324,424	1,211,259	1,168,992
Research and development expenses	199,023	185,692	179,812
Selling and administrative expenses	375,287	351,923	339,323
Amortization of intangibles	12,878	14,843	15,071
Curtailement loss	5,943	—	—
Restructuring and other charges, net	—	2,680	23,319
Interest expense	41,535	25,549	23,956
Other (income) expense, net	(11,136)	(9,838)	(3,268)
	<u>1,947,954</u>	<u>1,782,108</u>	<u>1,747,205</u>
Income before taxes	328,684	313,282	246,188
Taxes on income	81,556	86,782	53,122
Net income	247,128	226,500	193,066
Other comprehensive income:			
Foreign currency translation adjustments	(1,136)	15,515	(55,596)
Accumulated losses (gains) on derivatives qualifying as hedges	622	141	3,088
Minimum pension liability adjustment	—	92,831	10,325
Pension and Post-retirement liability adjustment	53,039	—	—
Comprehensive income	<u>\$ 299,653</u>	<u>\$ 334,987</u>	<u>\$ 150,883</u>
	<u>2007</u>	<u>2006</u>	<u>2005</u>
Net income per share – basic	\$ 2.86	\$ 2.50	\$ 2.06
Net income per share – diluted	\$ 2.82	\$ 2.48	\$ 2.04

Notes to Consolidated Financial Statements

International Flavors & Fragrances Inc.
CONSOLIDATED BALANCE SHEET

(DOLLARS IN THOUSANDS)	December 31,	
	2007	2006
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 151,471	\$ 114,508
Short-term investments	604	604
Receivables:		
Trade	412,221	369,870
Allowance for doubtful accounts	(11,694)	(12,715)
Other	50,052	48,147
Inventories	484,222	446,606
Deferred income taxes	77,572	89,448
Prepaid expenses	26,030	23,335
Total Current Assets	1,190,478	1,079,803
Property, Plant and Equipment, net	508,820	495,124
Goodwill	665,582	665,582
Other Intangible Assets, net	67,254	80,134
Other Assets	294,654	158,261
Total Assets	\$ 2,726,788	\$ 2,478,904

(DOLLARS IN THOUSANDS)	December 31,	
	2007	2006
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Bank borrowings, overdrafts and current portion of long-term debt	\$ 152,473	\$ 15,897
Accounts payable	130,992	111,661
Accrued payrolls and bonuses	64,271	71,976
Dividends payable	18,628	18,764
Income taxes	—	45,251
Restructuring and other charges	2,654	15,288
Other current liabilities	169,878	167,934
Total Current Liabilities	538,896	446,771
Other Liabilities:		
Long-term debt	1,060,168	791,443
Deferred gains	61,659	64,686
Retirement liabilities	171,991	170,719
Other liabilities	276,877	100,117
Total Other Liabilities	1,570,695	1,126,965
Commitments and Contingencies (Note 16)		
Shareholders' Equity:		
Common stock 12 ½¢ par value; authorized 500,000,000 shares; issued 115,761,840 shares	14,470	14,470
Capital in excess of par value	54,995	96,635
Retained earnings	2,078,937	1,909,599
Accumulated other comprehensives (loss) income:		
Cumulative translation adjustment	(32,990)	(31,854)
Accumulated losses on derivatives qualifying as hedges	(1,843)	(2,465)
Pension and Postemployment liability adjustment	(109,514)	(162,553)
	2,004,055	1,823,832
Treasury stock, at cost -34,766,612 shares in 2007 and 26,344,638 shares in 2006	(1,386,858)	(918,664)
Total Shareholders' Equity	617,197	905,168
Total Liabilities and Shareholders' Equity	\$ 2,726,788	\$ 2,478,904

See Notes to Consolidated Financial Statements

International Flavors & Fragrances Inc.
CONSOLIDATED STATEMENT OF CASH FLOWS

(DOLLARS IN THOUSANDS)	Year Ended December 31,		
	2007	2006	2005
Cash flows from operating activities:			
Net income	\$ 247,128	\$ 226,500	\$ 193,066
Adjustments to reconcile to net cash provided by operating activities			
Depreciation and amortization	82,788	89,733	91,928
Deferred income taxes	(6,343)	(12,423)	(32,882)
Gain on disposal of assets	(13,791)	(22,836)	(2,108)
Equity based compensation	18,168	18,185	7,350
Curtailment loss	5,943	—	—
Changes in assets and liabilities:			
Current receivables	(32,974)	(27,153)	(1,897)
Inventories	(12,406)	9,492	(117)
Current payables	22,298	38,087	(6,369)
Changes in other assets	(2,088)	(20,396)	(46,225)
Changes in other liabilities	5,339	(17,570)	(25,586)
Net cash provided by operations	314,062	281,619	177,160
Cash flows from investing activities:			
Additions to property, plant and equipment	(65,614)	(58,282)	(93,433)
Proceeds from disposal of assets	16,959	27,235	2,787
Proceeds from investments	10,471	—	—
Purchase of investments	(13,170)	(17,355)	—
Net cash used in investing activities	(51,354)	(48,402)	(90,646)
Cash flows from financing activities:			
Cash dividends paid to shareholders	(76,600)	(67,381)	(67,779)
Net change in bank borrowings and overdrafts	(129,648)	(48,714)	312,094
Net proceeds from long-term debt	498,569	373,637	—
Repayments of long-term debt	—	(499,300)	(11,653)
Proceeds from issuance of stock under stock plans	50,116	110,867	23,015
Excess tax benefits on stock options exercised	6,568	4,653	—
Purchase of treasury stock	(577,001)	(270,998)	(98,319)
Net cash (used in) provided by financing activities	(227,996)	(397,236)	157,358
Effect of exchange rate changes on cash and cash equivalents	2,251	5,982	(3,923)
Net change in cash and cash equivalents	36,963	(158,037)	239,949
Cash and cash equivalents at beginning of year	114,508	272,545	32,596
Cash and cash equivalents at end of year	\$ 151,471	\$ 114,508	\$ 272,545
Non-Cash investing activity:			
Interest paid	\$ 36,017	\$ 31,701	\$ 37,012
Taxes paid	\$ 60,405	\$ 79,442	\$ 66,668

See Notes to Consolidated Financial Statements

International Flavors & Fragrances Inc.
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

<i>(DOLLARS IN THOUSANDS)</i>	Common stock	Capital in excess of par value	Retained earnings	Accumulated other comprehensive (loss) income	Treasury stock	
					Shares	Cost
Balance at December 31, 2004	\$14,470	\$79,498	\$1,627,386	\$(108,172)	(21,088,993)	\$(701,825)
Net Income			193,066			
Cumulative translation adjustment				(55,596)		
Accumulated losses on derivatives qualifying as hedges; net of tax: \$674				3,088		
Minimum pension liability adjustment; net of tax: \$(2,262)				10,325		
Total comprehensive income						
Cash dividends declared			(68,397)			
Stock options		(7,604)			828,644	34,094
Reacquired shares					(2,587,000)	(98,319)
Restricted stock award					(200,000)	(6,667)
Amortization						
Balance at December 31, 2005	14,470	71,894	1,752,055	(150,355)	(23,047,349)	(772,717)
Net Income			226,500			
Cumulative translation adjustment				15,515		
Accumulated losses on derivatives qualifying as hedges				141		
Minimum pension liability adjustment; net of tax: \$42,469				92,831		
Adoption of FAS 158 minimum pension liability adjustment; net of tax: \$4,276				7,549		
Pension and postemployment liability adjustment; net of tax: \$(76,742)				(162,553)		
Cash dividends declared			(68,956)			
Stock options		598			3,346,326	116,050
Reacquired shares					(6,891,152)	(270,998)
Vested restricted stock units					29,632	1,597
Restricted stock award		24,143			217,905	7,404
Balance at December 31, 2006	14,470	96,635	1,909,599	(196,872)	(26,344,638)	(918,664)
Net Income			247,128			
FIN 48 adoption adjustment			(1,325)			
Cumulative translation adjustment				(1,136)		
Accumulated losses on derivatives qualifying as hedges				622		
Pension liability and post-retirement adjustment; net of tax: \$25,758				53,039		
Cash dividends declared			(76,465)			
Stock options		4,121			1,332,595	48,483
Reacquired shares		(45,000)			(10,198,877)	(532,001)
Vested restricted stock units		(16,126)			234,388	7,874
Stock based compensation		15,365			209,920	7,450
Balance at December 31, 2007	<u>\$14,470</u>	<u>\$54,995</u>	<u>\$2,078,937</u>	<u>\$(144,347)</u>	<u>(34,766,612)</u>	<u>\$(1,386,858)</u>

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

Nature of Operations We are 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. Our 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.

Use of Estimates The 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 we may undertake in the future. Actual results may ultimately differ from estimates.

Principles of Consolidation The consolidated financial statements include our accounts and those of our subsidiaries. Significant intercompany balances and transactions have been eliminated. To the extent a subsidiary is not wholly-owned, any related minority interest is included in Other liabilities; applicable (income) expense attributable to the minority interest is included in Other (income) expense, net.

Revenue Recognition We recognize revenue when the earnings process is complete. This generally occurs when (i) products are shipped to the customer in accordance with the terms of sale, (ii) title and risk of loss have been transferred and (iii) collectibility is reasonably assured. Net sales are reduced, at the time revenue is recognized, by accruing for applicable discounts, rebates and sales allowances based on historical experience. Related accruals are included in accrued liabilities.

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

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

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

Other Receivables Other receivables consist primarily of Value Added Tax (VAT) receivables in the various countries in which we operate and insurance recoveries receivable. VAT receivables are recorded when goods are received and are normally recoverable within 30 days. Insurance recoveries receivable are recorded, on an undiscounted basis, when it is probable that recovery will be realized; such recoveries are accounted for as a component of the income statement caption in which the original expense was recognized.

Inventories Inventories are stated at the lower of cost (on weighted average basis) or market. Our inventories consisted of the following:

(DOLLARS IN THOUSANDS)	December 31,	
	2007	2006
Raw materials	\$ 237,943	\$ 213,675
Work in process	10,707	12,686
Finished goods	235,572	220,245
Total	\$ 484,222	\$ 446,606

Property, Plant and Equipment Property, plant and equipment are recorded at cost. Depreciation is calculated on a straight-line basis, principally over the following estimated useful lives: buildings and improvements, 10 to 40 years; machinery and equipment, 3 to 10 years; information technology hardware and software, 3 to 7 years; and leasehold improvements which are included in buildings and improvements, the estimated life of the improvements or the remaining term of the lease, whichever is shorter. We periodically evaluate whether current events or circumstances indicate that the carrying value of our depreciable assets may not be recoverable.

Goodwill and Other Intangible Assets Goodwill represents the difference between the total purchase price and the fair value of identifiable assets and liabilities acquired in business acquisitions.

We perform a goodwill impairment test on at least an annual basis or more frequently in certain circumstances, by assessing the fair value of our reporting units based upon both discounted cash flow and comparison of multiples of comparable companies. We deem goodwill to be impaired if the carrying amount of the reporting unit exceeds the estimated fair value. We completed our goodwill impairment assessment, which indicated no impairment of goodwill.

Other intangible assets include patents, trademarks and other intellectual property valued at acquisition, and amortized on a straight-line basis over periods ranging from 7 to 20 years.

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

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

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 We use derivative financial instruments to manage interest and foreign currency exposures. The gain or loss on the hedging instrument is recorded in earnings at the same time as the transaction being hedged is recorded in earnings. The associated asset or liability related to the open hedge instrument is recorded in Current Assets or Current Liabilities, as applicable.

We record all derivative instruments on the balance sheet at fair value. Changes in a derivative's fair value are recognized in earnings unless specific hedge criteria are met. If the derivative is designated as a fair value hedge, the changes in the fair value of the derivative and of the hedged item attributable to the hedged risk are recognized in the consolidated statement of earnings. If the derivative is designated as a cash flow hedge, the effective portions of changes in the fair value of the derivative are recorded in other comprehensive income (loss) and are subsequently recognized in the consolidated statement of earnings when the hedged item affects earnings. Ineffective portions of changes in the fair value of cash flow hedges, if any, are recognized as a charge or credit to earnings.

Software Costs We capitalize direct internal and external development costs for certain significant projects associated with internal-use software and amortize these costs over 7 years. Neither preliminary evaluation costs nor costs associated with the software after implementation are capitalized. Costs related to projects that are not significant are expensed as incurred.

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

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

(SHARES IN THOUSANDS)	Number of Shares		
	2007	2006	2005
Basic	86,541	90,443	93,584
Dilution under stock plans	1,092	926	1,242
Diluted	<u>87,633</u>	<u>91,369</u>	<u>94,826</u>

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

Options to purchase 248,000, 309,000 and 1,905,000 shares were outstanding at December 31, 2007, 2006, and 2005, 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-Based Compensation We have stock-based compensation plans which are described more fully in Note 11 to the Consolidated Financial Statements. We applied the recognition and measurement principles of APB 25 in accounting for these plans prior to 2006. Under APB 25, no compensation expense for employee stock options was recognized, as all options granted had an exercise price not less than the market value of the common stock on the date of the grant. We adopted the provisions of SFAS No. 123(R) "Share-Based Payment" ("FAS 123R") using the modified prospective method, which requires measurement of compensation cost of all stock-based awards at fair value on the date of grant and recognition of compensation expense over the service periods for awards expected to vest. Under this transition method, 2006 compensation cost includes the portion vesting in the year for (1) all share-based payments granted prior to, but not vested, as of January 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of FAS 123 "Accounting for Stock-Based Compensation," ("FAS 123"), and (2) all share-based payments granted subsequent to January 1, 2006, based on the grant date fair value estimated in accordance with the provisions of FAS 123R. The cost of employee stock options will be recognized on a straight-line attribution basis over their respective vesting periods, net of estimated forfeitures. Results for prior periods have not been restated.

The following table illustrates the effect on net income and net income per share if we had applied the fair value recognition provisions of FAS 123, for the year ended December 31, 2005:

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)	2005
Net income, as reported	\$ 193,066
Deduct:	
Total stock-based employee compensation expense determined under fair value method for all stock option awards, net of related tax effects	6,698
Pro-forma net income	<u>\$ 186,368</u>
Net income per share:	
Basic – as reported	\$ 2.06
Basic – pro-forma	\$ 1.99
Diluted – as reported	\$ 2.04
Diluted – pro-forma	\$ 1.97

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.

New Accounting Standards

In September 2006, Financial Accounting Standard Board (“FASB”) issued SFAS No. 157 “Fair Market Value Measurements” (“FAS 157”). This standard defines fair value, establishes a framework for measuring fair value and expands disclosures regarding fair value measurements. FAS 157 is effective for fiscal years beginning after December 15, 2007. We are currently assessing the impact of this interpretation, but we do not believe its adoption will have a material impact on our results or financial condition.

In February 2007, the FASB issued SFAS No. 159 “The Fair Value Option for Financial Assets and Liabilities – including an amendment of FASB No. 115” (“FAS 159”). This standard allows companies to elect at specific election dates, to measure eligible financial assets and liabilities at fair value that are not otherwise required to be measured at fair value. If a company elects the fair value option, subsequent changes in that item’s fair value must be recognized in current earnings. FAS 159 is effective for years beginning after November 15, 2007. We are currently evaluating the impact of this standard.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), “Business Combinations” (“FAS 141(R)”). In FAS 141(R), the FASB retained the fundamental requirements of Statement No. 141 to account for all business combinations using the acquisition method (formerly the purchase method) and for an acquiring entity to be identified in all business combinations. However, the new standard requires the acquiring entity in a business combination to recognize all (and only) the assets acquired and liabilities assumed in the transaction; establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed; and requires the acquirer to disclose to investors and other users all of the information they need to evaluate and understand the nature and financial effect of the business combination. FAS 141(R) is effective for annual periods beginning on or after December 15, 2008. We have not yet determined the impact, if any, that FAS 141(R) will have on our results of operations or financial position.

Reclassifications and revisions Certain reclassifications have been made to the prior years’ financial statements to conform to the 2007 presentation. In addition, Operating cash flows in 2006 were revised to \$282 million from the \$263 million reported in 2006 to properly reflect the inclusion of the purchase of investments of \$18 million in investing activities and \$1 million of deferred financing costs in financing activities; 2005 cash flows were unaffected.

NOTE 2. RESTRUCTURING AND OTHER CHARGES

In 2005, we eliminated positions in manufacturing, selling, research and administration functions, principally in our European and North American operating regions. As a result of these actions, restructuring charges, relating primarily to employee separation expenses, of \$23 million and \$3 million were recognized in 2005 and 2006, respectively. This plan is essentially complete.

Movements in related accruals were:

(DOLLARS IN THOUSANDS)	Employee- Related	Asset-Related and Other	Total
Balance January 1, 2005	\$ 28,218	\$ 14,908	\$ 43,126
Additional charges	21,979	1,340	23,319
Cash and other costs	(20,681)	(11,315)	(31,996)
Balance December 31, 2005	29,516	4,933	34,449
Additional charges (credits)	3,840	(1,160)	2,680
Cash and other costs	(20,495)	(1,346)	(21,841)
Balance December 31, 2006	12,861	2,427	15,288
Cash and other costs	(10,273)	(2,361)	(12,634)
Balance December 31, 2007	<u>\$ 2,588</u>	<u>\$ 66</u>	<u>\$ 2,654</u>

The employee-related liabilities are expected to be utilized in 2008 as obligations are satisfied.

NOTE 3. PROPERTY, PLANT AND EQUIPMENT, NET

Asset Type (DOLLARS IN THOUSANDS)	Cost	
	December 31,	
	2007	2006
Land	\$ 27,998	\$ 24,859
Buildings and Improvements	242,181	225,231
Machinery and Equipment	641,902	594,914
Information Technology	213,936	203,890
CIP	39,065	25,878
Total	<u>\$ 1,165,082</u>	<u>\$ 1,074,772</u>

Asset Type (DOLLARS IN THOUSANDS)	Accumulated Depreciation	
	December 31,	
	2007	2006
Buildings and Improvements	\$ 107,960	\$ 92,525
Machinery and Equipment	391,880	341,838
Information Technology	156,422	145,285
Total	<u>\$ 656,262</u>	<u>\$ 579,648</u>

Asset Type (DOLLARS IN THOUSANDS)	Net	
	December 31,	
	2007	2006
Land	\$ 27,998	\$ 24,859
Buildings and Improvements	134,221	132,706
Machinery and Equipment	250,022	253,076
Information Technology	57,514	58,605
CIP	39,065	25,878
Total	<u>\$ 508,820</u>	<u>\$ 495,124</u>

NOTE 4. GOODWILL AND OTHER INTANGIBLE ASSETS, NET

Goodwill by business segment for 2007 and 2006 is as follows:

DOLLARS IN THOUSANDS	Amount
Flavors	\$ 319,479
Fragrances	346,103
Total	<u>\$ 665,582</u>

Trademark and other intangible assets consist of the following amounts:

DOLLARS IN THOUSANDS	December 31,	
	2007	2006
Gross carrying value	\$ 165,406	\$ 165,406
Accumulated amortization	98,152	85,272
Total	<u>\$ 67,254</u>	<u>\$ 80,134</u>

Amortization expense for the year ended December 31, 2007 was \$13 million; estimated annual amortization is \$6 million in 2008 and \$6 million in each year from 2009 to 2012.

NOTE 5. OTHER ASSETS

Other assets consist of the following amounts:

(DOLLARS IN THOUSANDS)	December 31,	
	2007	2006
Pension assets	\$ 111,400	\$ 33,886
Deferred tax asset – noncurrent	107,028	82,385
Other	76,226	41,990
Total	<u>\$ 294,654</u>	<u>\$ 158,261</u>

NOTE 6. OTHER CURRENT LIABILITIES

Other current liabilities consist of the following amounts:

(DOLLARS IN THOUSANDS)	December 31,	
	2007	2006
Workers compensation and general liability	\$ 28,900	\$ 23,500
Interest payable	19,764	11,069
Current pension and other retiree accruals	15,531	12,576
Rebates and incentives	11,822	11,989
Commissions and professional fees payable	9,825	8,567
Other	84,036	100,233
Total	<u>\$ 169,878</u>	<u>\$ 167,934</u>

NOTE 7. SALE AND LEASEBACK TRANSACTIONS

In connection with the disposition of certain real estate in prior years, we entered into long-term operating leases covering the facilities disposed of. The leases are classified as operating leases in accordance with SFAS No. 13, "Accounting for Leases," and the gains realized have been deferred and are being credited to income over the initial lease term. Such deferred gains totaled \$65 million and \$68 million at December 31, 2007 and 2006, respectively, of which \$62 million and \$65 million, respectively, are reflected in the accompanying balance sheet under the caption Deferred gains, with the remainder included as a component of Other current liabilities.

NOTE 8. BORROWINGS

Debt consists of the following at December 31:

(DOLLARS IN THOUSANDS)	Rate	Maturities	2007	2006
Bank borrowings and overdrafts			\$ 35,671	\$ 15,897
Current portion of long-term debt	2.40%	2008	116,802	—
Total current debt			<u>152,473</u>	<u>15,897</u>
Senior Notes-2007	6.38%	2017-27	500,000	—
Senior Notes-2006	5.94%	2009-16	375,000	375,000
Bank borrowings	4.77%	various	169,057	287,904
Japanese Yen notes	2.81%	2011	15,927	127,684
Other		2011	33	38
Deferred realized gains on interest rate swaps			151	817
Total long-term debt			<u>1,060,168</u>	<u>791,443</u>
Total debt			<u>\$ 1,212,641</u>	<u>\$ 807,340</u>

Commercial paper issued by us generally has terms of 30 days or less; there were no outstanding commercial paper borrowings at December 31, 2007 or 2006.

In 2005, we, including certain subsidiaries, entered into a revolving credit agreement (the “Facility”) with certain banks. The Facility provides for a five-year US \$350 million (“Tranche A”) and Euro 400 million (“Tranche B”) multi-currency revolving credit facility. Tranche A is available to IFF for commercial paper backstop and general corporate purposes; Tranche B is available to both IFF and the European subsidiaries for general corporate purposes. Borrowings under the Facility bear interest at an annual rate of LIBOR (London Inter Bank Offer Rate) (or in relation to any Euro-denominated loans, EURIBOR, European Inter Bank Offer Rate) plus a margin, currently 20 basis points, linked to our credit rating. We pay a commitment fee on the aggregate unused commitments and a utilization fee based on amounts outstanding under the Facility; such fees are not material. As permitted by the Facility, in 2007, the termination dates were extended by one year until November 23, 2012. The Facility contains various affirmative and negative covenants, including the requirement for us to maintain, at the end of each fiscal quarter, a ratio of net debt for borrowed money to EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) in respect of the previous 12-month period of not more than 3.25 to 1. We have complied with this covenant at all times. As the Facility is a multi-year revolving credit agreement, we classify it as long-term debt. At December 31, 2007, approximately \$160 million of bank borrowings on the Euro revolver was classified as long-term debt as we expect it to remain outstanding for longer than the next twelve months. At December 31, 2006, approximately \$288 million of bank borrowings was classified as long-term debt.

Short-term bank loans primarily in the form of overdrafts, in addition to the Facility, were outstanding in several countries and averaged \$26 million in 2007, compared with \$16 million in 2006. The highest levels were \$66 million in 2007, \$31 million in 2006, and \$315 million in 2005. The 2007 weighted average interest rate of these bank loans, based on balances outstanding at the end of each month, was 4.6% and the average rate on balances outstanding at December 31, 2007 was 5.1%. These rates compare with 3.9% and 4.7%, respectively, in 2006, and 3.4% and 2.8%, respectively, in 2005.

On September 27, 2007, we issued \$500 million of Senior Unsecured Notes (“Senior Notes – 2007”) in four series under the Note Purchase Agreement (“NPA”): (i) \$250 million in aggregate principal amount of 6.25% Series A Senior Notes due September 27, 2017, (ii) \$100 million in aggregate principal amount of 6.35% Series B Notes due September 27, 2019, (iii) \$50 million in aggregate principal amount of 6.50% Series C Notes due September 27, 2022, and (iv) \$100 million in aggregate principal amount of 6.79% Series D Notes due September 27, 2027. Proceeds of the offering were used primarily to fund an accelerated repurchase of IFF stock.

In 2006, we issued \$375 million of Senior Unsecured Notes (“Senior Notes – 2006”) in four series under another NPA: (i) \$50 million in aggregate principal amount of 5.89% Series A Senior Notes due July 12, 2009, (ii) \$100 million in aggregate principal amount of 5.96% Series B Notes due July 12, 2011, (iii) \$100 million in aggregate principal amount of 6.05% Series C Notes due July 12, 2013, and (iv) \$125 million in aggregate principal amount of 6.14% Series D Notes due July 12, 2016. Proceeds of the offering were used primarily to repay commercial paper borrowings used to fund our maturing debt.

Maturities on debt outstanding at December 31, 2007 are: 2008, \$153 million; 2009, \$50 million; 2011 and thereafter, \$1,010 million. There is no debt maturing in 2010. The estimated fair value of the long-term debt at December 31, 2007 and 2006, based on interest rates currently available with similar terms and maturities, approximated the recorded value.

In 2002, we entered into certain interest rate swap agreements effectively converting the fixed rate on our long-term Japanese Yen borrowings to a variable short-term rate based on the Japanese Yen LIBOR rate plus a markup. These swaps were designated as qualified fair value hedges. During 2003 and 2005, we amended the swaps and the counterparty paid us \$3 million and \$1 million, respectively, including accrued interest. Such gains have been deferred and are being amortized over the remaining term of the debt.

NOTE 9. INCOME TAXES

Earnings before income taxes consisted of the following:

(DOLLARS IN THOUSANDS)	2007	2006	2005
U.S. loss before taxes	\$ (53,159)	\$ (31,309)	\$ (52,471)
Foreign income before taxes	381,843	344,591	298,659
Total income before taxes	<u>\$ 328,684</u>	<u>\$ 313,282</u>	<u>\$ 246,188</u>

The income tax provision consisted of the following:

(DOLLARS IN THOUSANDS)	2007	2006	2005
Current			
Federal	\$ 9,315	\$ 2,869	\$ 5,642
State and local	(1,417)	4,240	(1,612)
Foreign	80,001	92,096	81,974
	<u>87,899</u>	<u>99,205</u>	<u>86,004</u>
Deferred			
Federal	(13,648)	(10,080)	(25,618)
State and local	(1,047)	(747)	778
Foreign	8,352	(1,596)	(8,042)
	<u>(6,343)</u>	<u>(12,423)</u>	<u>(32,882)</u>
Total income taxes	<u>\$ 81,556</u>	<u>\$ 86,782</u>	<u>\$ 53,122</u>

A reconciliation between the U.S. Federal statutory income tax rate to our actual effective tax rate follows:

	2007	2006	2005
Statutory tax rate	35.0%	35.0%	35.0%
Difference in effective tax rate on foreign earnings and remittances	(9.2)	(8.4)	(2.8)
State and local taxes	(0.6)	1.1	(0.2)
AJCA benefit	—	—	(10.0)
Other, net	(0.4)	—	(0.4)
Effective tax rate	<u>24.8%</u>	<u>27.7%</u>	<u>21.6%</u>

Our effective tax rate reflects the benefit from having significant operations outside the U.S. that are taxed at rates that are lower than the U.S. federal rate of 35%. The 2007 and 2006 effective tax rates were also favorably impacted by the reversal of previously established tax accruals of \$10 million and \$4 million, respectively; such accruals were no longer required based on rulings obtained from applicable non-U.S. tax jurisdictions.

The components of the deferred tax assets and liabilities included on the balance sheet are as follows:

(DOLLARS IN THOUSANDS)	December 31,	
	2007	2006
ASSETS		
Inventory	\$ 13,700	\$ 10,200
Employee and retiree benefits	83,500	101,900
Credit and net operating loss carryforwards	181,400	168,400
Property, plant and equipment	21,800	25,000
Other, net	30,800	26,400
Gross deferred tax assets	331,200	331,900
Valuation allowance	(171,600)	(141,200)
Total deferred tax assets	159,600	190,700
LIABILITIES		
Trademarks and other	(14,900)	(18,900)
Total net deferred tax assets	<u>\$ 144,700</u>	<u>\$ 171,800</u>

In 2007, the FASB issued Interpretation No. 48 (“FIN 48”), “Accounting for Uncertainty in Income Taxes” which clarifies the application of FAS 109 by prescribing the minimum threshold a tax position must meet before being recognized in the financial statements. Under FIN 48, the financial statement effect of a tax position is initially recognized when it is more likely than not the position will be sustained upon examination. A tax position that meets the “more likely than not” recognition threshold is initially and subsequently measured as the largest amount of benefit, determined on a cumulative probability basis, that is more likely than not to be realized upon ultimate settlement with the taxing authority.

As a result of adopting FIN 48, we recognized a \$1 million increase in other liabilities for unrecognized tax benefits and a corresponding cumulative effect adjustment to Retained earnings. Also as prescribed by FIN 48, certain tax related amounts in the Consolidated Balance Sheet are classified differently than in prior periods. Amounts receivable from various tax jurisdictions are now included in Other current assets and tax reserves previously classified as accrued taxes on income are now included in Other liabilities.

A reconciliation of the total of unrecognized tax benefits at the beginning and end of the year is as follows:

(DOLLARS IN THOUSANDS)	
Balance of unrecognized benefits at January 1, 2007	\$ 71,968
Gross amount of increases in unrecognized tax benefits as a result of positions taken during a prior year	2,185
Gross amount of increases in unrecognized tax benefits as a result of positions taken during the current year	13,117
The amounts of decreases in unrecognized benefits relating to settlements with taxing authorities	(6,549)
Reduction in unrecognized tax benefits due to the lapse of applicable statute of limitation	(76)
Balance of unrecognized tax benefits at December 31, 2007	<u>\$ 80,645</u>

The amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate is \$79 million.

We have consistently recognized interest and penalties related to unrecognized tax benefits as a component of income tax expense. At December 31, 2007, we had accrued \$9 million of interest and penalties classified as Other liabilities.

Net operating loss carryforwards were \$169 million and \$144 million at December 31, 2007 and 2006, respectively. If unused, \$2 million will expire between 2008 and 2027. The remainder, totaling \$167 million, may be carried forward indefinitely. Tax credit carry forwards were \$12 million and \$24 million at December 31, 2007 and December 31, 2006, respectively. If unused, \$11 million will expire between 2008 and 2027. The remainder, totaling \$1 million, may be carried forward indefinitely.

Of the \$181 million deferred tax asset for credit and net operating loss carryforwards at December 31, 2007, we consider it unlikely that a portion of the tax benefit will be realized. Accordingly, a \$167 million and \$5 million valuation allowance has been established against these deferred tax assets, respectively.

Tax benefits credited to Shareholders' equity totaled \$7 million and \$11 million for 2007 and 2006, respectively.

U.S. income taxes and foreign withholding taxes associated with the repatriation of earnings of foreign subsidiaries were not provided on a cumulative total of \$432 million of undistributed earnings of foreign subsidiaries. We intend to reinvest these earnings indefinitely in our foreign subsidiaries. Any additional U.S. taxes payable on the remaining foreign earnings, if remitted, would be substantially offset by credits for foreign taxes already paid.

We have several tax audits in process and have open tax years with various significant taxing jurisdictions that range primarily from 2001 to 2006. Based on currently available information, we do not believe the ultimate outcome of these tax audits and other tax positions related to open tax years, when finalized, will have a material adverse effect on our financial position, results of operations or cash flows.

NOTE 10. SHAREHOLDERS' EQUITY

During the first six months of 2007, under a share repurchase program of \$300 million authorized in October 2006 (the "October 2006 Plan"), we repurchased approximately 1.6 million shares at a cost of \$81 million; at June 30, 2007, we had approximately \$125 million remaining under the October 2006 Plan. In July 2007, the October 2006 Plan was terminated and superseded by a new program authorized by our Board to repurchase up to 15% or \$750 million worth of our outstanding common stock, whichever is less (the "July 2007 Plan").

In September 2007, under the July 2007 Plan, we entered into two agreements to purchase shares of our common stock under a \$450 million accelerated share repurchase ("ASR") program. On September 28, 2007, we paid \$450 million in exchange for an initial delivery of 7.6 million shares under the ASR, representing 90% of the shares that could have been purchased, based on the average trading price of our stock on that date. The remaining 10%, or \$45 million, not used in the initial settlement will be included in the determination of the cost of the shares purchased on completion of the ASR. This amount was reflected in the accompanying Consolidated Balance sheet as a reduction to Capital in excess of par value.

Under the first agreement (the "Collared ASR"), \$112.5 million of share purchases are subject to collar provisions that establish minimum number of shares based on the volume-weighted average price of our stock ("VWAP") over an initial hedge period. Under the Collared ASR, the minimum number of shares was set at 1.9 million and the maximum number of shares was set at 2.2 million shares when the hedge period ended on October 3, 2007.

Under the second agreement (the "Uncollared ASR"), the number of shares to be repurchased is based on the VWAP of the common stock during the term of the Uncollared ASR.

On completion of the ASR, we may receive shares or may be required to pay cash or additional shares at our option, based on the VWAP of the common stock during the agreement term. Proceeds from the \$500 million Senior Notes - 2007 funded the ASR payment as described in Note 8 to the Consolidated Financial Statements.

On March 9, 2000, we 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 our 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 we are involved in a merger or sell more than 50% of our assets or earnings power, each right entitles its holder to purchase a certain number of shares for a specified exercise price. Also, under certain circumstances, our Board has the option to redeem or exchange one share of common stock for each right. Finally,

in the event a new Board is elected in a successful proxy contest, (i) the rights may not be redeemed and no business combination with us 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.

NOTE 11. STOCK COMPENSATION PLANS

We have various equity plans under which our officers, senior management, other key employees and directors may be granted options to purchase IFF common stock or other forms of equity-based awards. Beginning in 2004, we granted Restricted Stock Units (“RSU’s”) as the principal element of our equity compensation for all eligible U.S. – based employees and a majority of eligible overseas employees. Vesting of the RSU’s for officers and senior management has been performance and time based, and for the remainder of eligible employees, vesting is solely time based; the vesting period is primarily three years from date of grant. For a small group of employees, primarily overseas, we continue to grant stock options.

On January 1, 2006, we adopted FAS 123(R), and thereby recognized the cost of all employee stock options on a straight-line attribution basis over their respective vesting periods, net of estimated forfeitures. Total stock-based compensation expense included in our Consolidated Statement of Income for 2007, 2006 and 2005 was \$18 million (\$12 net of tax), \$18 million (\$12 net of tax), \$7 million (\$4 net of tax), respectively.

Under our 2000 Stock Award and Incentive Plan (“2000 SAIP”) the issuance of 9 million shares were authorized by the Board and approximately 2 million shares available under a previous plan were rolled into the 2000 SAIP making the total number of available shares approximately 11 million to satisfy awards. At December 31, 2007, 3,165,883 shares were subject to outstanding awards and 1,993,948 shares remained available for future awards.

In 2006, our Board approved a Long-Term Incentive Plan (“LTIP”) for senior management under our 2000 SAIP for the years 2006 – 2008 (“Cycle VI”). Under Cycle VI, each participant has a range of awards that would be paid out 50% in cash and 50% in equity at the end of the three-year cycle. The portion that would be paid in equity would not be determined until the end of the LTIP cycle. Because the number of shares is not fixed at the time of the award we account for these awards as liability based awards and recognize compensation expense on a straight-line basis over the three-year period based on the fair value of our stock at the end of each year and the expected payout based on the percent of performance achieved to date.

In 2007, our Board approved a LTIP for senior management under our 2000 SAIP for the years 2007 — 2009 (“Cycle VII”). Under Cycle VII, each participant has a range of awards that would be paid out 50% in cash and 50% in equity at the end of the three-year cycle and provides for segmentation in which one-fourth of the award vests during each twelve-month period, with the final one-fourth segment vesting over the full three-year period. These awards are earned based on the achievement of defined EPS targets and our performance ranking of total shareholder return as a percentile of the S&P 500. When the award is granted, 50% of the target dollar value of the award is converted to a number of “notional” shares based on the closing price on the date the grant is approved by the Board. Because the award vests over the three-year cycle, the graded-vesting attribution method is used to recognize compensation expense over the cycle.

In 2006, our Board approved a Long Term Incentive Choice program (the “Program”) for senior management under our 2000 SAIP. Under the Program, eligible employees can choose from among three equity alternatives and will be granted such equity awards up to certain dollar awards depending on the participant’s grade level. A participant may choose among (1) Purchase Restricted Stock (“PRS”), (2) Stock Settled Appreciation Rights (“SSAR’s”) or (3) RSU’s. The balance of employees who are not eligible under the Program receive RSU’s or, as noted above, options.

Purchase Restricted Stock

PRS provides for the participant to purchase restricted shares of IFF stock at 50% of the fair market value on the grant date of the award. The shares vest on the third anniversary of the grant date, are subject to employment and other specified conditions, and pay dividends if and when paid by us. Holders of PRS have, in most instances, all of the rights of stockholders, except that they may not sell, assign, pledge or otherwise encumber such shares. RSU's provide no such rights. We issued 209,920 shares of PRS in 2007 for an aggregate purchase price of \$5 million and 217,905 shares in 2006 for \$4 million.

Stock Options and SSAR's

Stock options granted vest in periods ranging from one to three years and have a maximum term of ten years. SSAR's become exercisable on the third anniversary of the grant date and have a maximum term of seven years. We awarded stock options and SSAR's in 2007 of 188,000 and 66,493, respectively.

Prior to 2006, we applied the recognition and measurement principles of APB 25 and provided the pro forma disclosures required by FAS 123. Under APB 25, no compensation expense for employee or director stock options was reflected in net earnings.

In January 2006, we began using a Binomial lattice-pricing model instead of the Black-Scholes model, as our valuation model for estimating the fair value of option granted. The Binomial model can accommodate a broader array of inputs, such as stock price volatility and interest rates; the Black-Scholes model does not allow for incorporation of changes in such variables.

In applying the Binomial model, we utilize historical information to estimate expected term and forfeitures within the model. The expected term of an option is based on historical employee exercise behavior, vesting terms and a contractual life of primarily ten years for options and seven years for SSAR's. The risk-free interest rate for periods within the expected term of the award is based on the U.S. Treasury yield curve in effect at the time of grant. Expected volatility is based on an average of implied and historical volatility of the price of our common stock over the calculated expected term. We anticipate paying cash dividends in the future and therefore use an expected dividend yield in the valuation model; the cash dividend in effect at the time of grant was employed in this calculation.

Principal assumptions used in applying the Binomial model in 2007 and 2006 and the Black-Scholes model in 2005 were:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Risk-free interest rate	4.7%	5.0%	4.2%
Expected volatility	21.7%	21.7%	26.9%
Expected dividend yield	1.6%	2.1%	1.7%
Expected life, in years	5	5	5
Termination rate	0.40%	0.94%	NA
Exercise multiple	1.35	1.47	NA

NA – Not applicable under Black-Scholes valuation model

Stock option and SSAR activity was as follows:

<u>(SHARE AMOUNTS IN THOUSANDS)</u>	<u>Shares Subject to Options/SSARs</u>	<u>Weighted Average Exercise Price</u>	<u>Options/SSAR's Exercisable</u>
Balance at December 31, 2006	3,633	\$ 33.56	2,851
Granted	254	51.47	
Exercised	(1,302)	32.84	
Cancelled	(94)	39.67	
Balance at December 31, 2007	<u>2,491</u>	<u>\$ 35.66</u>	<u>1,725</u>

The weighted average exercise price of our options exercisable at December 31, 2007, 2006 and 2005 were \$33.21, \$32.75, and \$32.21, respectively. The following tables summarize information concerning currently outstanding and exercisable options and SSAR's:

Stock options and SSAR's outstanding at December 31, 2007 were as follows:

Price Range	Number Outstanding (in thousands)	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price	Aggregate Intrinsic Value (in thousands)
\$15-\$25	1	2.9	\$ 17.94	
\$26-\$30	591	4.8	29.26	
\$31-\$35	1,178	5.4	33.64	
\$36-\$40	310	7.2	37.45	
\$41-\$45	79	6.3	42.24	
\$46-\$55	332	7.1	51.01	
	<u>2,491</u>		<u>\$ 35.66</u>	<u>\$ 31,091</u>

Stock options and SSAR's exercisable as of December 31, 2007 were as follows:

Price Range	Number Outstanding (in thousands)	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price	Aggregate Intrinsic Value (in thousands)
\$15-\$25	1	2.9	\$ 17.94	
\$26-\$30	591	4.8	29.26	
\$31-\$35	894	4.5	33.15	
\$36-\$40	104	5.5	38.50	
\$41-\$45	51	5.9	42.30	
\$46-\$55	84	0.4	49.69	
	<u>1,725</u>		<u>\$ 33.21</u>	<u>\$ 25,754</u>

The weighted average grant date fair value of options and SSAR's granted during 2007, 2006 and 2005 were \$11.50, \$7.66 and \$10.57 respectively. The total intrinsic value of options exercised during 2007, 2006 and 2005 totaled \$23 million, \$35 million, and \$7 million, respectively.

Stock option and SSAR activity for non-vested awards was as follows:

(SHARE AMOUNTS IN THOUSANDS)	Shares	Weighted Average Exercise Price
Non-vested at December 31, 2006	782	\$ 36.50
Granted	254	
Vested	(215)	
Cancelled	(61)	
Non-vested at December 31, 2007	<u>760</u>	<u>\$ 41.13</u>

As of December 31, 2007, there was \$4 million of total unrecognized compensation cost related to non-vested stock option and SSAR awards granted; such cost is expected to be recognized over a weighted average period of 1.8 years. The total fair value of outstanding vested shares during the years ended December 31, 2007, 2006 and 2005 was \$16 million, \$26 million and \$49 million, respectively.

Restricted Stock and Units

We may grant restricted shares and RSU's to eligible employees. Such restricted shares and RSU's are subject to forfeiture if certain employment conditions are not met. RSU's generally vest 100% at the end of three years with no performance criteria; however, RSU's granted to all officers and senior management in 2005 contained a

performance restriction since achieved and now vest at the end of their three-year term. The fair value of the RSU's is equal to the market price of our stock at date of grant and is amortized to expense ratably over the vesting period.

Restricted stock and RSU activity was as follows:

(SHARE IN THOUSANDS)	Number of Shares	Weighted-Average Grant Date Fair Value Per Share
Balance at December 31, 2006	1,346	\$ 37.22
Granted	445	\$ 51.76
Vested	(439)	\$ 50.81
Forfeited	(62)	\$ 39.53
Balance at December 31, 2007	<u>1,290</u>	<u>\$ 42.81</u>

The total fair value of RSU's which vested during the year ended December 31, 2007 was \$22.3 million.

As of December 31, 2007, there was \$19 million of total unrecognized compensation cost related to non-vested RSU awards granted under the equity incentive plans; such cost is expected to be recognized over a weighted average period of 2 years.

Prior to the adoption of FAS 123(R), we presented the tax benefits of deductions resulting from the exercise of stock options as cash flows from operating activities in the Consolidated Statement of Cash Flows. FAS 123(R) requires the cash flows from the excess tax benefits we realize on stock-based compensation to be presented as cash flows from financing activities. Pre-tax compensation expense for the year ended December 31, 2006 included a cumulative effect gain of \$1 million from the adoption of FAS 123(R), which was recorded in operating expenses.

NOTE 12. SEGMENT INFORMATION

On January 1, 2007, we reorganized into two business segments, Flavors and Fragrances; these segments align with the internal structure used to manage these businesses. Flavor compounds are sold to the food and beverage industries for use in consumer products such as prepared foods, beverages, dairy, food and confectionery products. The fragrances business unit, is comprised of three fragrance categories: functional fragrances, including fragrance compounds for personal care (e.g., soaps) and household products (e.g., detergents and cleaning agents); fine fragrance and beauty care, including perfumes, colognes and toiletries; and ingredients, consisting of synthetic ingredients that can be combined with other materials to create unique functional and fine fragrance compounds. Major fragrance customers include the cosmetics industry, including perfume and toiletries manufacturers, and the household products industry, including manufacturers of soap s, detergents, fabric care, household cleaners and air fresheners. Prior year segment information, which had been reported by major geographic region, has been reclassified to conform to the current presentation.

We evaluate the performance business units based on operating profit before interest expense, other income (expense), net and income taxes. The Global expense caption represents corporate and headquarters-related expenses which include legal, finance, human resources and other administrative expenses that are not allocated to individual business units. Unallocated assets are principally cash, short-term investments and other corporate and headquarters-related assets.

Our reportable segment information follows:

(DOLLARS IN THOUSANDS)	Year Ended December 31,		
	2007	2006	2005
Net sales			
Flavors	\$ 1,005,544	\$ 894,775	\$ 857,724
Fragrances	<u>1,271,094</u>	<u>1,200,615</u>	<u>1,135,669</u>
Consolidated	<u>\$ 2,276,638</u>	<u>\$ 2,095,390</u>	<u>\$ 1,993,393</u>

(DOLLARS IN THOUSANDS)	Year Ended December 31,		
	2007	2006	2005
Operating income (expense)			
Flavors	\$ 187,275	\$ 153,099	\$ 107,791
Fragrances	209,812	212,240	186,752
Global Expenses	(26,976)	(18,485)	(27,667)
Consolidated operating income	\$ 370,111	\$ 346,854	\$ 266,876
Interest expense	(41,535)	(25,549)	(23,956)
Miscellaneous other income (expense) (1)	108	(8,023)	3,268
Income before taxes	\$ 328,684	\$ 313,282	\$ 246,188

(1) Miscellaneous other income (expense) does not agree to the amounts on the Consolidated Statement of Income as gains on assets are included in the operating income of the business segments.

(DOLLARS IN THOUSANDS)	At December 31,	
	2007	2006
Segment assets		
Flavors	\$ 1,005,423	\$ 972,814
Fragrances	1,301,554	1,244,680
Global Assets	419,811	261,410
Consolidated Segment assets	\$ 2,726,788	\$ 2,478,904

(DOLLARS IN THOUSANDS)	Capital Expenditures			Depreciation and Amortization		
	2007	2006	2005	2007	2006	2005
Flavors	\$ 24,794	\$ 19,175	\$ 27,820	\$ 33,468	\$ 35,785	\$ 36,748
Fragrances	36,335	34,689	58,566	47,668	52,652	54,146
Unallocated assets	4,485	4,418	7,047	1,652	1,296	1,034
Consolidated	\$ 65,614	\$ 58,282	\$ 93,433	\$ 82,788	\$ 89,733	\$ 91,928

Sales to one customer accounted for 11% of total sales.

Geographic Areas (DOLLARS IN THOUSANDS)	Net Sales		
	2007	2006	2005
EAME(1)	\$ 850	\$ 758	\$ 739
North America	630	612	572
Greater Asia	491	439	420
Latin America	306	286	262
Total	\$ 2,277	\$ 2,095	\$ 1,993

(1) Europe, Africa and Middle East

Net sales to external customers are attributed to individual regions based upon the destination of product delivery. Total long-lived assets consist of net property, plant and equipment and net intangible assets and amounted to \$1,242 million, \$1,241 million and \$1,272 million at December 31, 2007, 2006 and 2005, respectively. Of this total \$850 million, \$867 million, and \$946 million were located in the United States.

NOTE 13. RETIREMENT BENEFITS

We, including some of our subsidiaries, have pension and/or other retirement benefit plans covering substantially all employees. Pension benefits are generally based on years of service and on compensation during the final years of employment. Plan assets consist primarily of equity securities and corporate and government

fixed income securities. Substantially all pension benefit costs are funded as accrued; such funding is limited, where applicable, to amounts deductible for income tax purposes. Certain other retirement benefits are provided by balance sheet accruals.

We sponsor a qualified defined contribution plan covering substantially all U.S. employees. Under this plan, we match 100% of participants' contributions up to 4% of compensation and 75% of participants' contributions from over 4% to 8%. Employees that are still eligible to accrue benefits under the defined benefit plan are limited to a 50% match up to 6% of the participants' contributions.

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

The plan assets and benefit obligations of a majority of our pension plans are measured at December 31 of each year.

In 2006, we adopted SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" which requires the recognition of the funded status of each defined pension benefit plan, retiree health care and other postretirement benefit plans and postemployment benefit plans on the balance sheet. Each overfunded plan is recognized as an asset and each underfunded plan is recognized as a liability. The initial impact of the standard due to unrecognized prior service costs or credits and net actuarial gains or losses as well as subsequent changes in the funded status is recognized as a component of accumulated other comprehensive income ("AOCI") in shareowners' equity. Additional minimum pension liabilities and related intangible assets were also eliminated upon adoption of the new standard.

(DOLLARS IN THOUSANDS)	U.S. Plans			Non-U.S. Plans		
	2007	2006	2005	2007	2006	2005
Components of net periodic benefit cost						
Service cost for benefits earned	\$ 10,312	\$ 9,941	\$ 9,381	\$ 11,633	\$ 12,739	\$ 10,317
Interest cost on projected benefit obligation	23,953	21,716	21,218	35,595	29,391	28,701
Expected return on plan assets	(24,266)	(21,919)	(21,406)	(52,604)	(39,767)	(32,514)
Net amortization and deferrals	6,590	7,436	5,357	6,071	8,753	8,457
Settlement and curtailment	5,943	—	—	—	—	—
Expense	22,532	17,174	14,550	695	11,116	14,961
Defined contribution and other retirement plans	4,923	3,527	2,884	4,086	3,526	3,265
Total pension expense	<u>\$ 27,455</u>	<u>\$ 20,701</u>	<u>\$ 17,434</u>	<u>\$ 4,781</u>	<u>\$ 14,642</u>	<u>\$ 18,226</u>
Changes in plan assets and benefit obligations recognized in OCI						
Net actuarial gain	\$ (3,209)			\$ (61,019)		
Actuarial loss	(5,746)			(5,401)		
Prior service cost	(6,787)			(594)		
Initial net asset	—			(76)		
Currency translation adjustment	—			9,675		
Total recognized in OCI (before tax effects)	<u>\$ (15,742)</u>			<u>\$ (57,415)</u>		

The amounts expected to be recognized in net periodic cost in 2008 are:

(DOLLARS IN THOUSANDS)	U.S. Plans	Non-U.S. Plans	Postretirement Benefits
Loss recognition	\$ 5,424	\$ 2,491	\$ 2,052
Prior service cost recognition	419	576	(2,262)
Net initial obligation/(asset) recognition	—	76	—

	U.S. Plans			Non-U.S. Plans		
	2007	2006	2005	2007	2006	2005
Weighted-average actuarial assumption used to determine expense						
Discount rate	6.00%	5.75%	6.00%	4.95%	4.57%	5.03%
Expected return on plan assets	8.25%	8.25%	8.25%	7.06%	6.99%	6.86%
Rate of compensation increase	3.75%	3.75%	3.75%	2.54%	2.46%	2.41%

Changes in the postretirement benefit obligation and plan assets, as applicable, are detailed in the following table:

(DOLLARS IN THOUSANDS)	U.S. Plans		Non-U.S. Plans		Postretirement Benefits	
	2007	2006	2007	2006	2007	2006
Benefit obligation at beginning of year	\$ 378,670	\$ 378,209	\$ 680,950	\$ 614,211	\$ 104,495	\$ 111,479
Service cost for benefits earned	10,312	9,941	11,633	12,739	2,628	2,907
Interest cost on projected benefit obligation	23,953	21,716	35,595	29,391	5,869	5,487
Actuarial (gain) loss	16,525	(12,213)	(72,582)	(32,001)	(5,980)	(6,509)
Plan amendments	—	—	—	(1,108)	—	(5,149)
Plan participants' contributions	—	—	2,040	1,448	1,087	972
Benefits paid	(19,903)	(18,983)	(27,925)	(22,983)	(5,402)	(5,021)
Medicare Rx subsidy	—	—	—	—	240	329
Curtailments	(14,603)	—	—	(339)	—	—
Translation adjustments	—	—	31,661	79,592	—	—
Benefit obligation at end of year	<u>\$ 394,954</u>	<u>\$ 378,670</u>	<u>\$ 661,372</u>	<u>\$ 680,950</u>	<u>\$ 102,937</u>	<u>\$ 104,495</u>
Fair value of plan assets at beginning of year	\$ 336,057	\$ 294,190	\$ 694,295	\$ 535,089		
Actual return on plan assets	29,397	37,487	39,120	45,749		
Employer contributions	3,680	23,363	18,680	59,214		
Participants' contributions	—	—	2,040	1,448		
Benefits paid	(19,903)	(18,983)	(27,925)	(22,983)		
Translation adjustments	—	—	29,817	75,778		
Fair value of plan assets at end of year	<u>\$ 349,231</u>	<u>\$ 336,057</u>	<u>\$ 756,027</u>	<u>\$ 694,295</u>		
Funded status at end of year	<u>(\$45,723)</u>	<u>(\$42,613)</u>	<u>\$ 94,655</u>	<u>\$ 13,345</u>		

(DOLLARS IN THOUSANDS)	U.S. Plans		Non-U.S.	
	2007	2006	2007	2006
Amounts recognized in the balance sheet:				
Non-current assets	\$ —	\$ —	\$ 111,400	\$ 33,886
Current liabilities	(2,586)	(2,520)	(667)	(562)
Non-current liabilities	(43,137)	(40,093)	(16,078)	(19,979)
Net amount recognized	<u>\$ (45,723)</u>	<u>\$ (42,613)</u>	<u>\$ 94,655</u>	<u>\$ 13,345</u>

(DOLLARS IN THOUSANDS)	U.S. Plans		Non-U.S. Plans		Postretirement Benefits	
	2007	2006	2007	2006	2007	2006
Amounts Recognized in AOCI consist of:						
Net actuarial loss	\$ 41,682	\$ 50,637	\$ 97,437	\$ 154,315	\$ 38,033	\$ 46,335
Prior service cost (credit)	3,007	9,794	1,425	1,923	(21,020)	(23,682)
Unrecognized net initial obligation	—	—	(66)	(27)	—	—
Total AOCI (before tax effects)	<u>\$ 44,689</u>	<u>\$ 60,431</u>	<u>\$ 98,796</u>	<u>\$ 156,211</u>	<u>\$ 17,013</u>	<u>\$ 22,653</u>

(DOLLARS IN THOUSANDS)	U.S. Plans		Non-U.S. Plans	
	2007	2006	2007	2006
Accumulated Benefit Obligation – end of year	<u>\$ 374,732</u>	<u>\$ 361,723</u>	<u>\$ 628,728</u>	<u>\$ 646,816</u>

Information for Pension Plans with an ABO in excess of Plan Assets:

Projected benefit obligation	\$ 48,550	\$ 41,927	\$ 22,370	\$ 43,973
Accumulated benefit obligation	44,422	41,823	19,876	38,524
Fair value of plan assets	5,568	4,761	5,625	23,432

Weighted-average assumptions used to determine obligations at December 31

Discount rate	6.10%	6.00%	5.78%	4.95%
Rate of compensation increase	4.00%	3.75%	2.98%	2.54%

Percentage of assets invested in:	2007	2006	2007	2006
Equities	76%	74%	34%	39%
Bonds	7%	12%	41%	36%
Property	n/a	n/a	13%	11%
Other investments	17%	14%	12%	14%

(DOLLARS IN THOUSANDS)	U.S. Plans	Non-U.S. Plans	Postretirement Benefits
Estimated Future Benefit Payments			
2008	\$ 19,852	\$ 26,421	\$ 3,680
2009	20,524	27,699	3,879
2010	21,715	29,414	4,167
2011	22,825	33,045	4,420
2012	24,651	33,959	4,623
2013-2019	142,991	180,769	27,781

Contributions

Expected Company Contributions in the Following Year (2008)	\$ 453	\$ 15,809	\$ 3,680
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With respect to the U.S. plans, the expected return on plan assets was determined based on an asset allocation model using the current benchmark allocation, real rates of return by asset class and an anticipated inflation rate. The benchmark asset allocation was 10 – 20% employed in cash and fixed income investments expected to yield 1.0%; 10 – 20% employed in corporate and government bonds expected to yield 2.1%; and 65 – 75% in equity investments with a long-term expected yield of 8.5 – 9.3%. The inflation rate assumed in the model was 2.5%. The U.S. plan has employed a similar asset allocation strategy for the prior 20 years and has achieved a compounded annual return of 9.6% during this period. The expected annual rate of return for the non-U.S. plans employs a similar set of criteria adapted for local investments, inflation rates and in certain cases specific government requirements. The discount rate used for determining future pension obligations for each individual plan is based on a review of long-term bonds that receive a high rating from a recognized rating agency. Additionally, for the U.S. plans, the discount rate was based on the internal rate of return for a portfolio of Moody’s Aa3-rated bonds with maturities that are consistent with the projected future benefit payment obligations of the plan. The rate of compensation increase is based on plan experience.

In 2007, the percentage of assets held in equities increased primarily as a result of the performance of the equity investment portfolio. There has been no change in our long-term allocation.

Equity investments include our common stock valued at \$14 million (4% of total plan assets) and \$26 million (8% of total plan assets) at December 31, 2007 and 2006, respectively.

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

The following weighted average assumptions were used to determine our postretirement benefit expense and obligation for the years ended December 31:

	Expense		Liability	
	2007	2006	2007	2006
Discount rate	6.00%	5.75%	6.10%	6.00%
Current medical cost trend rate	9.00%	8.00%	8.00%	9.00%
Ultimate medical cost trend rate	4.75%	4.75%	4.75%	4.75%
Medical cost trend rate decreases to ultimate rate in year	2013	2011	2013	2013

	Sensitivity of Disclosures to Changes in Selected Assumptions			
	25 BP Decrease in Discount Rate		25 BP Decrease in Discount Rate	25 BP Decrease in Long Term Rate of Return
	Change in PBO	Change in ABO	Change in pension expense	Change in pension expense
U.S. Pension Plans	\$ 10,213	\$ 9,403	\$ 1,008	\$ 752
Non-U.S. Pension Plans	\$ 26,334	\$ 24,049	\$ 1,401	\$ 1,880
Postretirement Benefit Plan	N/A	\$ 4,126	\$ 419	N/A

The effect of a 1% increase in the medical cost trend rate would increase the accumulated postretirement benefit obligation, and the annual postretirement expense, by approximately \$18 million and \$2 million, respectively; a 1% decrease in the rate would decrease the obligation and expense by approximately \$15 million and \$1 million, respectively.

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

(DOLLARS IN THOUSANDS)	Not Reflecting Medicare Part D Subsidy	Medicare Part D Subsidy	Reflecting Medicare Part D Subsidy
Expected Benefit Payments			
2008	\$ 4,219	\$ (539)	\$ 3,680
2009	4,472	(593)	3,879
2010	4,807	(640)	4,167
2011	5,104	(684)	4,420
2012	5,361	(738)	4,623
2013 – 2019	32,092	(4,311)	27,781

We did not contribute to our qualified U.S. pension plans in 2007. In addition, \$4 million of benefit payments were made with respect to the U.S. non-qualified plan. We contributed \$15 million to our non-U.S. pension plans in 2007.

In 2007, we amended our U.S. salaried qualified and non-qualified pension plans under which accrual of future benefits was suspended for all participants that did not meet the rule of 70 (age plus years of service equal at least 70) at December 31, 2007. As a result of this suspension, we recorded a curtailment loss of \$5.9 million to recognize a portion of the unrecognized prior service costs associated with years of service no longer expected to be rendered and credited as service under the plans.

NOTE 14. FINANCIAL INSTRUMENTS

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

We employ various interest rate swaps and debt issuances with the objective of managing and optimizing our interest rate exposure. In 2003, we executed a 10-year Yen – U.S. dollar currency swap related to the monthly sale and purchase of products between the U.S. and Japan. The annual notional value of this swap is approximately \$5 million. As of December 31, 2007, the cash flow hedge experienced no ineffectiveness and therefore no net gain or loss is recognized in earnings during the reporting period. In addition, no component of the derivative instruments' gain or loss is excluded from the assessment of hedge effectiveness. Interest income on the periodic settlement and the foreign exchange gain/loss on the closed out portion of the hedge is recorded in current income. Any gain or loss on the hedge is offset by a corresponding change in the receivable/revenue exchange rate. The gain or loss in the change in fair value of the remaining hedge balance outstanding is marked to market in AOCI as a hedge of forecasted future cash flow and released month by month through earnings over the ten-year period of the hedge.

In September 2007, we entered into a \$250 million interest rate swap agreement effectively converting the fixed rate on our long-term U.S. dollar borrowings to a variable short-term rate based on USD LIBOR rate plus markup. These swaps are designated as qualified fair value hedges. To the extent we have 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. We had no ineffective fair value hedges at December 31, 2007.

In September 2007 and January 2006, we entered into a \$250 million and a \$300 million Cross Currency Interest Rate Swap, respectively, to hedge a portion of our consolidated EUR net investment. The derivative was structured as a swap of floating USD LIBOR to floating EURIBOR, with both floating interest rates reset and paid semi-annually. Because the derivatives are structured as a floating to floating swap, the only value, other than

that derived from changes in the foreign exchange (FX) spot rate, are interest rate accruals which are reset semi-annually. These accruals are netted and booked in current earnings. Mark-to-market changes due to differences in the underlying FX rate are recorded in AOCI and provide an offset to the cumulative translation adjustment of the underlying Euro assets being hedged, which are also being valued based on changes in the FX spot rate. Effectiveness is assessed quarterly. At maturity, or if the swap is terminated early, any gain or loss will be recorded to AOCI until the Euro net investment is divested.

In 2002, we entered into certain interest rate swap agreements effectively converting the fixed rate on our long-term Japanese Yen borrowings to a variable short-term rate based on the Japanese Yen LIBOR rate plus an interest markup. These swaps are designated as qualified fair value hedges. During 2003 and 2005, we amended the swaps and the counterparty paid us \$3 million and \$1 million, respectively, including accrued interest. Such gains have been deferred, classified as a separate component of debt and are amortized over the remaining term of the debt. As of December 31, 2007, the fair value hedge experienced no ineffectiveness; therefore no net gain or loss is recognized in earnings during the reporting period. In addition, no component of the derivative instruments' gain or loss is excluded from the assessment of hedge effectiveness. Interest income on the periodic settlement and reset of the floating interest rate is recorded in current income and the gain or loss in the change in fair value of the underlying debt attributable to the hedge risk adjusts the carrying amount of the hedged debt and is reflected as a component of income.

NOTE 15. CONCENTRATIONS OF CREDIT RISK

We have 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 16. COMMITMENTS AND CONTINGENCIES

Minimum rental commitments under non-cancelable operating leases are \$24 million in 2008, \$21 million in 2009, \$20 million in 2010, \$18 million in 2011, \$16 million in 2012 and thereafter through 2031, the aggregate lease obligations are \$194 million. The corresponding rental expense amounted to \$27 million, \$25 million and \$21 million in 2007, 2006 and 2005, respectively. None of our leases contain step rent provisions or escalation clauses and they do not require capital improvement funding.

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

We recorded the expected liability with respect to these claims in Other liabilities and expected recoveries from our insurance carrier group in Other assets. We believe that realization of the insurance receivable is probable due to the terms of the insurance policies and the payment experience to date of the carrier group as it relates to these claims.

Over the past 20 years, various federal and state authorities and private parties have claimed that we are a Potentially Responsible Party ("PRP") 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 have sought to recover costs incurred and to be incurred to clean up the sites.

We have been identified as a PRP at nine facilities operated by third parties at which investigation and/or remediation activities may be ongoing. We analyze our liability on a regular basis and accrue for environmental liabilities when they are probable and estimable. At December 31, 2007, we estimated our share of the total future costs for these sites to be less than \$5 million.

While joint and several liability is authorized under federal and state environmental laws, we believe that the amounts we have paid and anticipate paying in the future for clean-up costs and damages at all sites are not and

will not be material to our financial condition, results of operations or liquidity. This conclusion is based upon, among other things, the involvement of other PRP's at most sites, the status of the proceedings, including various settlement agreements and consent decrees, the extended time period over which payment will likely be made and an agreement reached in July 1994 with three of our liability insurers pursuant to which defense costs and indemnity amounts payable by us in respect of the sites will be shared by the insurers up to an agreed amount.

(a)(3) EXHIBITS

<u>Number</u>	
3(i)	Restated Certificate of Incorporation of the Company, incorporated by reference to Exhibit 10(g) to Registrant's Report on Form 10-Q filed on August 12, 2002 (SEC file number reference 001-04858).
3(ii)	By-laws of Registrant, incorporated by reference to Exhibit 3(ii) to Registrant's Report on Form 8-K filed on July 16, 2007.
4.1	Shareholder's 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 4.1 to Registrant's Report on Form 10-K filed on March 13, 2006.
4.1a	First Amendment dated September 26, 2000, to Shareholder Protection Rights Agreement, incorporated by reference to Exhibit 4.1a to Registrant's Report on Form 10-K filed on March 13, 2006.
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 filed on November 12, 2002 (SEC file number reference 001-04858).
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	Note Purchase Agreement, dated as of July 12, 2006, by and among International Flavors & Fragrances Inc. and the various purchasers named therein, incorporated by reference to Exhibit 4.7 to Registrant's Report on Form 8-K filed on July 13, 2006.
4.4	Form of Series A, Series B, Series C and Series D Senior Notes incorporated by reference to Exhibit 4.8 of Registrant's Report on Form 8-K filed on July 13, 2006.
4.5	Note Purchase Agreement, dated as of September 27, 2007, by and among International Flavors & Fragrances Inc. and the various purchasers named therein, incorporated by reference to Exhibit 4.7 to Registrant's Report on Form 8-K filed on October 1, 2007.
4.6	Form of Series A, Series B, Series C and Series D Senior Notes incorporated by reference to Exhibit 4.8 of Registrant's Report on Form 8-K filed on October 1, 2007.
*10.1	Letter Agreement, dated June 28, 2006, between Registrant and Robert M. Amen, Chairman of the Board of Directors and Chief Executive Officer, incorporated by reference to Registrant's Report on Form 8-K filed on June 29, 2006.
*10.2	Letter Agreement dated as of November 8, 2007 between James H. Dunsdon, Senior Vice President and Chief Transition Officer, and the Company, incorporated by reference to Exhibit 10.1 to Registrant's Report on Form 8-K filed on November 13, 2007.
*10.3	Compensation arrangements of Nicolas Mirzayantz, in connection with his appointment as Business Unit President, Fragrances, and Hernan Vaisman, in connection with his appointment as Business Unit President, Flavors, effective as of January 1, 2007, incorporated by reference to Registrant's Report on Form 8-K filed on December 15, 2006; and further amended and effective on December 11, 2007 as incorporated by reference to Registrant's Report on Form 8-K filed on December 13, 2007.
*10.4	2007 Compensation Arrangements of Robert M. Amen, Douglas J. Wetmore, James H. Dunsdon, Nicolas Mirzayantz, Dennis Meany and Hernan Vaisman incorporated by reference to the Registrant's Report on Form 8-K filed on March 12, 2007.

<u>Number</u>	
*10.5	Supplemental Retirement Plan, adopted by the Registrant's Board of Directors on October 29, 1986 as amended and restated through October 9, 2007.
*10.6	2000 Stock Award and Incentive Plan, adopted by the Registrant's Board of Directors on March 9, 2000 as amended and restated through October 9, 2007.
*10.7	2000 Supplemental Stock Award Plan, adopted by the Registrant's Board of Directors on November 14, 2000 as amended and restated through October 9, 2007.
*10.8	Registrant's Executive Death Benefit Plan, effective July 1, 1990, incorporated by reference to Exhibit 10.6 to Registrant's Report on Form 10-K filed on March 13, 2006.
*10.9	Registrant's Vision 2001 Compensation Program, adopted by the Registrant's Board of Directors on December 12, 2000 and amended in 2005, incorporated by reference to Exhibit 10.2 to Registrant's Report on Form 8-K filed on January 28, 2005.
*10.10	Long Term Equity Choice Program Summary, incorporated by reference to Exhibit 10.3 to Registrant's Report on Form 8-K filed on March 10, 2006.
*10.11	Performance Criteria for the Registrant's 2005-2007 cycle, under the Company's Long Term Incentive Plan, incorporated by reference to Exhibits 10.2 to Registrant's Report on Form 8-K filed on March 11, 2005.
*10.12	Performance Criteria for the Registrant's 2006-2008 cycle under the Company's Long Term Incentive Plan, incorporated by reference to Exhibit 10.2 to Registrant's Report on Form 8-K filed on March 10, 2006.
*10.13	Performance Criteria for the Registrant's Annual Incentive Plan for 2007, incorporated by reference to Exhibit 10.1 to the Registrant's Report on form 8-K filed on January 31, 2007.
*10.14	Performance Criteria for the 2007-2009 cycle under the Company's Long Term Incentive Plan, incorporated by reference to Registrant's Report on Form 8-K filed on March 12, 2007.
*10.15	Performance Criteria for the 2008-2010 cycle under the Company's Long Term Incentive Plan, incorporated by reference to Registrant's Report on Form 8-K filed on February 1, 2008.
*10.16	Form of Non-Employee Director's Restricted Stock Unit Agreement under International Flavors & Fragrances Inc. 2000 Stock Award and Incentive Plan, incorporated by reference to Exhibit 10.7 to Registrant's Report on Form 10-Q filed on October 31, 2007.
*10.17	Form of U.S. Restricted Stock Units Agreement under International Flavors & Fragrances Inc. 2000 Stock Award and Incentive Plan, incorporated by reference to Exhibit 10.5 to Registrant's Report on Form 10-Q filed on October 31, 2007.
*10.18	Form of U.S. Purchased Restricted Stock Agreement under International Flavors & Fragrances Inc. 2000 Stock Award and Incentive Plan, incorporated by reference to Exhibit 10.4 to Registrant's Report on Form 10-Q filed on October 31, 2007.
*10.19	Form of U.S. Stock Settled Appreciation Rights Agreement under International Flavors & Fragrances Inc. 2000 Stock Award and Incentive Plan, incorporated by reference to Exhibit 10.6 to Registrant's Report on Form 10-Q filed on October 31, 2007.
*10.20	Non-Employee Director Compensation Arrangements, adopted by the Company's Board of Directors on March 6, 2007, incorporated by reference to the Registrant's Report on Form 8-K filed on March 12, 2007.
*10.21	Form of U.S. Performance-Based Restricted Stock Units Agreement under International Flavors & Fragrances Inc. 2000 Stock Award and Incentive Plan, incorporated by reference to Exhibit 10.8b to Registrant's Report on Form 8-K filed on October 7, 2004.

<u>Number</u>	
*10.22	Form of Employee Stock Option Agreement under International Flavors & Fragrances Inc. 2000 Stock Award and Incentive Plan, incorporated by reference to Exhibit 10.1 to Registrant's Report on Form 10-Q filed on November 9, 2004.
*10.23	Form of International Flavors & Fragrances Inc. Stock Option Agreement under 2000 Stock Option Plan for Non-Employee Directors, incorporated by reference to Exhibit 10.2 to Registrant's Report on Form 10-Q filed on November 9, 2004.
*10.24	Restated and Amended Executive Separation Policy as amended through and including December 31, 2007.
*10.25	1997 Employee Stock Option Plan, incorporated by reference to Exhibit 10.18 to Registrant's Report on Form 10-K filed on March 13, 2006.
*10.26	Amendment to 1997 Employee Stock Option Plan as amended by Registrant's Board of Directors on February 8, 2000, incorporated by reference to Exhibit 10.19 to Registrant's Report on Form 10-K filed on March 13, 2006.
*10.27	Resolutions Relating to Equity Awards as approved by the Board of Directors of the Registrant on January 29, 2007 incorporated by reference to Exhibit 10.25 to Registrant's Report on Form 10-K filed on February 23, 2007.
*10.28	Deferred Compensation Plan adopted by Registrant's Board of Directors on December 12, 2000, as amended and restated through October 9, 2007.
*10.29	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 10.21 to Registrant's Report on Form 10-K filed on March 13, 2006.
*10.30	Amendment dated August 2, 2005 to the Trust Agreement dated October 4, 2000 among Registrant, First Union National Bank and Buck Consultants Inc., incorporated by reference to Exhibit 10.1 to Registrant's Report on Form 10-Q filed on August 4, 2005.
*10.31	1990 Stock Option Plan for Non-Employee Directors, incorporated by reference to Exhibit 10.23 to Registrant's Report on Form 10-K filed on March 13, 2006.
*10.32	2000 Stock Option Plan for Non-Employee Directors as amended and restated as of December 15, 2004, incorporated by reference to Exhibit 10.2 to Registrant's Report on Form 8-K filed on December 20, 2004.
*10.33(a)	Director Charitable Contribution Program, adopted by the Board of Directors on February 14, 1995, incorporated by reference to Exhibit 10.25 to Registrant's Report on Form 10-K filed on March 13, 2006.
*10.33(b)	Summary of director charitable contribution arrangement between the Registrant and Arthur C. Martinez.
*10.34	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).
*10.35	Retirement Agreement, dated April 3, 2006, between Registrant and Richard A. Goldstein, former Chairman of the Board of Directors and Chief Executive Officer, incorporated by reference to Exhibit 10.1 to Registrant's Report on Form 8-K filed on April 3, 2006.
*10.36	Retirement Agreement dated November 30, 2006, between Registrant and Clint D. Brooks, former Senior Vice President, Research and Development, incorporated by reference to Registrant's Report on Form 10-K filed on February 23, 2007.

<u>Number</u>	
*10.37	Restricted Stock Units Agreement between Registrant and Arthur C. Martinez, dated July 25, 2006, incorporated by reference to Exhibit 10.1 to Registrant's Report on Form 8-K filed on July 26, 2006.
10.38	Multi-currency Revolving Credit Facility Agreement, dated November 23, 2005, among the Registrant, International Flavors & Fragrances (Luxembourg) S.A.R.L., certain subsidiaries, the banks named therein, including Citigroup Global Markets Limited, Fortis Bank S.A./N.V., Bank of America N.A., Bank of Tokyo-Mitsubishi Trust Company, BNP Paribas, ING Bank N.V., J.P. Morgan Chase and Wachovia Bank, National Association, as mandated lead arrangers, and Citibank International PLC, as Facility Agent, incorporated by reference to Exhibit 4.1 to Registrant's Report on Form 8-K filed on November 29, 2005.
10.39	Amendment Agreement dated September 17, 2007 to the Multicurrency Revolving Credit Facility Agreement dated November 23, 2005 among the Company, certain subsidiaries of the Company, and Citibank International PLC as agent on behalf of itself and others, incorporated by reference to Exhibit 10.1 to the Registrant's Report on Form 10-Q filed on October 31, 2007.
10.40	Amendment dated September 27, 2007 and confirmed on November 6, 2007, to the Multi-currency Revolving Credit Facility Agreement dated November 23, 2005; International Flavors and Fragrances Inc. requested an extension of the Termination Date for an additional period of 365 days until 2012.
10.41	Confirmation, dated September 14, 2007, between International Flavors & Fragrances Inc. and Morgan Stanley & Co. Incorporated, incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed with the SEC on September 18, 2007.
10.42	Confirmation, dated September 14, 2007, between International Flavors & Fragrances Inc. and Morgan Stanley & Co. Incorporated, incorporated by reference to Exhibit 10.2 to the Company's Form 8-K filed with the SEC on September 18, 2007.
16.1	Letter from PricewaterhouseCoopers LLP regarding change in Retirement Investment Fund Plan's independent registered public accounting firm, incorporated by reference to Exhibit 16.1 on Registrant's Report on Form 8-K filed on May 25, 2007.
21	List of Principal Subsidiaries.
23	Consent of PricewaterhouseCoopers LLP.
31.1	Certification of Robert M. Amen pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Douglas J. Wetmore pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification of Robert M. Amen and Douglas J. Wetmore pursuant to 18 U.S.C. Section 1350 as adopted pursuant to the Sarbanes-Oxley Act of 2002.

* Management contract or compensatory plan or arrangement

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,
Chief Financial Officer and Treasurer

Dated: February 27, 2008

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/ Robert M. Amen
Robert M. Amen
Chairman of the Board and
Chief Executive Officer

Principal Financial and Accounting Officer:

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

Directors:

/s/ Robert M. Amen
ROBERT M. AMEN

/s/ Margaret Hayes Adame
MARGARET HAYES ADAME

/s/ Gunter Blobel
GUNTER BLOBEL

/s/ Marcello Bottoli
MARCELLO BOTTOLI

/s/ Linda B. Buck
LINDA B. BUCK

/s/ J. Michael Cook
J. MICHAEL COOK

/s/ Peter A. Georgescu
PETER A. GEORGESCU

/s/ Alexandra A. Herzan
ALEXANDRA A. HERZAN

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

/s/ Arthur C. Martinez
ARTHUR C. MARTINEZ

/s/ Burton M. Tansky
BURTON M. TANSKY

INTERNATIONAL FLAVORS & FRAGRANCES INC. AND SUBSIDIARIES

SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
(IN THOUSANDS)

	For the Year Ended December 31, 2007				
	Balance at beginning of period	Additions charged to costs and expenses	Accounts written off	Translation adjustments	Balance at end of period
Allowance for doubtful accounts	\$ 12,715	\$ 1,369	\$ 3,407	\$ 1,017	\$ 11,694
Valuation allowance on credit and operating loss carryforwards	141,200	16,818	—	13,582	171,600
	<u>\$ 153,915</u>	<u>\$ 18,187</u>	<u>\$ 3,407</u>	<u>\$ 14,599</u>	<u>\$ 183,294</u>

	For the Year Ended December 31, 2006				
	Balance at beginning of period	Additions charged to costs and expenses	Accounts written off	Translation adjustments	Balance at end of period
Allowance for doubtful accounts	\$ 14,821	\$ 894	\$ 4,050	\$ 1,050	\$ 12,715
Valuation allowance on credit and operating loss carryforwards	130,450	(3,767)	—	14,517	141,200
	<u>\$ 145,271</u>	<u>\$ (2,873)</u>	<u>\$ 4,050</u>	<u>\$ 15,567</u>	<u>\$ 153,915</u>

	For the Year Ended December 31, 2005				
	Balance at beginning of period	Additions charged to costs and expenses	Accounts written off	Translation adjustments	Balance at end of period
Allowance for doubtful accounts	\$ 17,663	\$ 910	\$ 2,592	\$ (1,160)	\$ 14,821
Valuation allowance on credit and operating loss carryforwards	111,040	33,076	—	(13,666)	130,450
	<u>\$ 128,703</u>	<u>\$ 33,986</u>	<u>\$ 2,592</u>	<u>\$ (14,826)</u>	<u>\$ 145,271</u>

INTERNATIONAL FLAVORS & FRAGRANCES INC.

INVESTOR INFORMATION

ANNUAL MEETING

The Annual Meeting of Shareholders will be held at the offices of the Company, 521 West 57th Street, New York, New York, on Tuesday, May 6, 2008 at 10:00 a.m., EDT.

A proxy statement and form of proxy will be mailed to each shareholder on or about March 21, 2008.

TRANSFER AGENT AND REGISTRAR

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INTERNATIONAL FLAVORS & FRAGRANCES INC.

SUPPLEMENTAL RETIREMENT PLAN

The accrual and payment of benefits as calculated under the International Flavors & Fragrances Inc. Pension Plan (the "Qualified Pension Plan") may be limited by present and future governmental rules covering qualified plans. International Flavors & Fragrances Inc. (the "Company") has established this non-qualified Supplemental Retirement Plan (the "Plan") to accrue and pay that part of the pension benefit that, because of governmentally imposed limitations, cannot be accrued or paid by the Qualified Pension Plan. The Plan, as set forth in this document, is amended and restated, effective January 1, 2008, to comply with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations thereunder, except to the extent of any "grandfathered" benefits described below. The terms and conditions of the Qualified Pension Plan are incorporated in the Plan except where a different meaning is plainly required.

Effective December 31, 2007, the Qualified Pension Plan was amended to provide that participants whose combined age and years of service (calculated by rounding up and including fractional credit in the first year of the Participant's service and the 2007 Plan Year) does not equal or exceed seventy (70) as of December 31, 2007, are treated as "Frozen Participants" under the Qualified Pension Plan. The Qualified Pension Plan was further amended to provide that compensation paid, and service earned after, December 31, 2007, shall not be taken into account for purposes of determining benefits under the

Qualified Pension Plan of Frozen Participants and participants who are rehired after December 31, 2007 (“Rehired Participants”). As a result of the amendments to the Qualified Pension Plan, the calculation of benefits under this Plan for Participants who are treated as Frozen Participants or Rehired Participants under the Qualified Pension Plan shall not take into account Compensation paid to, and service earned by, the Frozen Participants or Rehired Participants after December 31, 2007.

The Plan shall be unfunded and shall be administered by a Supplemental Administrative Committee (the “Committee”), the members of which shall be the same individuals as those comprising the Qualified Pension Plan’s Administrative Committee. Decisions of the Committee shall be conclusive and binding on all persons.

The Plan Year shall be the same as that of the Qualified Pension Plan.

Eligibility and Vesting

Any participant in the Qualified Pension Plan who is designated by the Committee as a participant in the Plan, and for whom benefits calculated under the Plan would exceed benefits under the Qualified Pension Plan as of the date of distribution from the Plan is a participant (“Participant”) in the Plan. A Participant shall become vested in his or her benefit under the Plan at the same time, and to the same extent, he or she is vested in the benefit under the Qualified Pension Plan.

Calculation of Benefits

For purposes of the calculation of benefits under the Plan, Compensation and Rate of Compensation are defined as follows:

Compensation or Rate of Compensation of any Participant shall mean the sum of the amounts determined in paragraphs (a) and (b) below:

- (a) The basic rate of monthly compensation (including reductions made pursuant to a voluntary salary deferral agreement under the International Flavors & Fragrances Inc. Deferred Compensation Plan and including any reductions made pursuant to a salary reduction agreement under Sections 401(k), 125 or 132(f) of the Code), in effect for the Participant on the Compensation Date (as defined in the Qualified Pension Plan), and
- (b) One-twelfth of the bonus (if any) awarded to the Participant with respect to the calendar year immediately preceding the above Compensation Date, without regard to whether payment of such bonus was made in that calendar year or deferred to a subsequent calendar year.

Compensation, for purposes of the Plan, shall include commissions but exclude compensation for overtime service, shift differential, and all other forms of fringe compensation or benefits and any amount contributed for him by the Company to any public or private employee benefit plan including the Plan or the International

Flavors & Fragrances Inc. Deferred Compensation Plan other than contributions corresponding to reductions referred to in paragraphs (a) and (b) above.

Calculation of benefits under the Plan shall be made in the same manner as provided in the Qualified Pension Plan but using the above definition of Compensation, without any governmental limitations imposed on compensation under the Qualified Pension Plan. Amounts of benefits so calculated shall not be subject to limitations imposed by governmental enactments, rules or regulations concerning qualified benefit plans, including those limitations imposed by Section 415 of the Code.

Notwithstanding the foregoing, the calculation of benefits under this Plan for Frozen Participants or Rehired Participants shall not take into account Compensation paid to such Participants after December 31, 2007.

Benefits accrued and payable from the Plan shall be the excess, if any, of benefits calculated as described above over benefits payable under the Qualified Pension Plan as of a given determination date.

Payment of Vested Benefits Accrued Before January 1, 2005

Benefits accrued and vested as of December 31, 2004, shall be payable at the same time, and in the same form and manner as the Participant's benefits under the Qualified Pension Plan, in accordance with the terms of the Plan in effect on October 3, 2004. Such benefits are intended to be "grandfathered" benefits that are not subject to the

requirements of Section 409A of the Code, and the provisions of this paragraph shall be construed accordingly. Notwithstanding the foregoing, if the provisions of the Plan in effect on October 3, 2004 are materially modified (as defined under Section 409A of the Code), such grandfathered benefits shall become subject to the requirements of Section 409A of the Code.

Payment of Benefits Accrued or Vested After December 31, 2004

Benefits accrued after December 31, 2004, or benefits that first become vested after that date, shall be calculated as of the applicable distribution date, and shall be payable commencing on that date, but in no event later than the later of (i) December 31 of the calendar year which includes the Participant's applicable distribution date, or (ii) the fifteenth day of the third calendar month following the date which includes the Participant's applicable distribution date.

Notwithstanding the foregoing, benefit payments to a specified employee shall be payable on the later of his or her (i) applicable distribution date, or (ii) the first day of the seventh month following his or her separation from service, unless the specified employee dies before such date. In no event shall the specified employee's benefit be payable later than the later of (a) December 31 of the calendar year which includes the later of (i) or (ii) above, or (b) the fifteenth day of the third calendar month following the date which is the later of (i) or (ii) above.

If a Participant has not commenced payment of his benefit by December 31, 2007 and is not married on his or her applicable distribution date, the Participant's benefit shall be payable in the form of a single life annuity with a certain period of five years. If a Participant has not commenced payment of his benefit by December 31, 2007 and is married on his or her applicable distribution date, the Participant's benefit shall be payable in the form of a joint and 50% survivor annuity. Prior to the Participant's applicable distribution date, a Participant may elect to receive his or her benefit in one of the following annuity forms in lieu of the single life annuity with a certain period of five years or joint and 50% survivor annuity, as applicable, provided that, as of the applicable distribution date, the elected annuity form is actuarially equivalent to the single life annuity with a certain period of five years or joint and 50% survivor annuity, as applicable:

- (a) Single life annuity;
- (b) Joint and 50% survivor annuity;
- (c) Joint and 75% survivor annuity;
- (d) Joint and 100% survivor annuity;
- (e) Single life annuity with five-year period certain;
- (f) Single life annuity with ten-year period certain;
- (g) Single life annuity with fifteen-year period certain; and
- (h) Single life annuity with twenty-year period certain.

The form and manner of payment of a Participant's benefit under this Plan shall not be contingent on any election made by the Participant under the Qualified Pension Plan.

If a Participant dies after commencing payment of his benefit under the Plan, his beneficiary or his surviving spouse shall receive the survivor benefits, if any, that are available under the payment form elected by the Participant.

If a Participant dies before commencing payment of his benefit under the Plan, has met the requirements for early, normal, disability or late retirement under the Qualified Pension Plan, and is married for at least one year prior to his death, his spouse shall be entitled to a benefit under the Plan. Such benefit shall be equal to 50% of the amount that the spouse would have received under the five-year period certain annuity determined as of the date the Participant died. Payments to a surviving spouse shall commence on the first day of the month following the Participant's death but in no event later than the later of (i) December 31 of the calendar year in which the Participant dies, or (ii) the fifteenth day of the third calendar month following the date on which the Participant dies.

If a Participant dies before commencing payment of his benefit under the Plan, has not met the requirements for early, normal, disability or late retirement under the Qualified Pension Plan, has at least five years of Eligibility Service (as defined under the Qualified Plan) and is married for at least one year prior to his death, his spouse shall be entitled to a benefit under the Plan. Such benefit shall be equal to 50% of the actuarially reduced joint and 50% survivor annuity determined as of the date the Participant died. Payments to the surviving spouse shall commence on the earliest date that the Participant could have commenced payment of his benefit under the Qualified Pension Plan, but in no event later than the later of (i) December 31 of the calendar year in which the Participant

dies, or (ii) the fifteenth day of the third calendar month following the date on which the Participant dies.

For purposes of this section:

- (a) The “applicable distribution date” is, with respect to Participants who separate from service after attaining age 55 and completing at least 10 years of service (as defined under the Qualified Plan), or on or after their normal retirement date (as defined under the Qualified Plan), the first day of the month following the date on which the Participant separates from service. With respect to Participants who separate from service after completing 10 years of service but prior to attaining age 55, applicable distribution date means the first day of the month following the date on which the Participant attains age 55. With respect to Participants who separate from service prior to completing 10 years of service, applicable distribution date means the Participant’s normal retirement date.
 - (b) A “specified employee” is a key employee as defined in Section 416(i) of the Code and the regulations thereunder (disregarding Section 416(i)(5)), determined as of January 1 for the 12-month period beginning the immediately following May 1.
 - (c) “Separation from service” means the death, retirement, or other termination of employment of the Participant, such that he ceases to be an employee of the Company or an affiliate. Whether a separation from service has occurred shall be
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determined in accordance with Section 409A of the Code and the regulations thereunder.

Notwithstanding anything herein to the contrary, a Participant who, prior to January 1, 2008 and after December 31, 2004, has no separation from service under IRS proposed regulations under Section 409A, but has a separation from service under the IRS final 409A regulations, shall be treated as having a separation from service date on December 31, 2007.

General Provisions

The Company may terminate the Plan at any time, whereupon the rights of Participant to their benefits accrued to the date of such termination shall be nonforfeitable. The Company may terminate in the Plan only in accordance with Section 409A of the Code. The Company may amend the Plan at any time but no amendment shall cause a reduction in the amounts theretofore credited to any Participant.

Nothing contained in the Plan shall be construed as a contract of employment nor shall the Plan or its establishment confer any legal rights upon any Participant or other person for a continuation of employment with the Company, nor interfere with the rights of the Company to discharge any Participant and to treat him without regard to the effect which that treatment might have upon him as a Participant or potential Participant of the Plan.

If the Committee shall find that a Participant or other person entitled to a benefit is unable to care for his affairs because of illness or accident or is a minor or has died, the

Committee may direct that any benefit due him, unless claim shall have been made for the benefit by a duly appointed legal representative, be paid to his spouse, a child, a parent, or other blood relative, or to a person with whom he resides. Any payment so made shall be a complete discharge of the liabilities of the Plan for that benefit.

The Company shall have the right to deduct from each payment to be made under the Plan any required withholding taxes.

Subject to any applicable law, no benefit under the Plan shall be subject in any manner to anticipation, alienation, sale transfer, assignment, pledge, encumbrance, or charge, and any attempt so to do shall be void, nor shall any such benefit be in any manner liable for or subject to garnishment, attachment execution or levy, or liable for or subject to the debts, contracts, liabilities, engagements, or torts of the Participants.

INTERNATIONAL FLAVORS & FRAGRANCES INC.

**2000 Stock Award and Incentive Plan
As Amended and Restated December 31, 2007**

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 and reference to regulations includes any applicable guidance or pronouncement of the Department of the Treasury and Internal Revenue Service.

(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 (except to the extent limited under applicable New York Stock Exchange rules), 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(q).

(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. Fair Market Value relating to the exercise price or base price of any Non-409A Option or SAR and relating to the market value of Stock measured at the time of exercise shall conform to requirements under Treasury Regulation § 1.409A-1(b)(5)(iv).

(o) "409A Award" means an Award that constitutes a deferral of compensation under Code Section 409A and regulations thereunder, excluding any Award that is "grandfathered" as specified in Section 11(k)(iv) or is excluded from being a deferral of compensation under Treasury Regulation § 1.409A-1. "Non-409A Award" means an Award other than a 409A Award. Although the Committee retains authority under the Plan to grant Options, SARs and Restricted Stock on terms that will qualify those Awards as 409A Awards, Options, SARs, and Restricted Stock are intended to be Non-409A Awards unless otherwise expressly specified by the Committee.

(p) "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.

(q) "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.

(r) "Other Stock-Based Awards" means Awards granted to a Participant under Section 6(h).

(s) "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.

(t) "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.

(u) "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).

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

(w) "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.

(x) "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).

(y) "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 (i) 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, (ii) will not cause Awards intended to qualify as "performance-based compensation" under Code Section 162(m) to fail to so qualify, (iii) will not result in a related-person transaction with an executive officer required to be disclosed under Item 404(a) of Regulation S-K (in accordance with Instruction 5.a.ii thereunder) under the Exchange Act, and (iv) is permitted under applicable provisions of the New York Business Corporation Law.

(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 Sections 11(e) and 11(k)), 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 (subject to Section 11(k) and the terms of the Award agreement). 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 Option 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 Sections 11(k) and 11(l)), including, without limitation, cash, Stock, Stock deliverable to the Participant upon exercise of the Award, other Awards or awards granted under other plans of the Company or any subsidiary or affiliate, or other property (including through "cashless exercise" arrangements, to the extent permitted by applicable law, but excluding any exercise method in which a personal loan would be made from the Company to the Participant), and the methods by or forms in which Stock will be delivered or deemed to be delivered in satisfaction of Options to Participants (including, in the case of 409A Awards, deferred delivery of shares subject to the Option 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 over (B) the grant price of the SAR as determined by the Committee, but which in no event will be less than 100% of the Fair Market Value of a share of Stock on the date of grant of the SAR.

(ii) *Other Terms.* The Committee shall determine the term of each SAR, provided that in no event shall the term of any SAR exceed a period of ten years from the date of grant.

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, whether or not a SAR shall be free-standing or in tandem or combination with any other Award, and whether or not the SAR will be a 409A Award or Non-409A Award. Limited SARs that may only be exercised in connection with a Change in Control or termination of service following 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(l)), 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, 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, subject to the restriction on repricing in Section 11(e), 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; provided, however, that a 409A Award may not be granted in tandem with a Non-409A Award. 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 Sections 11(k) and 11(l) and subject to the restriction on repricing in Section 11(e), 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 Sections 6(b)(ii) and 6(c)(ii) and elsewhere in the Plan.

(c) *Form and Timing of Payment under Awards; Deferrals.* Subject to the terms of the Plan (including Section 11(l)) 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(l)). 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(l)) in order to avoid a Participant who is subject to Section 16 of the Exchange Act incurring liability under Section 16(b). Unless otherwise specified by the Participant, equity securities or derivative securities acquired under the Plan which are disposed of by a Participant shall be deemed to be disposed of in the order acquired by the Participant.

9. Change in Control.

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

(i) All deferral of settlement, forfeiture conditions and other restrictions applicable to Awards granted under the Plan shall lapse and such Awards shall be fully payable as of the time of the Change in Control without regard to deferral and vesting conditions, except to the extent of any waiver by the Participant or other express election to defer beyond a Change in Control and subject to applicable restrictions set forth in Section 11(a); provided, however, that, in the case of a 409A Award (as defined in Section 11(k)(i)), the end of any deferral period and settlement of the Award shall occur only if the Change in Control is a 409A Change in Control as defined in Section 11(k)(i)(E)(1) (but forfeiture conditions relating to such Award will lapse), and any waiver or express election to defer such 409A Award shall be subject to the terms of Section 11(k);

(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, in the case of a 409A Award, applicable restrictions in the Award Agreement which shall meet the requirements of Section 11(k) and other requirements of Code Section 409A; 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; provided, however, that the extension of this right to any Participant shall meet all requirements of Section 11(k) and other requirements of Code Section 409A that apply to the particular Award (whether it is grandfathered, or otherwise a Non-409A Award, or a 409A Award) to ensure that no tax penalties result from the extension of this right to the Participant.

(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 (i), for any Award that was both granted and vested before 2005 (which thus is "grandfathered" under Code Section 409A), 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, and (ii), for any other Award, the Fair Market Value per share at the date the Company and the Participant have mutually agreed to the surrender of the Award in return for a cash payment from the Company.

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 the 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. For purposes of this Section 10(a), an Award that is electively deferred shall be treated as settled at the date it would have settled but for such elective deferral.

(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 Section 10(a) and 10(b) shall be deemed to be incorporated into an Award, a Participant is not thereby prohibited from engaging in an activity identified in Section 10(b), 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) *Forfeitures Resulting from Financial Reporting Misconduct.* If the Company is required to prepare an accounting restatement due to the material noncompliance of the Company, as a result of misconduct, with any financial reporting requirement under the securities laws, and if a Participant, knowingly or through gross negligence, caused or failed to prevent such misconduct, the Participant (i) shall forfeit any Performance Award (including any Annual Incentive Award) that was or would be deemed to be earned in whole or in part based on performance during the period covered by the noncompliant financial report and during the 12-month period following the first public issuance or filing with the Securities and Exchange Commission (whichever first occurs) of the non-compliant financial report; and (ii) shall forfeit any other Award that was granted hereunder during the 12-month period following such first public issuance or filing of the non-compliant financial report and thereafter until the accounting restatement correcting such non-compliant financial report has been filed, and (iii) shall forfeit any profits realized from the sale of shares during the 12-month period following such first public issuance or filing if such shares were acquired upon exercise or settlement of Awards. For purposes of this Section 10(d), (A) if an Award subject to forfeiture has become vested or settled, the Participant will be liable to repay the Award Gain (as defined above), (B) "profit" shall be calculated based on the excess of any selling price of shares over the average market price of shares in the 20 trading days ending the day before the first public issuance or filing of the non-compliant report, and (C) the term "misconduct" and other terms shall have meanings and be interpreted in a manner consistent with the meanings and interpretation of such terms under Section 304 of the Sarbanes-Oxley Act of 2002. This Section 10(d) will apply to Awards granted on and after March 6, 2007 and, with the consent of the Participant, to Awards granted prior to that date.

(e) *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), subject to Section 11(k)(i)(G), 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 and the Committee has determined that there will be no transfer of the Award to a third party for value, and 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(l)). 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 or SARs in a transaction that constitutes a "repricing," which for this purpose means any of the following or any other action that has the same effect:

- Lowering the exercise price of an Option or SAR after it is granted;
- Any other action that is treated as a repricing under generally accepted accounting principles;
- Canceling an Option or SAR at a time when its exercise price exceeds the fair market value of the underlying Stock, in exchange for another Option or SAR, restricted stock, other equity, cash or other property;

provided, however, that the foregoing transactions shall not be deemed a repricing if pursuant to an adjustment authorized under Section 11(c). 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 on Awards to Ensure Compliance with Code Section 409A.

(i) *409A Awards and Deferrals.* Other provisions of the Plan notwithstanding, the terms of any 409A Award (which for purposes of this Section 11(k) means only such an Award held by an employee subject to United States federal income tax), including any authority of the Company and rights of the Participant with respect to the 409A Award, shall be limited to those terms permitted under Section 409A, and any terms not permitted under Code Section 409A shall be modified and limited to the extent necessary to conform with Section 409A but only to the extent that such modification or limitation is permitted under Code Section 409A and the regulations and guidance issued thereunder. The following rules will apply to 409A Awards:

- (A) Elections. If a Participant is permitted to elect to defer an Award or any payment under an Award, such election will be permitted in accordance with the provisions specified in Section 5(b) of the Company's Deferred Compensation Plan, as amended and restated October 9, 2007, subject to any additional limitations as may be necessary for compliance with Code Section 409A;
- (B) Changes to Distribution Elections. The Committee may, in its discretion, require or permit on an elective basis a change in the settlement terms applicable to such 409A Awards (and Non-409A Awards that qualify for the short-term deferral exemption under Code Section 409A) in accordance with, and to the fullest extent permitted by, applicable IRS guidance under Code Section 409A, provided that before 2008 the executive officers responsible for day-to-day administration of the Plan may exercise the full authority of the Committee under this Section 11(k)(i)(B) and otherwise act to cause outstanding Awards to meet requirements of Section 409A, provided that any modifications to an outstanding Award or election permitted of a Participant with respect to settlement dates of an outstanding Award may not otherwise increase the benefits to a Participant or the costs of such Awards to the Company other than administrative costs, changes in value of the Award based on investment performance of the underlying Stock or other assets, and indirect expense attributable to differences in the timing of receipt of taxable income and tax deductions;
- (C) Exercise and Distribution. Except as provided in Section 11(k)(i)(D) hereof, no 409A Award shall be exercisable (if the exercise would result in a distribution) or otherwise distributable to a Participant (or his or her beneficiary) except upon the occurrence of one of the following (or a date related to the occurrence of one of the following), which must be specified in a written document governing such 409A Award and otherwise meet the requirements of Treasury Regulation § 1.409A-3:
 - (1) Specified Time. A specified time or a fixed schedule.
 - (2) Separation from Service. The Participant's separation from service (within the meaning of Treasury Regulation § 1.409A-1(h) and other applicable rules under Code Section 409A); provided, however, that if the Participant is a "key employee" (as defined in Code Section 416(i) without regard to paragraph (5) thereof) and any of the Company's Stock is publicly traded on an established securities market or otherwise, settlement under this Section 11(k)(i)(C)(2) may not be made before the date that is six months after the date of separation from service

- (3) Death. The death of the Participant.
 - (4) Disability. The date the Participant has experienced a 409A Disability (as defined below).
 - (5) 409A Change in Control Event. The occurrence of a 409A Change in Control (as defined below).
- (D) No Acceleration. The exercise or distribution of a 409A Award may not be accelerated prior to the time specified in Section 11(k)(i) (D) hereof, except in the case of one of the following events:
- (1) Unforeseeable Emergency. The occurrence of an Unforeseeable Emergency, as defined below, but only if the net amount payable upon such settlement does not exceed the amounts necessary to relieve such emergency plus amounts necessary to pay taxes reasonably anticipated as a result of the settlement, after taking into account the extent to which the emergency is or may be relieved through reimbursement or compensation from insurance or otherwise or by liquidation of the Participant's other assets (to the extent such liquidation would not itself cause severe financial hardship), or by cessation of deferrals under the Plan. Upon a finding that an Unforeseeable Emergency has occurred with respect to a Participant, any election of the Participant to defer compensation that will be earned in whole or part by services in the year in which the emergency occurred or is found to continue will be immediately cancelled.
 - (2) Domestic Relations Order. The 409A Award may permit the acceleration of the exercise or distribution time or schedule to an individual other than the Participant as may be necessary to comply with the terms of a domestic relations order (as defined in Section 414(p)(1)(B) of the Code).
 - (3) Conflicts of Interest. Such 409A Award may permit the acceleration of the settlement time or schedule as may be necessary to comply with an ethics agreement with the Federal government or if reasonably necessary to comply with a Federal, state, local or foreign ethics law or conflict of interest law in compliance with Treasury Regulation § 1.409A-3(j)(4)(iii).
 - (4) Change. The Committee may exercise the discretionary right to accelerate the vesting of any unvested compensation deemed to be a 409A Award upon a 409A Change in Control or to terminate the Plan upon or within 12 months after a 409A Change in Control, or otherwise to the extent permitted under Treasury Regulation § 1.409A-3(j)(4)(ix), or accelerate settlement of such 409A Award in any other circumstance permitted under Treasury Regulation § 1.409A-3(j)(4).
- (E) Definitions. For purposes of this Section 11(k), the following terms shall be defined as set forth below:
- (1) "409A Change in Control" means the occurrence of Change in Control (as defined in Section 9(c)) in connection with which there occurs a change in the ownership of the Company, a change in effective control of the Company, or a change in the ownership of a substantial portion of the assets of the Company (as defined in Treasury Regulation § 1.409A-3(i)(5)).

- (2) "409A Disability" means an event which results in the Participant being (i) unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or (ii), by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under an accident and health plan covering employees of the Company or its subsidiaries.
- (3) "Unforeseeable Emergency" means a severe financial hardship to the Participant resulting from an illness or accident of the Participant, the Participant's spouse, or a dependent (as defined in Code Section 152, without regard to Code Sections 152(b)(1), (b)(2), and (d)(1)(B)) of the Participant, loss of the Participant's property due to casualty, or similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant, and otherwise meeting the definition set forth in Treasury Regulation § 1.409A-3(i)(3).
- (F) Determination of "Key Employee." For purposes of a settlement under Section 11(k)(i)(C)(2), status of a Participant as a "key employee" shall be determined annually under the Company's administrative procedure for such determination for purposes of all plans subject to Code Section 409A.
- (G) Non-Transferability. The provisions of Section 11(b) notwithstanding, no 409A Award or right relating thereto shall be subject to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment, or garnishment by creditors of the Participant or the Participant's Beneficiary.
- (H) 409A Rules Do Not Constitute Waiver of Other Restrictions. The rules applicable to 409A Awards under this Section 11(k)(i) constitute further restrictions on terms of Awards set forth elsewhere in this Plan. Thus, for example, a 409A Option/SAR shall be subject to restrictions, including restrictions on rights otherwise specified in Section 6(b) or 6(c), in order that such Award shall not result in constructive receipt of income before exercise or tax penalties under Code Section 409A.

(ii) *Rules Applicable to Certain Participants Transferred to Affiliates.* For purposes of determining a separation from service (where the use of the following modified definition is based upon legitimate business criteria), in applying Code Sections 1563(a)(1), (2) and (3) for purposes of determining a controlled group of corporations under Code Section 414(b), the language "at least 20 percent" shall be used instead of "at least 80 percent" at each place it appears in Sections 1563(a)(1), (2) and (3), and in applying Treasury Regulation § 1.414(c)-2 (or any successor provision) for purposes of determining trades or businesses (whether or not incorporated) that are under common control for purposes of Code Section 414(c), the language "at least 20 percent" shall be used instead of "at least 80 percent" at each place it appears in Treasury Regulation § 1.414(c)-2.

(iii) *Distributions Upon Vesting.* In the case of any Award providing for a distribution upon the lapse of a risk of forfeiture, if the timing of such distribution is not otherwise specified in the Plan or an Award agreement or other governing document, the distribution shall be made not later than March 15 of the year following the year in which the risk of forfeiture lapsed, provided that the Participant shall have no influence on any determination as to the tax year in which the distribution will be made.

(iv) *Grandfathered Awards.* Any award that was both granted and vested before 2005 and which otherwise might constitute a deferral of compensation under Section 409A is intended to be "grandfathered" under Section 409A. No amendment or change to the Plan or other change (including an exercise of discretion) with respect to such a grandfathered award after October 3, 2004, shall be effective if such change would constitute a "material modification" within the meaning of applicable guidance or regulations under Section 409A, except in the case of an award that is specifically modified before 2008 to become compliant as a 409A Award or compliant with an exemption under Section 409A.

(v) *Scope and Application of this Provision.* For purposes of this Section 11(k), references to a term or event (including any authority or right of the Company or a Participant) being "permitted" under Code Section 409A mean that the term or event will not cause the Participant to be deemed to be in constructive receipt of compensation relating to the 409A Award prior to the distribution of cash, shares or other property or to be liable for payment of interest or a tax penalty under Section 409A.

(l) *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 "share-based equity" (and not a "share-based liability") subject to fixed accounting with a measurement date at the date of grant under FAS 123(R) shall not be deemed a share-based liability (subject to "variable" accounting) solely due to the existence of such authority, unless the Committee specifically determines that the Award shall remain outstanding as a share-based liability (i.e., subject to such "variable" accounting).

(m) *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.

(n) *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(n) 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.

(o) *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.

(p) *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.

(q) *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 December 31, 2007

INTERNATIONAL FLAVORS & FRAGRANCES INC.

2000 Supplemental Stock Award Plan
As Amended and Restated December 31, 2007

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INTERNATIONAL FLAVORS & FRAGRANCES INC.

2000 Supplemental Stock Award Plan
As Amended and Restated December 31, 2007

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, and reference to regulations includes any applicable guidance or pronouncement of the Department of the Treasury and Internal Revenue Service.

(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 (except to the extent limited under applicable New York Stock Exchange rules), 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(p).

(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. Fair Market Value relating to the exercise price or base price of any Non-409A Option or SAR and relating to the market value of Stock measured at the time of exercise shall conform to requirements under Treasury Regulation § 1.409A-1(b)(5)(iv).

(m) "409A Award" means an Award that constitutes a deferral of compensation under Code Section 409A and regulations thereunder, excluding any Award that is "grandfathered" as specified in Section 10(k)(iv) or is excluded from being a deferral of compensation under Treasury Regulation § 1.409A-1. "Non-409A Award" means an Award other than a 409A Award. Although the Committee retains authority under the Plan to grant Options, SARs and Restricted Stock on terms that will qualify those Awards as 409A Awards, Options, SARs, and Restricted Stock are intended to be Non-409A Awards unless otherwise expressly specified by the Committee.

(n) "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.

(o) "Other Stock-Based Awards" means Awards granted to a Participant under Section 6(h).

(p) "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.

(q) "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.

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

(s) "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).

(t) "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 delegee shall not be personally liable for any action or determination taken or made in good faith with respect to the Plan, and shall, to the extent permitted by law, be fully indemnified and protected by the Company with respect to any such action or determination.

4. Stock Subject to Plan.

(a) *Overall Number of Shares Available for Delivery.* Subject to adjustment as provided in Section 10(c), the total number of shares of Stock reserved and available for delivery in connection with Awards under the Plan shall be 4,500,000 shares; provided, however, that the total number of shares which may be issued and delivered in connection with Awards other than Options and SARs shall not exceed 100,000. Any shares of Stock delivered under the Plan shall consist of authorized and unissued shares, unless the Company's General Counsel determines that treasury shares shall be delivered under the Plan.

(b) *Share Counting Rules.* The Committee may adopt reasonable counting procedures to ensure appropriate counting, avoid double counting (as, for example, in the case of tandem or substitute awards) and make adjustments if the number of shares of Stock actually delivered differs from the number of shares previously counted in connection with an Award; provided, however, that shares withheld in payment of taxes upon vesting of Restricted Stock and shares equal to the number of outstanding shares surrendered in payment of the exercise price or taxes relating to an Award shall not become available again under the Plan if the withholding or surrender transaction occurs more than ten years after the date of adoption of the Plan, and otherwise shares shall not become available

under this Section 4(b) in an event that would constitute a "material revision" of the Plan subject to shareholder approval under then applicable rules of the New York Stock Exchange. Shares subject to an Award that is canceled, expired, forfeited, settled in cash or otherwise terminated without a delivery of shares to the Participant will again be available for Awards, and shares withheld in payment of the exercise price or taxes relating to an Award and shares equal to the number surrendered in payment of any exercise price or taxes relating to an Award shall be deemed to constitute shares not delivered to the Participant and shall be deemed to again be available for Awards under the Plan. In addition, in the case of any Award granted in substitution for an award of a company or business acquired by the Company or a subsidiary or affiliate, shares issued or issuable in connection with such substitute Award shall not be counted against the number of shares reserved under the Plan, but shall be available under the Plan by virtue of the Company's assumption of the 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 Sections 10(e) and 10(k)), 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 (subject to Section 10(k) and the terms of the Award agreement). 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, provided that in no event shall the term of any Option 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 Sections 10(j) and 10(k)), including, without limitation, cash, Stock, Stock deliverable to the Participant upon exercise of the Award, other Awards or awards granted under other plans of the Company or any subsidiary or

affiliate, or other property (including through "cashless exercise" arrangements, to the extent permitted by applicable law, but excluding any exercise method in which a personal loan would be made from the Company to the Participant), and the methods by or forms in which Stock will be delivered or deemed to be delivered in satisfaction of Options to Participants (including, in the case of 409A Awards, deferred delivery of shares 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 over (B) the grant price of the SAR as determined by the Committee, but which in no event will be less than 100% of the Fair Market Value of a share of Stock on the date of grant of the SAR.

(ii) *Other Terms.* The Committee shall determine the term of each SAR, provided that in no event shall the term of any SAR exceed a period of ten years from the date of grant. 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, whether or not a SAR shall be free-standing or in tandem or combination with any other Award, and whether or not the SAR will be a 409A Award or Non-409A Award. Limited SARs that may only be exercised in connection with a Change in Control or termination of service following 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, 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, subject to the restriction on repricing in Section 11(e), 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; provided, however, that a 409A Award may not be granted in tandem with a Non-409A Award. 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 Sections 10(j) and 11(k), and subject to the restriction on repricing in Section 10(e), 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, subject to the express limitations set forth in Sections 6(b)(ii) and 6(c)(ii) and elsewhere in the Plan.

(c) *Form and Timing of Payment under Awards; Deferrals.* Subject to the terms of the Plan (including Section 10(j)) and any applicable Award document, payments to be made by the Company or a subsidiary or affiliate upon the exercise of an Option or other Award or settlement of an Award may be made in such forms as the Committee shall determine, including, without limitation, cash, Stock, other Awards or other property, and may be made in a single payment or transfer, in installments, or on a deferred basis. The settlement of any Award may be accelerated, and cash paid in lieu of Stock in connection with such settlement, in the discretion of the Committee or upon occurrence of one or more specified events (subject to Section 10(j)). Installment or deferred payments may be required by the Committee (subject to Section 10(e)) or permitted at the election of the Participant on terms and conditions established by the Committee. Payments may include, without limitation, provisions for the payment or crediting of reasonable interest on installment or deferred payments or the grant or crediting of Dividend Equivalents or other amounts in respect of installment or deferred payments denominated in Stock.

8. Change in Control.

(a) *Effect of "Change in Control" on Non-Performance Based Awards.* In the event of a "Change in Control," the following provisions shall apply to non-performance based Awards, including Awards as to 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); provided, however, that, in the case of a 409A Award (as defined in Section 10(k)(i)), the end of any deferral period and settlement of the Award shall occur only if the Change in Control is a 409A Change in Control as defined in Section 10(k)(i)(E)(1) (but forfeiture conditions relating to such Award will lapse), and any waiver or express election to defer such 409A Award shall be subject to the terms of Section 10(k);

(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, in the case of a 409A Award, applicable restrictions in the Award Agreement which shall meet the requirements of Section 10(k) and other requirements of Code Section 409A; 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; provided, however, that the extension of this right to any Participant shall meet all requirements of Section 10(k) and other requirements of Code Section 409A that apply to the particular Award (whether it is grandfathered, or otherwise a Non-409A Award, or a 409A Award) to ensure that no tax penalties result from the extension of this right to the Participant.

(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 (i), for any Award that was both granted and vested before 2005 (which thus is "grandfathered" under Code Section 409A), 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, and (ii), for any other Award, the Fair Market Value per share at the date the Company and the Participant have mutually agreed to the surrender of the Award in return for a cash payment from the Company.

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 the 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. For purposes of this Section 9(a), an Award that is electively deferred shall be treated as settled at the date it would have settled but for such elective deferral.

(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 a 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 Section 9(a) and 9(b) shall be deemed to be incorporated into an Award, a Participant is not thereby prohibited from engaging in an activity identified in Section 9(b), 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) *Forfeitures Resulting from Financial Reporting Misconduct.* If the Company is required to prepare an accounting restatement due to the material noncompliance of the Company, as a result of misconduct, with any financial reporting requirement under the securities laws, and if a Participant, knowingly or through gross negligence, caused or failed to prevent such misconduct, the Participant (i) shall forfeit any Performance Award (including any Annual Incentive Award) that was or would be deemed to be earned in whole or in part based on performance during the period covered by the noncompliant financial report and during the 12-month period following the first public issuance or filing with the Securities and Exchange Commission (whichever first occurs) of the non-compliant financial report; and (ii) shall forfeit any other Award that was granted hereunder during the 12-month period following such first public issuance or filing of the non-compliant financial report and thereafter until the accounting restatement correcting such non-compliant financial report has been filed, and (iii) shall forfeit any profits realized from

the sale of shares during the 12-month period following such first public issuance or filing if such shares were acquired upon exercise or settlement of Awards. For purposes of this Section 9(d), (A) if an Award subject to forfeiture has become vested or settled, the Participant will be liable to repay the Award Gain (as defined above), (B) "profit" shall be calculated based on the excess of any selling price of shares over the average market price of shares in the 20 trading days ending the day before the first public issuance or filing of the non-compliant report, and (C) the term "misconduct" and other terms shall have meanings and be interpreted in a manner consistent with the meanings and interpretation of such terms under Section 304 of the Sarbanes-Oxley Act of 2002. This Section 9(d) will apply to Awards granted on and after March 6, 2007 and, with the consent of the Participant, to Awards granted prior to that date.

(e) *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), subject to Section 10(k)(1)(G), 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 and the Committee has determined that there will be no transfer of the Award to a third party for value, and 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. Without the approval of shareholders, the Committee will not amend or replace previously granted Options or SARs in a transaction that constitutes a "repricing," which for this purpose means any of the following or any other action that has the same effect:

- Lowering the exercise price of an Option or SAR after it is granted;
- Any other action that is treated as a repricing under generally accepted accounting principles;
- Canceling an Option or SAR at a time when its exercise price exceeds the fair market value of the underlying Stock, in exchange for another Option or SAR, restricted stock, or other equity;

provided, however, that the foregoing transactions shall not be deemed a repricing if pursuant to an adjustment authorized under Section 10(c). 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 "share-based equity" and not a "share-based liability" subject to fixed accounting with a measurement date at the date of grant under FAS 123(R) shall not be deemed a share-based liability (subject to "variable" accounting) solely due to the existence of such authority, unless the Committee specifically determines that the Award shall remain outstanding (i.e., subject to such "variable" accounting).

(k) *Certain Limitations on Awards to Ensure Compliance with Code Section 409A.*

(i) *409A Awards and Deferrals.* Other provisions of the Plan notwithstanding, the terms of any 409A Award (which for purposes of this Section 10(k) means only such an Award held by an employee subject to United States federal income tax), including any authority of the Company and rights of the Participant with respect to the 409A Award, shall be limited to those terms permitted under Section 409A, and any terms not permitted under Code Section 409A shall be modified and limited to the extent necessary to conform with Section 409A but only to the extent that such modification or limitation is permitted under Code Section 409A and the regulations and guidance issued thereunder. The following rules will apply to 409A Awards:

- (A) Elections. If a Participant is permitted to elect to defer an Award or any payment under an Award, such election will be permitted in accordance with the provisions specified in Section 5(b) of the Company's Deferred Compensation Plan, as amended and restated October 8, 2007, subject to any additional limitations as may be necessary for compliance with Code Section 409A;
- (B) Changes to Distribution Elections. The Committee may, in its discretion, require or permit on an elective basis a change in the settlement terms applicable to such 409A Awards (and Non-409A Awards that qualify for the short-term deferral exemption under Code Section 409A) in accordance with, and to the fullest extent permitted by, applicable IRS guidance under Code Section 409A, provided that before 2008 the executive officers responsible for day-to-day administration of the Plan may exercise the full authority of the Committee under this Section 10(k)(i)(B) and otherwise act to cause outstanding Awards to meet requirements of Section 409A, provided that any modifications to an outstanding Award or election permitted of a Participant with respect to settlement dates of an outstanding Award may not otherwise increase the benefits to a Participant or the costs of such Awards to the Company other than administrative costs, changes in value of the Award based on investment performance of the underlying Stock or other assets, and indirect expense attributable to differences in the timing of receipt of taxable income and tax deductions;
- (C) Exercise and Distribution. Except as provided in Section 10(k)(i)(D) hereof, no 409A Award shall be exercisable (if the exercise would result in a distribution) or otherwise distributable to a Participant (or his or her beneficiary) except upon the occurrence of one of the following (or a date related to the occurrence of one of the following), which must be specified in a written document governing such 409A Award and otherwise meet the requirements of Treasury Regulation § 1.409A-3:
 - (1) Specified Time. A specified time or a fixed schedule.
 - (2) Separation from Service. The Participant's separation from service (within the meaning of Treasury Regulation § 1.409A-1(h) and other applicable rules under Code Section 409A); provided, however, that if the Participant is a "key employee" (as defined in Code Section 416(i) without regard to paragraph (5) thereof) and any of the Company's Stock is publicly traded on an established securities market or otherwise, settlement under this Section 10(k)(i)(C)(2) may not be made before the date that is six months after the date of separation from service
 - (3) Death. The death of the Participant.

- (4) Disability. The date the Participant has experienced a 409A Disability (as defined below).
 - (5) 409A Change in Control Event. The occurrence of a 409A Change in Control (as defined below).
- (D) No Acceleration. The exercise or distribution of a 409A Award may not be accelerated prior to the time specified in Section 10(k)(i) (D) hereof, except in the case of one of the following events:
- (1) Unforeseeable Emergency. The occurrence of an Unforeseeable Emergency, as defined below, but only if the net amount payable upon such settlement does not exceed the amounts necessary to relieve such emergency plus amounts necessary to pay taxes reasonably anticipated as a result of the settlement, after taking into account the extent to which the emergency is or may be relieved through reimbursement or compensation from insurance or otherwise or by liquidation of the Participant's other assets (to the extent such liquidation would not itself cause severe financial hardship), or by cessation of deferrals under the Plan. Upon a finding that an Unforeseeable Emergency has occurred with respect to a Participant, any election of the Participant to defer compensation that will be earned in whole or part by services in the year in which the emergency occurred or is found to continue will be immediately cancelled.
 - (2) Domestic Relations Order. The 409A Award may permit the acceleration of the exercise or distribution time or schedule to an individual other than the Participant as may be necessary to comply with the terms of a domestic relations order (as defined in Section 414(p)(1)(B) of the Code).
 - (3) Conflicts of Interest. Such 409A Award may permit the acceleration of the settlement time or schedule as may be necessary to comply with an ethics agreement with the Federal government or if reasonably necessary to comply with a Federal, state, local or foreign ethics law or conflict of interest law in compliance with Treasury Regulation § 1.409A-3(j)(4) (iii).
 - (4) Change. The Committee may exercise the discretionary right to accelerate the vesting of any unvested compensation deemed to be a 409A Award upon a 409A Change in Control or to terminate the Plan upon or within 12 months after a 409A Change in Control, or otherwise to the extent permitted under Treasury Regulation § 1.409A-3(j)(4)(ix), or accelerate settlement of such 409A Award in any other circumstance permitted under Treasury Regulation § 1.409A-3(j)(4).
- (E) Definitions. For purposes of this Section 10(k), the following terms shall be defined as set forth below:
- (1) "409A Change in Control" means the occurrence of Change in Control (as defined in Section 9(c)) in connection with which there occurs a change in the ownership of the Company, a change in effective control of the Company, or a change in the ownership

of a substantial portion of the assets of the Company (as defined in Treasury Regulation § 1.409A-3(i)(5)).

- (2) "409A Disability" means an event which results in the Participant being (i) unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or (ii), by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under an accident and health plan covering employees of the Company or its subsidiaries.
- (3) "Unforeseeable Emergency" means a severe financial hardship to the Participant resulting from an illness or accident of the Participant, the Participant's spouse, or a dependent (as defined in Code Section 152, without regard to Code Sections 152(b)(1), (b)(2), and (d)(1)(B)) of the Participant, loss of the Participant's property due to casualty, or similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant, and otherwise meeting the definition set forth in Treasury Regulation § 1.409A-3(i)(3).
- (F) Determination of "Key Employee." For purposes of a settlement under Section 10(k)(i)(C)(2), status of a Participant as a "key employee" shall be determined annually under the Company's administrative procedure for such determination for purposes of all plans subject to Code Section 409A.
- (G) Non-Transferability. The provisions of Section 11(b) notwithstanding, no 409A Award or right relating thereto shall be subject to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment, or garnishment by creditors of the Participant or the Participant's Beneficiary.
- (H) 409A Rules Do Not Constitute Waiver of Other Restrictions. The rules applicable to 409A Awards under this Section 10(k)(i) constitute further restrictions on terms of Awards set forth elsewhere in this Plan. Thus, for example, a 409A Option/SAR shall be subject to restrictions, including restrictions on rights otherwise specified in Section 6(b) or 6(c), in order that such Award shall not result in constructive receipt of income before exercise or tax penalties under Code Section 409A.

(ii) *Rules Applicable to Certain Participants Transferred to Affiliates.* For purposes of determining a separation from service (where the use of the following modified definition is based upon legitimate business criteria), in applying Code Sections 1563(a)(1), (2) and (3) for purposes of determining a controlled group of corporations under Code Section 414(b), the language "at least 20 percent" shall be used instead of "at least 80 percent" at each place it appears in Sections 1563(a)(1), (2) and (3), and in applying Treasury Regulation § 1.414(c)-2 (or any successor provision) for purposes of determining trades or businesses (whether or not incorporated) that are under common control for purposes of Code Section 414(c), the language "at least 20 percent" shall be used instead of "at least 80 percent" at each place it appears in Treasury Regulation § 1.414(c)-2.

(iii) *Distributions Upon Vesting.* In the case of any Award providing for a distribution upon the lapse of a risk of forfeiture, if the timing of such distribution is not otherwise specified in the Plan or an Award agreement or other governing document, the distribution shall be made not later than March 15 of

the year following the year in which the risk of forfeiture lapsed, provided that the Participant shall have no influence on any determination as to the tax year in which the distribution will be made.

(iv) *Grandfathered Awards.* Any award that was both granted and vested before 2005 and which otherwise might constitute a deferral of compensation under Section 409A is intended to be "grandfathered" under Section 409A. No amendment or change to the Plan or other change (including an exercise of discretion) with respect to such a grandfathered award after October 3, 2004, shall be effective if such change would constitute a "material modification" within the meaning of applicable guidance or regulations under Section 409A, except in the case of an award that is specifically modified before 2008 to become compliant as a 409A Award or compliant with an exemption under Section 409A.

(v) *Scope and Application of this Provision.* For purposes of this Section 10(k), references to a term or event (including any authority or right of the Company or a Participant) being "permitted" under Code Section 409A mean that the term or event will not cause the Participant to be deemed to be in constructive receipt of compensation relating to the 409A Award prior to the distribution of cash, shares or other property or to be liable for payment of interest or a tax penalty under Section 409A.

(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 10(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.

(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 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.

(p) *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.

INTERNATIONAL FLAVORS & FRAGRANCES INC.

Restated and Amended
Executive Separation Policy Document
(As Amended through and including December 31, 2007)

INTERNATIONAL FLAVORS & FRAGRANCES INC.

Executive Separation Policy

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INTERNATIONAL FLAVORS & FRAGRANCES INC.

Executive Separation Policy

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

2. Definitions. The following definitions are applicable for purposes of this Policy (including in any Annex hereto), in addition to terms defined in Section 1 above:

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

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

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

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

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

(d) "Cause" means (i) the willful and continued failure by the Employee to perform substantially his duties with the Company (other than any such failure resulting from the Employee's incapacity due to physical or mental illness) after a written demand for substantial performance is delivered to the Employee by the Chairman of the Board of Directors or the President of the Company which specifically identifies the manner in which the Employee has not substantially performed his duties, (ii) the willful engagement by the Employee in conduct which is not authorized by the Board of Directors of the Company or within the normal course of the Employee's business decisions and is known by the Employee to be materially detrimental to the best interests of the Company or any of its subsidiaries, including any misconduct that results in material noncompliance with any financial reporting requirement under the Federal securities laws if such noncompliance results in an accounting restatement (as these terms are used in Section 304

of the Sarbanes-Oxley Act of 2002), or (iii) the willful engagement by the Employee in illegal conduct or any act of serious dishonesty which adversely affects, or, in the reasonable estimation of the Board of Directors of the Company, could in the future adversely affect, the value, reliability or performance of the Employee to the Company in a material manner. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board of Directors of the Company or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by the Employee in good faith and in the best interests of the Company. Notwithstanding the foregoing, an Employee shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to the Employee a copy of the resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board of Directors after reasonable notice to the Employee and an opportunity for him, together with his counsel, to be heard before the Board of Directors, finding that, in the good faith opinion of the Board of Directors, the Employee was guilty of the conduct set forth above in (i), (ii) or (iii) of this Section 2(c) and specifying the particulars thereof in detail.

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

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

(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 and there occurs a distribution or other substantive step pursuant to such plan of complete liquidation, 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), and in each case all material contingencies to the completion of the transaction have been satisfied or waived.

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

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

(h) "Designated Awards" means (i) options granted under the Company's Employee Stock Option Plan of 1988, Employee Stock Option Plan of 1992 and 1997 Employee Stock Option Plan, (ii) any other options granted under a Plan, whether currently existing or hereafter adopted by the Company, that, by its terms, does not permit such options to become vested and exercisable upon occurrence of a Change in Control and to remain outstanding for the periods provided in Section 5(a), and (iii) restricted stock and other equity-based awards granted under a Plan or arrangement that, by its terms, does not permit such awards to become vested and non-forfeitable upon occurrence of a Change in Control as provided in Section 5(a) in each case if such options or other awards remain outstanding and held by the Employee at the date of his termination of employment; provided, however, that only awards that were both granted and vested before 2005 are Designated Awards.

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

(j) "Effective Date" means the date the Policy became effective, as set forth in Section 11(i) hereof.

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

added to by the Company and its subsidiaries from time to time.

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

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

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

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

(iv) the Company's or a subsidiary's requiring the Employee to be based anywhere more than 45 miles from the location of Employee's office immediately prior to the Change in Control, except for required travel on the business of the Company or subsidiaries to an extent substantially consistent with the business travel obligations which the Employee undertook on behalf of the Company or subsidiaries prior to the Change in Control; or

(v) the failure of the Company to obtain the binding agreement of any successor to the Company expressly to assume and agree to fully perform the Company's obligations under this Policy, as contemplated in Section 11(f) hereof;

in each case after notice in writing from the Employee to the Company within 90 days after the initial occurrence of the event or initial existence of the condition constituting Good Reason, and after a period of 30 days after such notice has been given during which the Company and its subsidiaries fail to correct such conduct or condition. Immaterial diminutions in compensation or authority, duties or responsibilities (with materiality determined under Treasury Regulation § 1.409A-1(n)(ii)) shall not constitute "Good Reason"; unless otherwise required by Section 409A, a diminution of 1% of total direct compensation shall be deemed material.

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

(n) "Plan" means any compensation plan of the Company or a subsidiary such as an incentive, stock option or restricted stock plan or any employee benefit plan of the Company or a

subsidiary such as a pension, profit sharing, medical, dental or life insurance plan.

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

(p) "Retirement" means retirement at the election of the Employee after attaining age 62.

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

3. Eligibility. Each officer of the Company or other key executive or employee of the Company or its subsidiaries who has been designated in writing by the Committee shall be eligible for the severance payments and benefits and other provisions of this Policy if his termination of employment qualifies hereunder. Eligible persons shall include persons employed outside the United States, if designated by the Committee and subject to Section 11(h) of this Policy.

4. Severance Payments and Benefits. For each class or tier of Employees eligible to participate under this Policy, the Committee shall specify the terms and conditions under which severance payments and benefits will be paid and other terms and conditions of participation. Such terms and conditions shall be set forth in an annex hereto that is specific to each such class or tier. The foregoing and the provisions of any such annex notwithstanding, the Committee may vary the terms or provide enhanced benefits in a document provided to a participant otherwise designated as a participant in a specified tier, except that the Committee shall not vary such terms and conditions in a way adverse to a previously designated participant without the written consent of such participant.

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

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

(i) Any such option or other award carrying a right to exercise that was not previously vested and exercisable shall become fully vested and exercisable as of the time of the Change in Control, except that if an option or other such award is intended to be a deferral of compensation fully compliant with Code Section 409A, the additional restrictions on the exercise of such award under the applicable plan or award agreement shall also apply.

(ii) All forfeiture conditions, deferral of settlement conditions, and other restrictions applicable to such restricted stock and other equity awards shall lapse and such awards shall be fully payable or settleable as of the time of the Change in Control without regard to deferral and vesting conditions, except to the extent of any waiver by the Employee or other express Employee election to defer beyond a Change in Control; provided, however, that, in the case of an award that constitutes a deferral of compensation under Code Section 409A (excluding any "grandfathered" award), the end of any deferral period and settlement of the award shall occur only if, in connection with

the Change in Control, there occurs a change in the ownership of the Company, a change in effective control of the Company, or a change in the ownership of a substantial portion of the assets of the Company (as defined in Treasury Regulation § 1.409A-3(i)(5)) (but forfeiture conditions relating to such award will lapse), and any waiver or express election to defer such an award subject to Section 409A shall be subject to the requirements of Section 10(g)(ii).

(iii) With respect to such an outstanding equity award subject to achievement of performance goals and conditions, such award will be governed by the applicable plan, award document(s), or other agreement governing such award.

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

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

6. Excise Tax Gross-Up. If an Employee who has been designated as eligible for benefits under this Section 6, as set forth in the Annex hereto designating the terms of such Employee's participation, becomes entitled to one or more payments in connection with a Change in Control or termination of employment during the two years following a Change in Control, other than a termination by the Company for Cause, (with a "payment" including, without limitation, the vesting of an option or other non-cash benefit or property, including under Section 5 of this Policy) pursuant to any plan, agreement or arrangement of the Company (together, "Severance Payments") which are or would be subject to the tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (or any similar tax that may be imposed) (the "Excise Taxes"), the Company shall pay to the Employee an additional amount ("Gross-Up Payment") such that, after the payment by the Employee of all taxes (including without limitation all income and employment tax and Excise Tax and treating as a tax the lost tax benefit resulting from the disallowance of any deduction of the Employee by virtue of the inclusion of the Gross-Up Payment in the Employee's adjusted gross income), and interest and penalties with respect to such taxes, imposed upon the Gross-Up Payment, the Employee retains an amount of the Gross-Up Payment equal to the Excise Taxes imposed upon the Severance Payments. The foregoing notwithstanding, if a reduction of any compensation under Section 4 or vesting of equity awards under Section 5 by an amount not exceeding 10% of the Safe Harbor Amount would avoid the imposition of the Excise Taxes on Employee, compensation pursuant to Section 4 and/or vesting of equity awards under Section 5 of this Agreement shall be reduced to the extent necessary, but not more than 10% of the Safe Harbor Amount, to result in no imposition of the Excise Taxes on Employee. This "cut-back" provision shall apply to cash payments under Section 4 and/or vesting under Section 5 so as to minimize the amount of compensation that is reduced (i.e., it applies to payments or vesting that to the greatest extent represent parachute payments), with the amount of compensation based on vesting to be measured (for purposes of this provision) by the intrinsic value of the equity award at the date of such vesting. "Safe Harbor Amount" shall mean one dollar less than 300% of the "base amount" as determined in accordance with Section 280G(b)(3) of the Code.

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

(i) The Severance Payments shall be treated as "parachute payments" within the

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

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

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

For purposes of determining the amount of the Gross-Up Payment, the Employee shall be deemed (A) to pay federal income taxes at the highest marginal rate of federal income taxation for the calendar year in which the Gross-Up Payment is to be made; (B) to pay any applicable state and local income taxes at the highest marginal rate of taxation for the calendar year in which the Gross-Up Payment is to be made, net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes if paid in such year (determined without regard to limitations on deductions based upon the amount of the Employee's adjusted gross income); and (C) to have otherwise allowable deductions for federal, state, and local income tax purposes at least equal to those disallowed because of the inclusion of the Gross-Up Payment in the Employee's adjusted gross income. In the event that the Excise Tax is subsequently determined to be less than the amount taken into account hereunder at the time the Gross-Up Payment is made, the Employee shall repay to the Company at the time that the amount of such reduction in Excise Tax is finally determined (but, if previously paid to the taxing authorities, not prior to the time the amount of such reduction is refunded to the Employee or otherwise realized as a benefit by the Employee) the portion of the Gross-Up Payment that would not have been paid if such Excise Tax had been applied in initially calculating the Gross-Up Payment, plus interest on the amount of such repayment at the rate provided in Section 1274(b)(2)(B) of the Code. In the event that the Excise Tax is determined to exceed the amount taken into account hereunder at the time the Gross-Up Payment is made (including by reason of any payment the existence or amount of which cannot be determined at the time of the Gross-Up Payment), the Company shall make an additional Gross-Up Payment in respect of such excess (plus any interest and penalties payable with respect to such excess) at the time that the amount of such excess is finally determined.

Subject to Section 10(a)(iii), the Gross-Up Payment provided for above shall be paid on the 30th day (or such earlier date as the Excise Tax becomes due and payable to the taxing authorities) after it has been determined that the Severance Payments (or any portion thereof) are subject to the Excise Tax; provided, however, that if the amount of such Gross-Up Payment or portion thereof cannot be finally determined on or before such day, the Company shall pay to the Employee on such day an estimate, as determined by the Independent Advisors, of the minimum amount of such payments and shall pay the remainder of such payments (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code), as soon as the amount thereof can be determined. In the event that the amount of the estimated payments exceeds the amount subsequently determined to have been due, such excess shall constitute a loan by the Company to the Employee, payable on the fifth day after

demand by the Company (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code). If more than one Gross-Up Payment is made, the amount of each Gross-Up Payment shall be computed so as not to duplicate any prior Gross-Up Payment.

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

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

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

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

(ii) During the period prior to a Change in Control and during the Employee's employment and within two years (or such other period as the Committee may specify) following termination of such employment with the Company or any subsidiary or for such shorter period following termination as may be provided by

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

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

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

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

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

(c) *Employee Obligation to Execute Release and Termination Agreement.* The Company's obligations under this Policy to make payments and provide benefits is conditioned upon the Employee's signing a release and termination agreement and the expiration of any revocation period set forth therein. The Committee shall specify the form and content of such agreement, and may modify such form and content from time to time; provided, however, that, such agreement shall set forth the obligations in Section 7(a) and the Employee shall agree to

comply therewith, and the Employee shall agree to the terms of Section 7(d); and provided further, that during the two years following a Change in Control, such agreement shall not be modified in a manner that increases the obligations or decreases the rights of the Employee as compared to the form of such agreement in use prior to the Change in Control.

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

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

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

(A) the total amount of any cash payments made to the Employee under this Policy, other than (i) such Employee's annual salary that had been payable as of the date of termination of employment, together with salary, incentive compensation and benefits which had been earned or become payable as of the date of termination but which had not yet been paid to the Employee and unreimbursed business expenses reimbursable under Company policies then in effect, and (ii) cash payments under welfare benefit plans;

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

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

8. Other Provisions Applicable to Severance Payments and Benefits.

(a) *Timing of Payments.* Subject to Section 10, all payments required to be paid as a lump sum under Section 4 and any Annex hereto implementing Section 4 shall be paid not later than the 15th day following the date of termination of Employee's employment (or the

date such lump sum otherwise became payable hereunder). Other payments shall be made as promptly as practicable following the earliest date such payments are due, subject to Section 10.

(b) *Limitation of Benefits In Case of Certain Business Dispositions.* Notwithstanding anything in this Policy to the contrary, an Employee shall not be entitled to any payments or benefits upon a termination of employment prior to or more than two years after a Change in Control under Section 4, and any Annex implementing Section 4, unless the Committee in its sole discretion provides otherwise, in the event such termination of employment results from the sale or spin-off of a subsidiary, the sale of a division, other business unit or facility in which the Employee was employed immediately prior to such sale, and the Employee has been offered employment with the purchaser of such subsidiary, division, other business unit or facility or the spun-off entity on substantially the same terms and conditions under which the Employee worked prior to the sale. Such terms and conditions must include an agreement or plan binding on such purchaser or spun-off entity providing that, upon any termination of the Employee's employment with the purchaser or spun-off entity of the kinds described in Section 4, and any Annex hereto applicable to the Employee, within two years following such sale or spin-off (but not past the attainment of age 65 by the Employee), the purchaser or spun-off entity shall pay to such Employee amounts comparable to the payments that the Employee would have received under the applicable provision of Section 4 and such Annex, and provide comparable benefits, as if the Employee had been terminated in like circumstances at the time of such sale and provided payments and benefits under this Policy.

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

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

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

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

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

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

(b) *Superseded Agreements and Rights.* This Policy constitutes the entire understanding between the Company and the Employee relating to severance payments and benefits to be paid or provided to the Employee by the Company and its subsidiaries, and supersedes and cancels all prior agreements and understandings with respect to the subject matter of this Policy, except as otherwise provided in this Section 9(b). In order for the Employee to be entitled to any payments or benefits under this Policy, Employee must agree, within such period after the Committee has designated Employee as eligible to be covered by the Policy as the Committee may specify, that the Employee shall not be entitled to benefits under any Prior Executive Severance Agreement between the Company and the Employee. If, however, the Employee has previously entered or after the Effective Date enters into an employment agreement with the Company or a subsidiary, that employment agreement will not be superseded by this Policy unless it specifically so provides.

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

10. Special Rules for Compliance with Code Section 409A. This Section 10 serves to ensure compliance with applicable requirements of Code Section 409A. Certain provisions of this Section 10 modify other provisions of this Policy and the "Designations of Participants and Terms" annexed to this Policy (the "Designations"). If the terms of this Section 10 conflict with other terms of the Policy or the terms of the Designations, the terms of this Section 10 control. This Section 10 is effective as of December 31, 2007, but the Company generally will apply these rules before that date in connection with its good faith compliance with Code Section 409A and the guidance thereunder.

(a) *Timing of Certain Payments.* Payments and benefits specified under this policy shall be paid at the times specified as follows:

- (i) **Accrued Payments at Termination.** Certain provisions of this Policy require payment of amounts accrued at the date of an Employee's termination of employment, specifically:

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

These amounts shall be payable at the date the amounts otherwise would have been payable under Company policies if the Employee's employment had not terminated, but in no event more than 60 days after termination of employment.

- (ii) **Performance-Based Payments.** Any amount payable at the time a performance-based incentive award otherwise would be payable if employment had not terminated must be paid within 60 days after the date such award becomes payable.

- (iii) **Gross-Up.** Gross-up payments will be made at the time specified in Section 6, and in any event the gross up must be paid no later than the end of Employee's taxable year next following Employee's taxable year in which Employee remits the related taxes to the taxing authorities.
 - (iv) **Legal Fees and Expenses.** Any legal fees and expenses of Employee payable by the Company under Section 11(c) shall be paid within 30 days of the date the Company receives the bill therefore, and in any event the fees and expenses must be paid or reimbursed no later than the end of Employee's taxable year next following Employee's taxable year in which the legal fee or expense was incurred.
 - (v) **Other Prompt Payments.** Any payment or benefit required under Section 8(a) of the Policy to be paid promptly following a date or event shall be paid within 30 days after such date or event.
 - (vi) **No Employee Influence on Year of Payment.** In the case of any payment under the Policy payable during a specified period of time following a termination or other event, if such permitted payment period begins in one calendar year and ends in a subsequent calendar year, the Employee shall have no right to elect in which year the payment will be made, and the Company's determination of when to make the payment shall not be influenced in any way by the Employee.
- (b) *Special Rules for Severance Payments.* In the case of severance payments payable solely due to a termination by the Company not for Cause or, within two years after a Change in Control, by the Employee for Good Reason ("Severance"), the following rules will apply:
- (i) **Separate Payments.** Any lump-sum payment and each installment payment of Severance shall be deemed a separate payment for all purposes, including for purposes of Section 409A. The portion of a lump-sum payment of Severance payable for specified terminations in the period of two years following a Change in Control that exceeds the present value of the installment payments of Severance that would be payable for a specified termination not within two years following a Change in Control will be deemed to be a separate payment for all purposes, including for purposes of Section 409A (the "Separate Lump Sum").
 - (ii) **Installment Payment Rules.** Installment payments shall be made at the dates specified in the applicable provision of the Designation, except that, in the case of any payment of installments in which the third monthly installment would be in March of the year following termination, such payment will be made between March 1 and March 15 of that March. Accordingly, the first three installments of Severance payable in installments shall constitute a short-term deferral under Treasury Regulation § 1.409A-1(b)(4). Severance payments payable in installments within six months after the Employee's termination of employment, other than those deemed to be short-term deferrals (the first three installments), shall be deemed to be paid under the "two-year/two-times" exclusion from being a deferral of compensation under Treasury Regulation § 1.409A-1(b)(9)(iii), up to the limit applicable under that Treasury Regulation. Any other amount payable as Severance in installments shall be deemed to be a deferral of compensation for purposes of Section 409A, and shall be subject to the six-month delay rule in Section 10(c). *(Note: For an Employee whose taxable income in each of the two years before 2007 exceeded \$225,000, a Severance aggregating up to approximately \$3.6 million could be paid in installments without a delay under the six-month delay rule upon a termination not for Cause in 2007.)*

- (iii) Lump-Sum Severance Payment Rules. If Severance is payable as a lump-sum payment, the amount of Severance payable at the date specified in Section 8(a) of the Policy (i.e., without the six-month delay) shall equal (A) the present value of the amount of Severance payments that would have been payable in the first three months assuming Severance were instead payable due to a termination not for Cause prior to a Change in Control (if this amount qualifies as a short-term deferral under Code Section 409A), plus (B) the maximum amount of Severance payable under the "two-year/two-times" exclusion from being a deferral of compensation under Treasury Regulation § 1.409A-1(b)(9)(iii), plus (C) the Separate Lump Sum identified in Section 10(b)(i) above (if this amount qualifies as a short-term deferral under Code Section 409A), plus (D), if the six-month delay rule in Section 10(c) does not apply, all remaining amounts of the Severance. Any other amounts of such Severance (i.e., amounts subject to the six-month delay rule) shall be paid at the date six months after the date of Employee's termination, together with applicable interest.

(c) *Six-Month Delay Rule.*

- (i) General Rule. The six-month delay rule will apply to certain payments and benefits under the Policy if all of the following conditions are met:
- (A) The Employee is a "key employee" (as defined in Code Section 416(i) without regard to paragraph (5) thereof) for the year in which the separation from service occurs. The Company will determine status of "key employees" annually, under administrative procedures applicable to all Section 409A plans and applied in accordance with Treasury Regulation § 1.409A-1(i).
 - (B) The Company's stock is publicly traded on an established securities market or otherwise.
 - (C) The payment or benefit in question is a deferral of compensation and not excepted or excluded from being such by the short-term deferral rule, or the "two-years/two-times" rule in Treasury Regulation § 1.409A-1(b)(9)(iii), or any other exception or exclusion; provided, however, that the exclusion under Treasury Regulation § 1.409A-1(b)(9)(v)(D) shall apply in the case of Severance only if and to the extent that it is not necessary to apply to any other payment or benefit payable within six months after the Employee's separation from service.
- (ii) Effect of Rule. If it applies, the six-month delay rule will delay a payment or benefit which otherwise would be payable under this Policy within six months after the Employee's separation from service.
- (A) Any delayed payment or benefit shall be paid on the date six months after the Employee's separation from service.
 - (B) During the six-month delay period, accelerated payment will occur in the event of the Employee's death but not for any other reason (including no acceleration upon a Change in Control)
 - (C) Any payment that is not triggered by a separation from service, or is triggered by a

separation from service but would be made more than six months after separation (without applying this six-month delay rule), shall be unaffected by the six-month delay rule.

- (iii) Limit to Application of Six-Month Delay Rule. If the terms of any agreement or other document relating to this Policy impose this six-month delay rule in circumstances in which it is not required for compliance with Section 409A, those terms shall not be given effect.

(d) *“Termination of Employment” Defined.* For purposes of this Policy, a “termination of employment” means a separation from service within the meaning of Treasury Regulation § 1.409A-1(h), except for a termination of employment providing for payments or benefits that are “grandfathered” under Code Section 409A.

(e) *Performance-Goal Applies to AIP and LTIP Awards in Certain Cases.* In the case of an Employee's termination of employment within two years after a Change in Control, if such termination is a Retirement or a termination due to Disability in which the Employee has elected voluntarily to terminate (but not a termination due to Disability if the Company has elected such termination), the payment of any amount (pro rated or otherwise) based on the target annual incentive under any AIP (as under Section II(f)(ii) of each of the Designations) or based on the target LTIP award for a performance cycle (as under Section II(f)(vi) of each of the Designations) shall be made to the Employee only if one of the following performance conditions, related to the financial success of the Company, have been satisfied:

- (i) The minimum performance that is a condition for payment of the incentive award at the level that would authorize any positive payment under the incentive award is achieved over the entire performance period; or
- (ii) For financial reporting purposes, the Company has determined for any quarterly reporting period ending at or after the date of termination through the end of the performance period that achievement of the minimum level of performance specified in (i) is probable (so that accounting expense is accrued relating to the award); or
- (iii) The Company's earnings before taxes reportable in its financial statements for any quarterly reporting period ending at or after the date of termination through the end of the year of termination or the later end of the performance period, or for the full year of termination, are positive.

The payment of any such amount shall be made within 30 days after the Committee has determined that any of the performance conditions hereunder has been achieved.

(f) *Settlement of Stock Units.* Any provision of the Designations (including Sections II(c)(iv), II(d)(vi), and II(f)(iv)) providing for accelerated settlement of restricted stock units or stock units (including performance-based awards in the nature of stock units), other than stock units “grandfathered” under Code Section 409A, shall have no effect. However, those provisions will continue to apply by their terms with respect to the lapse of the risk of forfeiture of such awards. The timing of settlement of such awards shall be governed by specific documents governing the compliance of such stock units with Code Section 409A.

(g) *Other Provisions.*

- (i) **Good Reason.** The definition of "Good Reason" in Section 2(l) of the Policy has been modified to constitute an "involuntary separation" within the meaning of Treasury Regulation § 1.409A-1(n), and shall be so construed and interpreted.
- (ii) **Deferrals and Waivers of Settlement.** Certain provisions of the Policy and Designations, specifically Policy Section 5(a)(ii) and Designations Section II(d)(vi) and Section II(f)(iv), refer to deferrals and waivers of settlement of awards. Any such deferral or waiver relating to an award that is a deferral of compensation subject to Section 409A (i.e., is not a "grandfathered" award or excluded from Section 409A) will be permitted only in accordance with the provisions specified in Section 5(b) of the Company's Deferred Compensation Plan, as amended and restated October 8, 2007, subject to any additional limitations as may be necessary for compliance with Code Section 409A.
- (iii) **Continued Benefits.** Medical, dental and group life and disability benefits shall be continued as specified in Designation Sections II(a)(vi) and II(d)(ix), subject to any applicable requirements under Treasury Regulation § 1.409A-1. If any of these benefits are not excluded from being deferrals of compensation under Code Section 409A, in addition to any other requirement regarding the timing of payment, the benefits or any payments in lieu of the benefits shall be made no later than the end of Employee's taxable year next following Employee's taxable year in which the benefit or expense was due to be paid.
- (iv) **Excess Benefit Plan.** The Company shall have no authority to elect to pay the present value of accrued obligations to the Employee under the Excess Benefit Plan as a lump sum except for "grandfathered" accrued obligations and except as permitted in compliance with Code Section 409A (including transition rules and as permitted under permitted under Treasury Regulation § 1.409A-3(j)(4)). In addition, the terms of any "rabbi trust" required or permitted to be established under the Policy in connection with the Excess Benefit Plan or otherwise shall be limited as required by Code Section 409A.
- (v) **Other Separate Payments.** In addition to the provisions of Section 10(b)(i), each other payment or benefit payable under this Policy shall be deemed a separate payment for all purposes, including for purposes of Section 409A.
- (vi) **Non-transferability.** No right of an Employee to any payment or benefit under this Policy shall be subject to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment, or garnishment by creditors of the Employee or of any beneficiary of the Employee.
- (vii) **No Acceleration.** The timing of payments and benefits under the Policy may not be accelerated to occur before the time specified for payment hereunder, except to the extent permitted under Treasury Regulation § 1.409A-3(j)(4) or as otherwise permitted under Code Section 409A without the Employee incurring a tax penalty.

(h) *General Compliance.* In addition to the foregoing provisions, the terms of this Policy, including any authority of the Company and rights of the Employee which constitute a deferral of compensation subject to 409A (and which is not grandfathered or excluded from being deemed such a deferral), shall be limited to those terms permitted under 409A without resulting in a tax penalty to Employee, and any terms not so permitted under 409A shall be modified and limited to the extent necessary to conform with Section 409A but only to the extent that such modification or limitation is permitted under Section 409A and the regulations and guidance issued thereunder. The Company and

its employees and agents make no representation and are providing no advice regarding the taxation of the payments and benefits under this Policy, including with respect to taxes, interest and penalties under Section 409A and similar liabilities under state and local tax laws. No indemnification or gross up is payable under this Policy with respect to any such tax, interest, or penalty under Section 409A or similar liability under state or local tax laws applicable to any employee, except that this provision does not limit the gross up payable under Section 6 or affect the methodology for determining the gross up payable under Section 6.

11. Miscellaneous

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

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

(c) *Legal Fees*. The Company shall pay all legal fees and related expenses incurred by an Employee in seeking to obtain or enforce any payment, benefit or right provided by this Policy; provided; however, that the Employee shall be required to repay any such amounts to the Company to the extent that an arbitrator or a court of competent jurisdiction issues a final, unappealable order setting forth a determination that the position taken by the Employee was frivolous or advanced in bad faith. The timing of payments under this Section 11(c) shall be subject to Section 10(a)(iv).

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

(e) *Governing Law; Arbitration*. THE VALIDITY, CONSTRUCTION, AND EFFECT OF THIS POLICY AND ANY RULES AND REGULATIONS RELATING TO THIS POLICY SHALL BE DETERMINED IN ACCORDANCE WITH THE LAWS (INCLUDING THOSE GOVERNING CONTRACTS) OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO PRINCIPLES OF CONFLICTS OF LAWS, AND APPLICABLE FEDERAL LAW. If any provision hereof shall be held by a court or arbitrator of competent jurisdiction to be invalid and unenforceable, the remaining provisions shall continue to be fully effective. Any dispute or controversy arising under or in connection with this Policy shall be settled exclusively by arbitration in New York, New York by three arbitrators in accordance with the rules of the American Arbitration Association in effect at the time of submission to arbitration. Judgment may be entered on the arbitrators' award in any court having jurisdiction. For purposes of settling any dispute or controversy arising hereunder or for the purpose of entering any judgment upon an award rendered by the arbitrators, the Company and the Employee hereby consent to the jurisdiction of any or all of the following courts: (i) the United States District

Court for the Southern District of New York, (ii) any of the courts of the State of New York, or (iii) any other court having jurisdiction. The Company and the Employee hereby waive, to the fullest extent permitted by applicable law, any objection which it may now or hereafter have to such jurisdiction and any defense of inconvenient forum. The Company and the Employee hereby agree that a judgment upon an award rendered by the arbitrators may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

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

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

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

(i) *Effective Date*. This Policy became effective as of April 13, 2000. This amendment and restatement of the Policy is effective as of December 31, 2007.

Executive Separation Policy**TIER I****Designation of Participants and Terms**

This documents sets forth the participants designated in the Tier I participation level under the International Flavors & Fragrances Inc. Executive Separation Policy (the "Policy"). All of the terms of the Policy are incorporated into this Annex, and capitalized terms defined in the Policy have the same meaning in this Annex.

I. Designation of Participants in Tier I.

The Committee and/or the Board shall designate the Tier I participants under the Policy.

II. Terms of Participation in Tier I

Subject to all of the terms and conditions of the Policy, including Section 10 (modifying certain terms hereof to comply with Code Section 409A), the terms and conditions set forth below apply to Employees designated as Tier I participants. This Annex shall have no application to Employees designated as participants at a level other than Tier I, unless the Committee shall adopt such terms and conditions and so specify in a separate Annex to the Policy.

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

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

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

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

(iv) Unless otherwise determined by the Committee, the Employee's options, both those vested and not vested at the time of the Employee's termination of employment, shall be governed by the terms of the option agreements in respect of such options.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(iii) Unless otherwise determined by the Committee, the Employee's options, both those vested and not vested at the time of the Employee's termination of employment, shall be governed by the terms of the option agreements in respect of such options.

(iv) The Employee's restricted stock and stock unit awards which have not vested at the time of the Employee's termination of employment shall be immediately fully vested and, unless deferred by the Employee in the case of termination due to Disability or Retirement, stock unit awards shall be settled as promptly as practicable following termination (subject to Sections 10(f) and 10(g)(v)).

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

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

(d) *Termination by the Company Not for Cause or by Employee for Good Reason Within Two Years After a Change in Control.* An Employee who is eligible for Tier I severance payments and benefits under the Policy pursuant to Part I of this Annex shall be entitled to receive the payments and benefits from the Company upon termination of employment within two years following a Change in Control, if such termination is by the Company (or its subsidiaries) not for Cause or is by the Employee for Good Reason and such termination is not due to death, Disability or Retirement, and shall be subject to other terms, as follows:

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

(ii) A cash payment of a prorated portion of the Employee's annual incentive under any AIP, determined as the target annual incentive for the year of termination, with the award so determined then prorated based on the number of days during the year of termination which preceded the Employee's termination. This amount will be payable as a lump sum.

(iii) A lump-sum cash severance payment equal to the product of the Employee's Annual Compensation, multiplied by 3.

(iv) A cash payment of a prorated portion of each of the Employee's LTIP awards for each performance cycle on-going at the time of termination, determined as the target LTIP award for that performance cycle, with each LTIP award prorated based on the number of days during the performance cycle preceding the Employee's termination (divided by the total number of days in the performance cycle) This amount will be payable as a lump sum.

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

(vi) The Employee's restricted stock and stock unit awards which have not vested at the time of the Employee's termination of employment shall be immediately fully vested and, unless waived or deferred by the Employee, stock unit awards shall be settled as promptly as practicable following termination (subject to Sections 10(f) and 10(g)(ii)).

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

(viii) The Employee will be credited with additional age and years of service under any Excess Benefit Plan as though the Employee continued to be employed for a period of 36 months after termination at a rate of compensation equal to his or her Annual Compensation, and the Employee will be deemed to be fully vested under any such Excess Benefit Plan, with the time or times at which benefits are payable under any such Plan unchanged; provided, however, that if an Excess Benefit Plan does not permit such additional crediting of age and years of service, then Employee will be paid in a lump sum the present value of the additional benefits he would have received under such Plan had Employee's employment continued to the third anniversary of his termination at an annual rate of compensation equal to his or her Annual Compensation; provided further, that, subject to Section 10(g)(ii), the Company's obligations under any such Excess Benefit Plan shall be fully funded by deposits into a "rabbi trust" the trustee of which shall be independent of the Company and the terms of which shall preclude access by the Company to any of the trust assets, except for attachments by creditors of the Company upon insolvency or bankruptcy of the Company, until all obligations to the Employee and his beneficiaries have been satisfied; and provided further, that, subject to Section 10(g)(ii), the Company may elect to satisfy all obligations to the Employee and his beneficiaries by payment, as a lump sum, of the present value of the accrued benefit under any Excess Plan.

(ix) For a period terminating on the earlier of 36 months following the date of termination of employment or the commencement of eligibility for benefits under a new employer's welfare benefits plan, the maintenance in effect for the continued benefit of the Employee and his dependents of:

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

(B) the group life insurance and group disability insurance policies of the Company and subsidiaries then in effect for Employee; provided, however, that if the Company so elects, or if such continued participation is not possible under the general terms and conditions of such plans or under such policies, the Company, in lieu of the foregoing, shall arrange to have issued for the benefit of the Employee and the Employee's dependents individual policies of insurance providing benefits substantially similar (on an after-tax basis) to those described in this Part II(d)(ix), or, if such insurance is not available at a reasonable cost to the Company, shall otherwise provide the Employee and the Employee's dependents substantially equivalent benefits (on an after-tax basis); provided further that, in no event shall the Employee be required to pay any premiums or other charges in an amount greater than that which the Employee would have paid in order to participate in the Company's plans and policies. Notwithstanding anything to the contrary contained herein, in the event the Employee becomes eligible for benefits under a new employer's welfare benefit plan during the 36 month period following the date of termination, the benefits required to be provided to the employee pursuant to this Part II(d)(iv) shall be reduced by the amount of substantially similar benefits provided to the Employee at no additional cost by such new employer.

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

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

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

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

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

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

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

(i) Such Employee's annual salary otherwise payable through the date of termination of employment, together with salary, incentive compensation and benefits which have been earned or become payable as of the date of termination but which

have not yet been paid to the Employee and unreimbursed business expenses reimbursable under Company policies then in effect; provided, however, that the Company and its subsidiaries may offset such amounts against obligations and liabilities of the Employee to the Company and its subsidiaries.

(ii) A cash payment of a prorated portion of the Employee's annual incentive under any AIP, determined as the target annual incentive for the year of termination, with the award so determined then prorated based on the number of days during the year of termination which preceded the Employee's termination, subject to Section 10(e) in applicable cases. This amount will be payable as a lump sum.

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

(iv) The Employee's restricted stock and stock unit awards which have not vested at the time of the Employee's termination of employment shall be immediately fully vested and, unless waived or deferred by the Employee in the case of termination due to Disability or Retirement, stock unit awards shall be settled as promptly as practicable following termination (subject to Sections 10(f) and 10(g)(ii)).

(v) The Employee's Designated Awards, if any, will be subject to the terms of the Plan and/or stock option agreement under which they were granted, except that, in the case of options which are Designated Awards, and irrespective of such Plan or stock option agreement, Employee will be entitled to a payment equal to the following: for each share of the Company's Common Stock subject to any option which is a Designated Award that remains outstanding at the date of Employee's termination subject to this Part II(f), whether or not such option is then exercisable, the Company shall pay to Employee the amount determined by subtracting the exercise price thereof from the highest of (A) the market price per share of Common Stock on the New York Stock Exchange at the close of business on the effective day of termination, (B) the price per share contained in any published tender offer made within one year before or after the date of the Change in Control, (C) the price contained in any merger or acquisition agreement entered into by the Company and any third party within one year before or after the date of the Change in Control, or (D) the market price per share of Common Stock on the New York Stock Exchange on the date of the Change in Control, and, upon such payment, such option shall be deemed canceled and annulled.)

(vi) A cash payment of a prorated portion of each of the Employee's LTIP awards that would have become payable for each performance cycle on-going at the time of termination, determined as the target LTIP award for that performance cycle, with each LTIP award prorated based on the number of days during the performance cycle preceding the Employee's termination (divided by the total number of days in the performance cycle), subject to Section 10(e) in applicable cases. This amount will be payable as a lump sum.

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

(g) *Entitlement to Gross-Up.* Tier I level participants shall be entitled to the Gross-Up Payment in accordance with Section 6 of the Policy.

Executive Separation Policy**TIER II****Designation of Participants and Terms**

This documents sets forth the participants designated in the Tier II participation level under the International Flavors & Fragrances Inc. Executive Separation Policy (the "Policy"). All of the terms of the Policy are incorporated into this Annex, and capitalized terms defined in the Policy have the same meaning in this Annex.

I. Designation of Participants in Tier II.

The Committee and/or the Board shall designate the Tier II participants under the Policy.

II. Terms of Participation in Tier II

Subject to all of the terms and conditions of the Policy, including Section 10 (modifying certain terms hereof to comply with Code Section 409A), the terms and conditions set forth below apply to Employees designated as Tier II level participants. This Annex shall have no application to Employees designated as participants at a level other than Tier II, unless the Committee shall adopt such terms and conditions and so specify in a separate Annex to the Policy.

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

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

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

(iii) For a period terminating on the earliest of 18 months following the date of termination of employment or the Employee's attaining age 65, severance payments, paid

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

(iv) Unless otherwise determined by the Committee, the Employee's options, both those vested and not vested at the time of the Employee's termination of employment, shall be governed by the terms of the option agreements in respect of such options.

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

(vi) For a period terminating on the earliest of 18 months following the date of termination of employment, the commencement of eligibility for benefits under a new employer's welfare benefits plan, or the Employee's attaining age 65, the maintenance in effect for the continued benefit of the Employee and his dependents of:

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

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

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

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

(b) *Termination by the Company for Cause or Voluntary Termination by the Employee Prior to or More than Two Years After a Change in Control.* An Employee who is eligible for Tier II severance payments and benefits under the Policy pursuant to Part I of this Annex shall be entitled to receive the payments and benefits from the Company upon termination of employment at any time prior to a Change in Control or more than two years following a

Change in Control, if such termination is by the Company (or its subsidiaries) for Cause or is voluntary by the Employee and such termination is not due to death, Disability or Retirement, and shall be subject to other terms, as follows:

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

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

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

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

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

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

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

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

amount will be payable at such time as annual incentives for performance in the year of termination otherwise become payable.

(iii) Unless otherwise determined by the Committee, the Employee's options, both those vested and not vested at the time of the Employee's termination of employment, shall be governed by the terms of the option agreements in respect of such options.

(iv) The Employee's restricted stock and stock unit awards which have not vested at the time of the Employee's termination of employment shall be immediately fully vested and, unless deferred by the Employee in the case of termination due to Disability or Retirement, stock unit awards shall be settled as promptly as practicable following termination (subject to Sections 10(f) and 10(g)(ii)).

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

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

(d) *Termination by the Company Not for Cause or by Employee for Good Reason Within Two Years After a Change in Control.* An Employee who is eligible for Tier II severance payments and benefits under the Policy pursuant to Part I of this Annex shall be entitled to receive the payments and benefits from the Company upon termination of employment within two years following a Change in Control, if such termination is by the Company (or its subsidiaries) not for Cause or is by the Employee for Good Reason and such termination is not due to death, Disability or Retirement, and shall be subject to other terms, as follows:

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

(ii) A cash payment of a prorated portion of the Employee's annual incentive under any AIP, determined as the target annual incentive for the year of termination, with the award so determined then prorated based on the number of days during the year of termination which preceded the Employee's termination. This amount will be payable as a lump sum.

(iii) A lump-sum cash severance payment equal to the product of the Employee's Annual Compensation, multiplied by 2.

(iv) A cash payment of a prorated portion of each of the Employee's LTIP awards for each performance cycle on-going at the time of termination, determined as the target LTIP award for that performance cycle, with each LTIP award prorated based on the number of days during the performance cycle preceding the Employee's termination (divided by the total number of days in the performance cycle). This amount will be payable as a lump sum.

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

(vi) The Employee's restricted stock and stock unit awards which have not vested at the time of the Employee's termination of employment shall be immediately fully vested and, unless waived or deferred by the Employee, stock unit awards shall be settled as promptly as practicable following termination (subject to Sections 10(f) and 10(g)(ii)).

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

(viii) The Employee will be credited with additional age and years of service under any Excess Benefit Plan as though the Employee continued to be employed for a period of 24 months after termination at a rate of compensation equal to his or her Annual Compensation, and the Employee will be deemed to be fully vested under any such Excess Benefit Plan, with the time or times at which benefits are payable under any such Plan unchanged; provided, however, that if an Excess Benefit Plan does not permit such additional crediting of age and years of service, then Employee will be paid in a lump sum the present value of the additional benefits he would have received under such Plan had Employee's employment continued to the third anniversary of his termination at an annual rate of compensation equal to his or her Annual Compensation; provided further, that, subject to Section 10(g)(iv), the Company's obligations under any such Excess Benefit Plan shall be fully funded by deposits into a "rabbi trust" the trustee of which shall be independent of the Company and the terms of which shall preclude access by the Company to any of the trust assets, except for attachments by creditors of the Company upon insolvency or bankruptcy of the Company, until all obligations to the Employee and his beneficiaries have been satisfied; and provided further, that, subject to Section 10(g)(iv),

the Company may elect to satisfy all obligations to the Employee and his beneficiaries by payment, as a lump sum, of the present value of the accrued benefit under any Excess Plan.

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

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

(B) the group life insurance and group disability insurance policies of the Company and subsidiaries then in effect for Employee; provided, however, that if the Company so elects, or if such continued participation is not possible under the general terms and conditions of such plans or under such policies, the Company, in lieu of the foregoing, shall arrange to have issued for the benefit of the Employee and the Employee's dependents individual policies of insurance providing benefits substantially similar (on an after-tax basis) to those described in this Part II(d)(ix), or, if such insurance is not available at a reasonable cost to the Company, shall otherwise provide the Employee and the Employee's dependents substantially equivalent benefits (on an after-tax basis); provided further that, in no event shall the Employee be required to pay any premiums or other charges in an amount greater than that which the Employee would have paid in order to participate in the Company's plans and policies. Notwithstanding anything to the contrary contained herein, in the event the Employee becomes eligible for benefits under a new employer's welfare benefit plan during the 24-month period following the date of termination, the benefits required to be provided to the employee pursuant to this Part II(d)(iv) shall be reduced by the amount of substantially similar benefits provided to the Employee at no additional cost by such new employer.

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

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

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

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

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

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

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

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

(ii) A cash payment of a prorated portion of the Employee's annual incentive under any AIP, determined as the target annual incentive for the year of termination, with the award so determined then prorated based on the number of days during the year of termination which preceded the Employee's termination, subject to Section 10(e) in applicable cases. This amount will be payable as a lump sum.

(iii) Except for Designated Awards, the Employee's options which have not vested at the time of the Employee's termination of employment shall be immediately fully vested and exercisable, and the Employee's options shall remain outstanding and exercisable after termination for the following periods (but in no event past the stated expiration date of the option): (A) for one year if termination resulted from the Employee's death, (B) three years if termination resulted from the Employee's Disability, (C) for the remaining period until the stated expiration date of the option if termination resulted from Retirement or (D), unless otherwise determined by the Committee, for 90 days. At the end of the applicable post-termination exercise period, such options shall be canceled.

(iv) The Employee's restricted stock and stock unit awards which have not vested at the time of the Employee's termination of employment shall be immediately fully vested and, unless waived or deferred by the Employee in the case of termination due to Disability or Retirement, stock unit awards shall be settled as promptly as practicable following termination (subject to Sections 10(f) and 10(g)(ii)).

(v) The Employee's Designated Awards, if any, will be subject to the terms of the Plan and/or stock option agreement under which they were granted, except that, in the case of options which are Designated Awards, and irrespective of such Plan and/or stock option agreement, Employee will be entitled to a payment equal to the following: for each share of the Company's Common Stock subject to any option which is a Designated Award that remains outstanding at the date of Employee's termination subject to this Part II(f), whether or not such option is then exercisable, the Company shall pay to Employee the amount determined by subtracting the exercise price thereof from the highest of (A) the market price per share of Common Stock on the New York Stock Exchange at the close of business on the effective day of termination, (B) the price per share contained in any published tender offer made within one year before or after the date of the Change in Control, (C) the price contained in any merger or acquisition agreement entered into by the Company and any third party within one year before or after the date of the Change in Control, or (D) the market price per share of Common Stock on the New York Stock Exchange on the date of the Change in Control, and, upon such payment, such option shall be deemed canceled and annulled.

(vi) A cash payment of a prorated portion of each of the Employee's LTIP awards that would have become payable for each performance cycle on-going at the time of termination, determined as the target LTIP award for that performance cycle, with each LTIP award prorated based on the number of days during the performance cycle preceding the Employee's termination (divided by the total number of days in the performance cycle), subject to Section 10(e) in applicable cases. This amount will be payable as a lump sum.

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

(g) *Entitlement to Gross-Up.* Tier II level participants shall be entitled to the Gross-Up Payment in accordance with Section 6 of the Policy.

(h) *Period During Which Restrictions Under Section 7(a)(i) and (ii) Apply.* Tier II level participants shall be subject to the Non-competition Period under Section 7(a)(i) of this Policy for 18 months following termination of employment rather than two years, and shall be subject to the restrictions under Section 7(a)(ii) of this Policy for 18 months following termination of employment rather than two years. Except for this limitation, Sections 7(a)(i) and 7(a)(ii) apply to each such participant in accordance with their terms.

Executive Separation Policy**TIER III****Designation of Participants and Terms**

This documents sets forth the participants designated in the Tier III participation level under the International Flavors & Fragrances Inc. Executive Separation Policy (the "Policy"). All of the terms of the Policy are incorporated into this Annex, and capitalized terms defined in the Policy have the same meaning in this Annex.

I. Designation of Participants in Tier III.

The Committee and/or the Board shall designate the Tier III participants under the Policy.

II. Terms of Participation in Tier III

Subject to all of the terms and conditions of the Policy, including Section 10 (modifying certain terms hereof to comply with Code Section 409A), the terms and conditions set forth below apply to Employees designated as Tier III level participants. This Annex shall have no application to Employees designated as participants at a level other than Tier III, unless the Committee shall adopt such terms and conditions and so specify in a separate Annex to the Policy.

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

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

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

(iii) For a period terminating on the earliest of 12 months following the date of termination of employment or the Employee's attaining age 65, severance payments, paid

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

(iv) Unless otherwise determined by the Committee, the Employee's options, both those vested and not vested at the time of the Employee's termination of employment, shall be governed by the terms of the option agreements in respect of such options.

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

(vi) For a period terminating on the earliest of 12 months following the date of termination of employment, the commencement of eligibility for benefits under a new employer's welfare benefits plan, or the Employee's attaining age 65, the maintenance in effect for the continued benefit of the Employee and his dependents of:

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

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

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

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

(b) *Termination by the Company for Cause or Voluntary Termination by the Employee Prior to or More than Two Years After a Change in Control.* An Employee who is eligible for Tier III severance payments and benefits under the Policy pursuant to Part I of this Annex shall be entitled to receive the payments and benefits from the Company upon termination of employment at any time prior to a Change in Control or more than two years following a

Change in Control, if such termination is by the Company (or its subsidiaries) for Cause or is voluntary by the Employee and such termination is not due to death, Disability or Retirement, and shall be subject to other terms, as follows:

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

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

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

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

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

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

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

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

amount will be payable at such time as annual incentives for performance in the year of termination otherwise become payable.

(iii) Unless otherwise determined by the Committee, the Employee's options, both those vested and not vested at the time of the Employee's termination of employment, shall be governed by the terms of the option agreements in respect of such options.

(iv) The Employee's restricted stock and stock unit awards which have not vested at the time of the Employee's termination of employment shall be immediately fully vested and, unless deferred by the Employee in the case of termination due to Disability or Retirement, stock unit awards shall be settled as promptly as practicable following termination (subject to Sections 10(f) and 10(g)(ii)).

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

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

(d) *Termination by the Company Not for Cause or by Employee for Good Reason Within Two Years After a Change in Control.* An Employee who is eligible for Tier III severance payments and benefits under the Policy pursuant to Part I of this Annex shall be entitled to receive the payments and benefits from the Company upon termination of employment within two years following a Change in Control, if such termination is by the Company (or its subsidiaries) not for Cause or is by the Employee for Good Reason and such termination is not due to death, Disability or Retirement, and shall be subject to other terms, as follows:

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

(ii) A cash payment of a prorated portion of the Employee's annual incentive under any AIP, determined as the target annual incentive for the year of termination, with the award so determined then prorated based on the number of days during the year of termination which preceded the Employee's termination. This amount will be payable as a lump sum.

(iii) A lump-sum cash severance payment equal to the product of the Employee's Annual Compensation, multiplied by 1.5.

(iv) A cash payment of a prorated portion of each of the Employee's LTIP awards for each performance cycle on-going at the time of termination, determined as the target LTIP award for that performance cycle, with each LTIP award prorated based on the number of days during the performance cycle preceding the Employee's termination (divided by the total number of days in the performance cycle). This amount will be payable as a lump sum.

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

(vi) The Employee's restricted stock and stock unit awards which have not vested at the time of the Employee's termination of employment shall be immediately fully vested and, unless waived or deferred by the Employee, stock unit awards shall be settled as promptly as practicable following termination (subject to Sections 10(f) and 10(g)(ii)).

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

(viii) The Employee will be credited with additional age and years of service under any Excess Benefit Plan as though the Employee continued to be employed for a period of 18 months after termination at a rate of compensation equal to his or her Annual Compensation, and the Employee will be deemed to be fully vested under any such Excess Benefit Plan, with the time or times at which benefits are payable under any such Plan unchanged; provided, however, that if an Excess Benefit Plan does not permit such additional crediting of age and years of service, then Employee will be paid in a lump sum the present value of the additional benefits he would have received under such Plan had Employee's employment continued to the third anniversary of his termination at an annual rate of compensation equal to his or her Annual Compensation; provided further, that, subject to Section 10(g)(iv), the Company's obligations under any such Excess Benefit Plan shall be fully funded by deposits into a "rabbi trust" the trustee of which shall be independent of the Company and the terms of which shall preclude access by the Company to any of the trust assets, except for attachments by creditors of the Company upon insolvency or bankruptcy of the Company, until all obligations to the Employee and his beneficiaries have been satisfied; and provided further, that, subject to Section 10(g)(iv),

the Company may elect to satisfy all obligations to the Employee and his beneficiaries by payment, as a lump sum, of the present value of the accrued benefit under any Excess Plan.

(ix) For a period terminating on the earlier of 18 months following the date of termination of employment or the commencement of eligibility for benefits under a new employer's welfare benefits plan, the maintenance in effect for the continued benefit of the Employee and his dependents of:

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

(B) the group life insurance and group disability insurance policies of the Company and subsidiaries then in effect for Employee; provided, however, that if the Company so elects, or if such continued participation is not possible under the general terms and conditions of such plans or under such policies, the Company, in lieu of the foregoing, shall arrange to have issued for the benefit of the Employee and the Employee's dependents individual policies of insurance providing benefits substantially similar (on an after-tax basis) to those described in this Part II(d)(ix), or, if such insurance is not available at a reasonable cost to the Company, shall otherwise provide the Employee and the Employee's dependents substantially equivalent benefits (on an after-tax basis); provided further that, in no event shall the Employee be required to pay any premiums or other charges in an amount greater than that which the Employee would have paid in order to participate in the Company's plans and policies. Notwithstanding anything to the contrary contained herein, in the event the Employee becomes eligible for benefits under a new employer's welfare benefit plan during the 18-month period following the date of termination, the benefits required to be provided to the employee pursuant to this Part II(d)(iv) shall be reduced by the amount of substantially similar benefits provided to the Employee at no additional cost by such new employer.

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

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

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

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

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

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

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

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

(ii) A cash payment of a prorated portion of the Employee's annual incentive under any AIP, determined as the target annual incentive for the year of termination, with the award so determined then prorated based on the number of days during the year of termination which preceded the Employee's termination, subject to Section 10(e) in applicable cases. This amount will be payable as a lump sum.

(iii) Except for Designated Awards, the Employee's options which have not vested at the time of the Employee's termination of employment shall be immediately fully vested and exercisable, and the Employee's options shall remain outstanding and exercisable after termination for the following periods (but in no event past the stated expiration date of the option): (A) for one year if termination resulted from the Employee's death, (B) three years if termination resulted from the Employee's Disability, (C) for the remaining period until the stated expiration date of the option if termination resulted from Retirement or (D), unless otherwise determined by the Committee, for 90 days. At the end of the applicable post-termination exercise period, such options shall be canceled.

(iv) The Employee's restricted stock and stock unit awards which have not vested at the time of the Employee's termination of employment shall be immediately fully vested and, unless waived or deferred by the Employee in the case of termination due to Disability or Retirement, stock unit awards shall be settled as promptly as practicable following termination (subject to Sections 10(f) and 10(g)(ii)).

(v) The Employee's Designated Awards, if any, will be subject to the terms of the Plan and/or stock option agreement under which they were granted, except that, in the case of options which are Designated Awards, and irrespective of such Plan and/or stock option agreement, Employee will be entitled to a payment equal to the following: for each share of the Company's Common Stock subject to any option which is a Designated Award that remains outstanding at the date of Employee's termination subject to this Part II(f), whether or not such option is then exercisable, the Company shall pay to Employee the amount determined by subtracting the exercise price thereof from the highest of (A) the market price per share of Common Stock on the New York Stock Exchange at the close of business on the effective day of termination, (B) the price per share contained in any published tender offer made within one year before or after the date of the Change in Control, (C) the price contained in any merger or acquisition agreement entered into by the Company and any third party within one year before or after the date of the Change in Control, or (D) the market price per share of Common Stock on the New York Stock Exchange on the date of the Change in Control, and, upon such payment, such option shall be deemed canceled and annulled.

(vi) A cash payment of a prorated portion of each of the Employee's LTIP awards that would have become payable for each performance cycle on-going at the time of termination, determined as the target LTIP award for that performance cycle, with each LTIP award prorated based on the number of days during the performance cycle preceding the Employee's termination (divided by the total number of days in the performance cycle), subject to Section 10(e) in applicable cases. This amount will be payable as a lump sum.

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

(g) *Entitlement to Gross-Up.* Tier III level participants shall be entitled to the Gross-Up Payment in accordance with Section 6 of the Policy.

(h) *Period During Which Restrictions Under Section 7(a)(i) and (ii) Apply.* Tier III level participants shall be subject to the Non-competition Period under Section 7(a)(i) of this Policy for 12 months following termination of employment rather than two years, and shall be subject to the restrictions under Section 7(a)(ii) of this Policy for 12 months following termination of employment rather than two years. Except for this limitation, Sections 7(a)(i) and 7(a)(ii) apply to each such participant in accordance with their terms.

INTERNATIONAL FLAVORS & FRAGRANCES INC.

DEFERRED COMPENSATION PLAN
As Amended and Restated October 9, 2007

1. Purpose. The purpose of this Deferred Compensation Plan (the "Plan") is to provide to members of a select group of management or highly compensated employees of International Flavors & Fragrances Inc. (the "Company") and its subsidiaries and/or its affiliates who are selected for participation in the Plan, and non-employee directors of the Company, a means to defer receipt of specified portions of compensation and to have such deferred amounts treated as if invested in specified investment vehicles, in order to enhance the competitiveness of the Company's executive compensation program and, therefore, its ability to attract and retain qualified key personnel necessary for the continued success and progress of the Company, and to encourage such persons to retain a significant equity stake in the Company.

2. Definitions. In addition to the terms defined in Section 1 above, the following terms used in the Plan shall have the meanings set forth below:

(a) "Administrator" means the officer or committee of officers of the Company designated by the Committee to administer the Plan. At October 9, 2007, the Administrator shall be the Company's administrative committee, the current members of which are the Executive Vice President, Global Business Development; the Executive Vice President, Global Operations; the Senior Vice President and Chief Financial Officer; the Senior Vice President and General Counsel; and the Vice President, Human Resources of the Company. The full Committee may perform any function of the Administrator hereunder, in which case the term "Administrator" shall refer to the Committee.

(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, any foundation in which the Participant or any family member or members control the management of assets, 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 or her most recent written Beneficiary designation filed with the Committee as entitled to exercise rights or receive benefits under the Plan in connection with the Participant's Deferral Account (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 under the Plan in connection with the Participant's Deferral Account on behalf or in lieu of such non-surviving designated Beneficiary.

(c) "Board" or "Board of Directors" means the Board of Directors of the Company.

(d) "Cash Deferral" means that portion of the assets of a Participant's Deferral Account which is attributable to cash-based deferrals made by Participant and investment results earned (or lost) thereon.

(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 or regulations and applicable Internal Revenue Service guidance.

(f) "Committee" means the Compensation Committee of the Board of Directors or such other committee designated under Section 3(b), to which the Board has delegated the authority to take action under the Plan. The full Board may perform any function of the Committee hereunder, in which case the term "Committee" shall refer to the Board.

(g) "Deferral Account" means the account or subaccount established and maintained by the Company for specified deferrals by a Participant, as described in Section 6. Deferral Accounts will be maintained solely as bookkeeping entries by the Company to evidence unfunded obligations of the Company.

(h) "Deferred Stock" means a credit to the Participant's Deferral Account representing the right to receive one share of Stock for each share of Deferred Stock so credited, together with rights to dividend equivalents and other rights and limitations specified in the Plan.

(i) "Disability" means a disability entitling the Participant to long-term disability benefits under the Company's long-term disability plan as in effect at the date of Participant's termination of employment. "409A Disability" has the meaning defined in Section 13(b)(ii).

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

(k) "409A Deferral" means a Cash Deferral or Deferred Stock resulting from a deferral of compensation within the meaning of Code Section 409A in 2005 or later. For this purpose, if a deferral of compensation was initiated before 2005 but either the Participant's legal right to receive the compensation arose in 2005 or later or his or her risk of forfeiture with respect to the compensation lapsed in 2005 or later, it will be considered a 409A Deferral. The foregoing notwithstanding, any deferral that qualifies for the short-term deferral exception under Treasury Regulation § 1.409A-1(b)(4) shall not be deemed to be a 409A Deferral.

(l) "Grandfathered Deferral" means a Cash Deferral or Deferred Stock that would constitute a 409A Deferral except for the fact that the legal right to the deferral and any vesting occurred before 2005.

(m) "Matching Account" means the subaccount under a Participant's Deferral Account which reflects Matching Contributions under the Plan and amounts of hypothetical income and appreciation and depreciation in value of such subaccount.

(n) "Matching Contributions" means contributions to a Participant's Matching Account made in accordance with Section 7.

(o) "Participant" means any employee of the Company or any subsidiary or affiliate who is designated by the Committee as eligible to participate and who participates or makes an election to participate in the Plan, or any non-employee director of the company who participates or makes an election to participate in the Plan.

(p) "Prior Plan Deferrals" means deferrals of annual incentive awards payable under the International Flavors & Fragrances Inc. Management Incentive Compensation Plan and the International Flavors & Fragrances Inc. Special Executive Bonus Plan and deferrals by non-employee directors of the Company under the International Flavors & Fragrances Inc. Directors' Deferred Compensation Plan.

(q) "Retirement" means a Participant's voluntary termination of employment (i) at or after attaining age 62 or (ii), in the case of a non-employee director of the Company, any termination of service as a director.

(r) "Stock" means the Company's Common Stock or any other equity securities of the Company designated by the Administrator.

(s) "Stock Units" or "Units" means stock unit awards granted under the Company's 2000 Stock Award and Incentive Plan, 2000 Supplemental Stock Award Plan, or other Company plans.

(t) "Trust" means any trust or trusts established by the Company as part of the Plan; provided, however, that the assets of such trusts shall remain subject to the claims of the general creditors of the Company.

(u) "Trustee" means the trustee of a Trust.

(v) "Trust Agreement" means the agreement entered into between the Company and the Trustee to carry out the purposes of the Plan, as amended or restated from time to time.

(w) "Valuation Date" means the close of business on the last business day of each calendar quarter; provided, however, that in the case of termination of employment for reasons other than Retirement, death, or Disability, the Valuation Date means the close of business on the last business day of the year in which employment terminates, unless otherwise determined by the Administrator in the case of a Grandfathered Deferral.

3. Administration.

(a) *Authority.* The Committee shall administer the Plan in accordance with its terms, and shall have all powers necessary to accomplish such purpose, including the power and authority to construe and interpret the Plan, to define the terms used herein, to prescribe, amend and rescind rules and regulations, agreements, forms, and notices relating to the administration of the Plan, to make all other determinations necessary or advisable for the administration of the Plan, and to determine whether to terminate participation of and accelerate distributions to Participants (subject to Section 13, including Section 13(a)(iv)), including Participants who engage in activities competitive with or not in the best interests of the Company. The Administrator shall share in these powers, to the extent provided herein and subject to such limitations imposed by and oversight of the Committee. Any actions of the Committee and Administrator with respect to the Plan and determinations in all matters hereunder shall be conclusive and binding for all purposes and upon all persons, including the Company, Participants, employees, and non-employee directors (in their individual capacities) and their respective successors in interest (subject to the Board's and Committee's reserved authority hereunder).

(b) *Service on Committee or as Administrator.* Members of the Committee shall be appointed by and remain in office at the will of, and may be removed with or without cause by, the Board. Persons serving as the Administrator shall be appointed by and remain in office at the will of, and may be removed with or without cause by, the Committee. Any member of the Committee or Administrator may resign at any time. The Committee or Administrator may delegate administrative and other functions under the Plan to officers or employees of the Company and its subsidiaries, or other agents, except as limited by the Plan. No member of the Committee or Administrator shall be entitled to act on or decide any matter relating solely to himself or herself or any of his or her rights or benefits under the Plan. No bond or other security shall be required in connection with the Plan of the Committee or the Administrator or any member thereof in any jurisdiction.

(c) *Limitation of Liability.* Each member of the Committee or Administrator shall be entitled, in good faith, to rely or act upon any report or other information furnished to him or her by any officer or other employee of the Company or any subsidiary or affiliate, the Company's independent certified public accountants, or any executive compensation consultant, legal counsel, or other professional retained by the Company to assist in the administration of the Plan. To the maximum extent permitted by law, no member of the Committee or Administrator, nor any person to whom duties have been delegated under the Plan, shall be liable to any person for any action taken or omitted in connection with the interpretation and administration of the Plan, except for the willful misconduct or gross negligence of such member or person.

4. Participation. The Committee shall determine those employees of the Company and its subsidiaries and/or affiliates, from among the executives who qualify as a select group of management or highly compensated employees, who will be eligible to participate in the Plan. Such persons shall be notified of such eligibility by the Administrator. The Committee may limit participation by otherwise eligible employees in its discretion, including, for example, for a specified period following a Participant's withdrawal from a Deferral Account under Section 8(f) or (g). In addition, each non-employee director of the Company shall be eligible to participate in the Plan.

5. Deferrals. To the extent authorized by the Committee and subject to Section 13, a Participant may elect to defer compensation or awards which may be in the form of cash, Stock, Stock-denominated awards or other property to be received from the Company or a subsidiary or affiliate, including salary, annual bonus awards, long-term awards, retainer fees and meeting fees payable to a non-employee director, and compensation payable under other plans and programs, employment agreements or other arrangements, or otherwise, as may be provided under the terms of such plans, programs and arrangements or as designated by the Committee. Stock-denominated awards that the Committee may authorize for deferral include (i) Stock Units and (ii) shares issuable upon exercise of stock denominated SARs, if such SARs are implemented as deferrals of compensation under Code Section 409A rather than as stock rights exempt under Treasury Regulation § 1.409A-1(b)(5). (All deferrals of shares under the Plan are referred to as Deferred Stock, including awards originally denominated "restricted stock units"). The foregoing notwithstanding, an employee-Participant may defer, with respect to a given year, receipt of only that portion of the Participant's salary, annual bonus award, long-term award, equity awards and compensation payable under other plans and programs, employment agreements or other arrangements that exceeds the FICA maximum taxable wage base plus the amount necessary to satisfy Medicare and all other payroll taxes (other than Federal, state or local income tax withholding) imposed on the wages or compensation of such Participant from the Company and its subsidiaries and affiliates; this limitation shall not apply to non-employee directors, however. In addition to such limitation, and any terms and conditions of deferral set forth under plans, programs or arrangements from which receipt of compensation or awards is deferred, the Administrator may impose limitations on the amounts permitted to be deferred and other terms and conditions on deferrals under the Plan. Any such limitations, and other terms and conditions of deferral, shall be specified in documents setting forth terms and conditions of deferrals under the Plan, rules relating to the Plan or election forms, other forms, or instructions published by or at the direction of the Administrator. The Committee may permit awards and other amounts to be treated as deferrals under the Plan, including deferrals that may be mandatory as determined by the Committee in its sole discretion or under the terms of another plan or arrangement of the Company, for administrative convenience or otherwise to serve the purposes of the Plan and such other plan or arrangement.

(a) *Elections.* Once an election form, properly completed, is received by the Company, the elections of the Participant shall be irrevocable; provided, however, that the Administrator may in its discretion determine that elections are revocable until the deadline specified for the filing of such election; provided further, that the Administrator may, in its discretion, permit a Participant to elect a further deferral of amounts credited to a Deferral Account by filing a later election form; and provided, further, that, unless otherwise approved by the Administrator for Grandfathered Deferrals only (any such approval must be consistent with policies of the Administrator established prior to October 4, 2004), any election to further defer amounts credited to a Deferral Account must be made at least one year prior to the date such amounts would otherwise be payable, except as permitted under Section 13(a)(ii) and subject to Section 5(b).

(b) *Date of Election.* A Participant's election to defer compensation or awards hereunder must be received by the Administrator prior to the date specified by or at the direction of the Administrator. Under no circumstances may a Participant defer compensation or awards to

which the Participant has attained, at the time of deferral, a legally enforceable right to current receipt of such compensation or awards.

- (i) Initial Deferral Elections. In the case of 409A Deferrals not settled in 2007 or earlier, any initial election to defer compensation (including the election as to the type and amount of compensation to be deferred and the time and manner of settlement of the deferral) must be made (and shall be irrevocable) no later than December 31 of the year before the Participant's services are performed which will result in the earning of the compensation, except as follows:
- Initial deferral elections with respect to compensation that, absent the election, constitutes a short-term deferral may be made in accordance with Treasury Regulation § 1.409A-2(a)(4) and (b);
 - Initial deferral elections with respect to compensation that remains subject to a requirement that the Participant provide services for at least 12 months (a "forfeitable right" under Treasury Regulation § 1.409A-2(a)(5)) may be made on or before the 30th day after the Participant obtains the legally binding right to the compensation, provided that the election is made at least 12 months before the earliest date at which the forfeiture condition could lapse and otherwise in compliance with Treasury Regulation § 1.409A-2(a)(5);
 - Initial deferral elections by a Participant in his or her first year of eligibility may be made within 30 days after the date the Participant becomes eligible to participate in the Plan, with respect to compensation paid for services to be performed after the election and in compliance with Treasury Regulation § 1.409A-2(a)(7);
 - Initial deferral elections by a Participant with respect to performance-based compensation (as defined under Treasury Regulation § 1.409A-1(e)) may be made on or before the date that is six months before the end of the performance period, provided that (i) the Participant was employed continuously from either the beginning of the performance period or the later date on which the performance goal was established, (ii) the election to defer is made before such compensation has become readily ascertainable (i.e., substantially certain to be paid), (iii) the performance period is at least 12 months in length and the performance goal was established no later than 90 days after the commencement of the service period to which the performance goal relates, (iv) the performance-based compensation is not payable in the absence of performance except due to death, disability, a 409A Change in Control or as otherwise permitted under Treasury Regulation § 1.409A-1(e), and (v) this initial deferral election must in any event comply with Treasury Regulation § 1.409A-2(a)(8);
 - Initial deferral elections resulting in Matching Contributions under Section 7 may be made in compliance with Treasury Regulation § 1.409A-2(a)(9);
 - Initial deferral elections may be made to the fullest permitted under other applicable provisions of Treasury Regulation § 1.409A-2(a); and
 - Initial deferral elections in 2007 and earlier may be made to the fullest extent authorized under transition rules and other applicable guidance under Code Section 409A.
- (ii) Further Deferral Elections. The foregoing notwithstanding, for 409A Deferrals not settled in 2007 or earlier, any further deferral election made in 2008 or later shall be subject to the following:
- The further deferral election will not take effect until at least 12 months after the date on which the election is made;

- If the election relates to a distribution event other than a 409A Disability, death, or Unforeseeable Emergency, the payment with respect to which such election is made must be deferred for a period of not less than five years from the date such payment would otherwise have been paid (or in the case of a life annuity or installment payments treated as a single payment, five years from the date the first amount was scheduled to be paid);
- The requirement that the further deferral election be made at least 12 months before such 409A Deferrals would be first payable may not be waived by the Administrator, and shall apply to a payment at a specified time or pursuant to a fixed schedule (and in the case of a life annuity or installment payments treated as a single payment, 12 months before the date that the first amount was scheduled to be paid);
- The further deferral election shall be irrevocable when filed with the Company; and
- The further deferral election otherwise shall comply with the applicable requirements of Treasury Regulation § 1.409A-2(b).

6. Deferral Accounts. Deferral Accounts shall be subject to the provisions of this Section 6. With respect to 409A Deferrals not settled in 2007 or earlier, the provisions of this Section 6 are subject to Section 13, and for such 409A Deferrals and Grandfathered Deferrals the provisions of this Section 6 are subject to Section 13(e), which generally precludes any action (including in the discretion of the Administrator) relating to the timing or amount of deferred compensation and earnings to be credited thereon that would provide a rate of return exceeding that of a predetermined actual investment, as specified under Treasury Regulation § 1.409A-1(o).

(a) Establishment; Crediting of Amounts Deferred. One or more Deferral Accounts will be established for each Participant, as determined by the Administrator. The amount of compensation or awards deferred with respect to each Deferral Account will be credited to such Account as of the date on which such amounts would have been paid to the Participant but for the Participant's election to defer receipt hereunder, unless otherwise determined by the Administrator. With respect to any fractional shares of Stock or Stock-denominated awards, the Administrator shall determine whether to credit the Deferral Account with a fraction of a share, to pay cash in lieu of the fractional share or carry forward such cash amount under the Plan, round to the nearest whole share, round to the next whole share, or round down to eliminate the fractional share or otherwise make provision for the fractional share. Amounts of hypothetical income and appreciation and depreciation in value of such account will be credited and debited to, or otherwise reflected in, such Account from time to time. Unless otherwise determined by the Administrator (including under Section 6(e)), Cash Deferrals shall be deemed invested in a hypothetical investment as of the date of deferral.

(b) Investment Vehicles.

- (i) Subject to the provisions of this Section 6(b) and Sections 6(d) and 9, Cash Deferral amounts shall be deemed to be invested, at the Participant's direction, in one or more investment vehicles as may be specified from time to time by the Committee; provided, however, that the Administrator may expressly reserve the right to approve or disapprove any investment direction given by a Participant. The Committee may, but is not required to, permit Cash Deferrals to be deemed invested in Deferred Stock, subject to Section 11. The Committee may change or discontinue any hypothetical investment vehicle available under the Plan in its discretion (subject to Section 13(e)); provided, however, that each affected Participant shall be given the opportunity, without limiting or otherwise impairing any other right of such Participant regarding changes in investment directions, to redirect the allocation of his or her Cash Deferral amount deemed invested in the discontinued investment vehicle among the other hypothetical investment vehicles, including any replacement vehicle.

- (ii) Amounts credited as Deferred Stock to a Participant's Deferral Account (whether or not as a result of a Cash Deferral) may not be reallocated or deemed reinvested in any other investment vehicle, but shall remain as Deferred Stock until such time as the Deferral Account is settled in accordance with Section 8.
- (iii) Subject to Sections 11 and 13(e), the Committee may provide for crediting of additional Deferred Stock as a premium or inducement to Participants to elect deferrals that will be credited as Deferred Stock; provided, however, that the crediting of any such additional Deferred Stock on deferrals by non-employee directors shall be subject to approval of the Board. Such additional Deferred Stock shall not exceed 40% of the number of shares of Deferred Stock resulting from the Participant's deferral. Such additional Deferred Stock shall be subject to such vesting and forfeiture conditions as the Committee may specify.

(c) *Dividend Equivalents and Adjustments.* Deferred Stock credited to a Participant's Deferral Account will be credited with Dividend Equivalents and subject to adjustment as provided in this Section 6(c), except as limited by the Committee and in any event such crediting will not apply to any amount that remains subject to a substantial risk of forfeiture unless explicitly authorized by the Committee:

- (i) **Cash Dividends.** If the Company declares and pays a cash dividend on Stock, then a number of additional shares of Deferred Stock shall be credited to a Participant's Deferral Account as of the payment date for such dividend equal to (A) the number of shares of Deferred Stock credited to the Deferral Account as of the record date for such dividend, multiplied by (B) the amount of cash actually paid as a dividend on each share at such payment date, divided by (C) the fair market value of a share of Stock at such payment date. The Administrator shall determine how amounts that would be credited or settled as fractional shares shall be treated under the Plan in accordance with Section 6(a) hereof.
- (ii) **Non-Stock Dividends.** If the Company declares and pays a dividend on Stock in the form of property other than shares of Stock, then a number of additional shares of Deferred Stock shall be credited to a Participant's Deferral Account as of the payment date for such dividend equal to (A) the number of shares of Deferred Stock credited to the Deferral Account as of the record date for such dividend, multiplied by (B) the fair market value of any property other than shares actually paid as a dividend on each share at such payment date, divided by (C) the fair market value of a share of Stock on the day after such payment date. The Administrator shall determine how amounts that would be credited or settled as fractional shares shall be treated under the Plan in accordance with Section 6(a) hereof.
- (iii) **Stock Dividends and Splits.** If the Company declares and pays a dividend on Stock in the form of additional shares of Stock, or there occurs a forward split of Stock, then a number of additional shares of Deferred Stock shall be credited to Participant's Deferral Account as of the payment date for such dividend or forward Stock split equal to (A) the number of shares of Deferred Stock credited to the Deferral Account as of the record date for such dividend or split, multiplied by (B) the number of additional shares actually paid as a dividend or issued in such split in respect of each share of Stock. The Administrator shall determine how amounts that would be credited or settled as fractional shares shall be treated under the Plan in accordance with Section 6(a) hereof.
- (iv) **Modifications to Dividend Equivalents Policy.** Other provisions of this Section 6(c) notwithstanding, the Administrator may modify the manner of payment or

crediting of Dividend Equivalents hereunder, in order to coordinate the value of Deferral Accounts with any trust holding shares established under Section 6(e), for administrative convenience, or for any other reason.

- (v) **Adjustments.** The number of shares of Deferred Stock credited to the Participant's Account may be adjusted by the Committee in order to prevent dilution or enlargement of Participants' rights with respect to Deferred Stock, in the event of any unusual corporate transaction or event which affects the value of Common Stock, provided that any such adjustment shall be made taking into account any crediting of Deferred Stock to the Participant under other provisions of this Section 6(c) in connection with such transaction or event.

(d) **Allocation and Reallocation of Hypothetical Investments.** A Participant may allocate the Cash Deferral portion of his or her Deferral Account to one or more of the hypothetical investment vehicles authorized under the Plan. Subject to Section 6(b)(ii) and any rules established by the Administrator, a Participant may reallocate such Cash Deferrals as of the Valuation Date or other date specified by the Administrator at or following the filing of Participant's reallocation election to one or more of such hypothetical investment vehicles, by filing with the Administrator a notice (the reallocation election) in such form as may be specified by the Administrator. The Administrator may, in its discretion, restrict allocation into or reallocation by specified Participants into or out of specified investment vehicles or specify minimum or maximum amounts that may be allocated or reallocated by Participants.

(e) **Trusts.** The Administrator may, in its discretion, establish one or more Trusts (including sub-accounts under such Trust(s)), and deposit therein amounts of cash, Stock, or other property in connection with the Company's obligations with respect to a Participant's Deferral Account established under this Section 6. If so determined by the Administrator in any case in which the amounts deposited represent the economic equivalent of the Participant's deemed investment in his or her Deferral Account, the amounts of hypothetical income and appreciation and depreciation in value of such Deferral Account shall be equal to the actual income on, and appreciation and depreciation of, the assets in such Trust(s) (net of any investment, management or other fees or costs, as may be specified by the Administrator). Other provisions of this Section 6 notwithstanding, the timing of allocations and reallocations of assets in such a Deferral Account, and the investment vehicles available with respect to the Cash Deferral portion of the Deferral Account, may be varied to reflect the timing of actual investments of the assets of such Trust(s) and the actual investments available to such Trust(s). Assets deposited in such Trust may not be paid out to the Company, except to the extent that (i) such assets are held by the Trust in connection with the Deferral Account of a specified Participant and the Company has made payments in settlement of such Participant's Deferral Account, (ii) the assets of the Trust exceed the deferred compensation liabilities of the Company under the Plan by more than 25% of the amount of such deferred compensation liabilities, or (iii) a creditor of the Company may attach the assets of the Trust, consistent with the status of Trust as a "rabbi" trust. Any such trust shall be domiciled in the United States, and may not include any term that would provide for a change in trust terms restricting access to the funds thereon based on the financial condition of the Company.

(f) **Restrictions on Participant Direction.** The provisions of Section 6(b), 6(d), and 7(c) notwithstanding, the Administrator may restrict or prohibit reallocations of amounts deemed invested in specified investment vehicles, and subject such amounts to a risk of forfeiture and other restrictions, in order to conform to restrictions applicable to Stock, a Stock-denominated award, or any other award or amount deferred under the Plan and resulting in such deemed investment, to comply with any applicable law or regulation, or for such other purpose as the Administrator may determine is not inconsistent with the Plan.

7. Company Matching Contributions.

(a) *Amount of Matching Contributions To Be Credited.* With respect to each employee-Participant who makes Cash Deferrals under this Plan in a calendar year, the Company shall, on its books, credit a Matching Contribution to such Participant's Matching Account as described in this Section 7. The amount of Matching Contribution the Company shall credit to a Participant in a calendar year shall be equal to the results of (i) minus (ii), as follows:

- (i) the amount of the Company's matching contributions which were actually made and which would have been made on behalf of the Participant under the Retirement Investment Fund Plan (the "RIFP"), determined on the basis of the Participant's actual "pre-tax contributions" and "after-tax contributions" (as those terms are defined under the RIFP), plus the amount of Company matching contributions which would have been made on account of the Participant's Cash Deferrals in such calendar year if such Cash Deferrals had instead been contributions by the Participant to the RIFP for the plan year and disregarding any reduction in Company matching contributions required under the RIFP due to the application of the limitations set forth in Section 401(a)(17), 401(k), 401(m), 402(g), and 415 of the Internal Revenue Code (the "Statutory Limitations"), minus
- (ii) the amount of Company matching contributions that were made by the Company on behalf of a Participant under the RIFP for such plan year and allocated to the Participant's accounts under the RIFP.

Matching Contributions are subject to any limitation or maximum imposed under the RIFP apart from the Statutory Limitations, and the Committee may in its discretion further limit Matching Contributions under the Plan (but Participants shall be given notice of any such further limitation prior to the effectiveness of an irrevocable deferral election that would be affected thereby).

(b) *Time of Crediting of Matching Contributions.* The Matching Contributions with respect to a Participant pursuant to (a) above shall be credited to the Participant's Matching Account at the same times as like matching contributions would have been credited to the Participant's matching account under the RIFP.

(c) *Vesting of Matching Account; Other Plan Rules Applicable.* Matching Contributions on behalf of a Participant and the Participant's Matching Account shall be subject to the vesting rules and risks of forfeiture that would have applied to like matching contributions to the Participant and the Participant's matching account under the RIFP. In other respects, such Matching Contributions and Matching Account shall be subject to the same rules, applied separately, as the rules that apply to the Participant's Cash Deferrals and Deferral Account under the Plan.

8. Settlement of Deferral Accounts.

(a) *Form of Payment.* The Company shall settle a Participant's Deferral Account, and discharge all of its obligations to pay deferred compensation under the Plan with respect to such Deferral Account, as follows:

- (i) with respect to Cash Deferrals, payment of cash or, in the discretion of the Administrator, by delivery of other liquid assets (including Stock) having a fair market value equal to the Cash Deferral amount credited to the Deferral Account; provided, however, that, to the extent practicable, any assets delivered in settlement of Cash Deferrals shall be of the same type or kind as the investment vehicle in which those Cash Deferrals were deemed invested at the time of settlement; or

(ii) with respect to Stock based deferral amounts, by delivery of shares of Stock, including shares of Stock delivered out of the assets of the Trust.

(b) *Forfeitures Under Other Plans and Arrangements.* To the extent that Stock or any other award or amount (i) is deposited in a Trust pursuant to Section 6 in connection with a deferral of Stock, a Stock-denominated award, or any other award or amount under another plan, program, employment agreement or other arrangement, or otherwise is deemed to be deferred under the Plan without such a deposit, and (ii) is forfeited pursuant to the terms of such plan, program, agreement or arrangement, the Participant shall not be entitled to the value of such Stock and other property related thereto (including without limitation, dividends and distributions thereon) or other award or amount, or proceeds thereof. Any Stock or Stock-denominated awards, other property or other award or amount (and proceeds thereof) forfeited shall be returned to the Company.

(c) *Timing of Payments.*

- (i) Generally, the Administrator shall determine minimum and maximum deferral periods and any limitations on terms of deferrals (such as number of installments and periods over which installments will be paid), provided that any terms permitting settlement more than ten years after the date of a Participant's termination of employment with the Company and its subsidiaries must be approved by the Committee. Subject to these limitations, payments in settlement of a Deferral Account shall be made as soon as practicable after the date or dates (including upon the occurrence of specified events), and in such number of installments, as may be directed by the Participant in his or her election relating to such Deferral Account, provided that, except with respect to Prior Plan Deferrals (the timing of settlement of which, in each case, shall be determined in accordance with the terms of Section 8(c)(ii) hereof) or as otherwise determined by the Administrator, in the event of termination of employment for reasons other than Retirement, death, or 409A Disability in the case of 409A Deferrals or Disability in the case of other deferrals, a single lump sum payment in settlement of any Deferral Account (including a Deferral Account with respect to which one or more installment payments have previously been made) shall be made as promptly as practicable following the next Valuation Date, unless otherwise determined by the Administrator in the case of Grandfathered Deferrals (but not 409A Deferrals) in an exercise of discretion consistent with policies implemented before October 4, 2004; and provided further, that payments in settlement of a Deferral Account will be made in accordance with Section 8(d) in the event of a Change in Control.
- (ii) On or before June 1, 2001, each Participant who has Prior Plan Deferrals, shall be required to make a new election with respect to the timing of settlement of his or her Prior Plan Deferrals (including earnings thereon). Specifically, each such Participant shall make a single election which shall be applicable to all of his or her Prior Plan Deferrals (including earnings thereon), to have (1) payments made in a number of installments which is not less than the least number, and not greater than the greatest number, of installments previously elected by the Participant with respect to any such Prior Plan Deferral and (2) payment commence on a date that occurs no sooner than the earliest and no later than the latest payment commencement date previously elected by such Participant with respect to any such Prior Plan Deferral. In the event a Participant who has Prior Plan Deferrals does not make the foregoing election on or before June 1, 2001, such Participant will be deemed to have elected to have (1) payments made in a number of installments equal to the least number of installments previously elected by such Participant with respect to any such Prior Plan

Deferral and (2) payment commence on the earliest payment date previously elected by such Participant with respect to any such Prior Plan Deferral.

(d) *Change in Control.* In the event of a "Change in Control," as defined under Section 8(e), the following provisions shall apply:

- (i) All deferral periods relating to non-409A Deferrals will be automatically accelerated to end at the time of the Change in Control and, if the event involves a 409A Change in Control, all deferral periods relating to 409A Deferrals will be automatically accelerated to end at the time of the earliest 409A Change in Control, and each Deferral Account, to the extent affected by such acceleration, will be settled within five business days after the end of the deferral period, provided that the Committee may accelerate this settlement (for all or specified parts of a Deferral Account) in connection with a Change in Control or 409A Change in Control for any reason, subject to applicable limitations under Section 13 (particularly Sections 13(a)(iv)(E) and 13(f)) and subject to such additional conditions as the Committee may impose; provided, however, that, if so determined by the Committee (and subject to Section 5(b)), the Participant may waive the accelerated settlement relating to Grandfathered Deferrals provided under this Section 8(d)(i); and
- (ii) At all times after the Change in Control, in addition to any trustee or other fiduciary under the Plan and any Trust established hereunder, the individual serving as the Chief Executive Officer of the Company immediately prior to the Change in Control shall be a fiduciary with the full authority and the obligation to take any required or appropriate action to cause the Company and any such Trust to pay amounts in settlement and provide the benefits to the Participants in accordance with the Plan and each Participant's contractual rights thereunder.

(e) *Definition of "Change in Control."* A "Change in Control" shall be deemed to have occurred if, after the effective date of the Plan, 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(e);

- (ii) Individuals who on the effective date of the Plan 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 such effective date 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).

The term "409A Change in Control" is defined in Section 13(b)(i).

(f) *Financial Emergency and Other Payments.* Other provisions of the Plan (except Sections 9 and 13) notwithstanding, if, upon the written application of a Participant, the Administrator determines that the Participant has a financial emergency of such a substantial nature, beyond the Participant's control, and as to which the Participant lacks other readily available assets that could be used to timely address the emergency, so that payment of amounts previously deferred under the Plan is warranted, the Administrator may direct the payment to the Participant of all or a portion of the balance of a Deferral Account and the time and manner of such payment, provided, however, that in the case of 409A Deferrals, payments under this Section 8(f) shall be authorized and made only in the event of an Unforeseeable Emergency and subject to the terms of Section 13(a)(iv)(A).

(g) *Voluntary Withdrawal With 10% Penalty.* A Participant may voluntarily withdraw all or a portion of the portion of his or her Deferral Account balance attributable to Grandfathered Deferrals other than salary deferrals upon 30 days' notice to the Administrator, subject to a penalty equal to 10% of the amount withdrawn; provided, however, that the Participant shall have no right to withdraw Deferred Stock under this Section 8(g) if the existence of such right would result in "variable" accounting under APB 25 (as in effect at October 3, 2004) or in accounting for such Deferred Stock as a "liability" under Statement of Financial Accounting Standards No. 123R (or similar consequences under any successor accounting authority) with respect to any Deferred Stock, if any withdrawal otherwise would result in adverse accounting or tax consequences to the

Company, or if such withdrawal is otherwise not approved by the Administrator. The amount of any penalty under this Section 8(g) will be forfeited.

9. Provisions Relating to Section 16 of the Exchange Act and Section 162(m) of the Code.

(a) *Avoidance of Liability Under Section 16.* With respect to a Participant who is then subject to the reporting requirements of Section 16(a) of the Exchange Act, the Administrator shall implement transactions under the Plan and administer the Plan in a manner that will ensure that each transaction by such a Participant is exempt from liability under Rule 16b-3 or otherwise will not result in liability under Section 16(b) of the Exchange Act.

(b) *Compliance with Code Section 162(m).* It is the intent of the Company that any compensation (including any award) deferred under the Plan by a person who is, with respect to the year of payout, determined by the Administrator likely to be a "covered employee" within the meaning of Code Section 162(m) and regulations thereunder, shall not, as a result of deferral hereunder, become compensation with respect to which the Company would not be entitled to a tax deduction under Code Section 162(m). Accordingly, unless otherwise determined by the Administrator (with respect to Grandfathered Deferrals), if any payment in settlement of a Deferral Account would be subject to a loss of deductibility by the Company at the time of scheduled settlement hereunder, the terms of such deferral shall be automatically modified to the extent necessary to ensure that the compensation will be, at the time of settlement hereunder, fully deductible by the Company. Any such modification to delay the settlement date of a 409A Deferral not settled in 2007 or earlier must conform to the requirements of Treasury Regulation § 1.409A-2(b)(7)(i).

10. Statements. The Administrator will furnish statements, at least once each calendar year, to each Participant reflecting the amounts credited to a Participant's Deferral Accounts, transactions therein since the date reported on in the last previous statement, and other information deemed relevant by the Administrator.

11. Sources of Stock; Shares Available for Delivery. Shares of Stock deliverable in settlement of Deferred Stock, including shares deposited under the Plan in a Trust pursuant to Section 6, in connection with a deferral of a Stock-denominated award granted or acquired under another plan, program, employment agreement or other arrangement that provides for the issuance of shares, shall be deemed to have originated, and shall be counted against the number of shares reserved, under such other plan, program or arrangement. Shares of Stock actually delivered in settlement of such deferral shall be originally issued shares or treasury shares in accordance with the terms of such other plan, program or arrangement. In the case of shares deliverable in connection with Deferred Stock credited in connection with Dividend Equivalents, or if the Committee authorizes deemed investments in Deferred Stock by Participants deferring cash, any shares to be deposited under the Plan in a Trust in connection with such deemed investments in Deferred Stock or otherwise to be delivered in settlement of such Deferred Stock shall be solely treasury shares or shares acquired in the market by or on behalf of the Trust. For this purpose, a total of 4,000,000 treasury shares are hereby reserved for delivery in connection with such Deferred Stock.

12. Amendment and Termination. The Committee may, with prospective or retroactive effect, amend, alter, suspend, discontinue, or terminate the Plan at any time without the consent of Participants, stockholders, or any other person; provided, however, that, without the consent of a Participant, no such action shall materially and adversely affect the rights of such Participant with respect to any rights to payment of amounts credited to such Participant's Deferral Account. The foregoing notwithstanding, subject to the restrictions under Section 13 (including restrictions on Plan termination and accelerations under Sections 13(a)(iv)(E) and 13(f)), the Committee may terminate the Plan (in whole or in part) and distribute to Participants (in whole or in part) the amounts credited to his or her Deferral Accounts and reserves the right to accelerate the

settlement of any individual Participant's Deferral Account (in whole or in part). The termination of the Plan, and any amendment or alteration to the Plan that is beyond the scope of the authority of the Committee, shall be subject to the approval of the Board of Directors.

13. Certain Limitations on Deferrals to Ensure Compliance with Code Section 409A.

(a) *409A Deferrals.* Other provisions of the Plan notwithstanding, the terms of any 409A Deferral, including any authority of the Company and rights of the Participant with respect to the 409A Deferral, shall be limited to those terms permitted under Section 409A, and any terms not permitted under Code Section 409A shall be automatically modified and limited to the extent necessary to conform with Section 409A and the regulations and guidance issued thereunder. The following rules will apply to 409A Deferrals not settled in 2007 or earlier:

- (i) **Deferral Elections.** A Participant's election to defer compensation will be permitted only at times in compliance with Code Section 409A, as specified in Section 5(b).
- (ii) **Changes in Elections as to Distribution.** The Administrator may, in its discretion, require or permit on an elective basis a change in the distribution terms applicable to such 409A Deferrals (and other deferrals, including other 409A Deferrals and deferrals that are not 409A Deferrals because they qualify for the short-term deferral exemption under Code Section 409A) during 2005 - 2007 in accordance with, and to the fullest extent permitted by, applicable IRS guidance under Code Section 409A, provided that any modifications to such deferrals or permitted election of different deferral periods may not otherwise increase the benefits to a Participant or the costs of such deferrals to the Company other than administrative costs, changes in value of the deferral based on investment performance and indirect expense attributable to the timing of receipt of taxable income and tax deductions.
- (iii) **Settlement.** Except as provided in Section 13(a)(iv) hereof, no such 409A Deferral shall be settled except upon the occurrence of one of the following (or a date related to the occurrence of one of the following), which must be specified in a written election or other document governing such 409A Deferral and otherwise meet the requirements of Treasury Regulation § 1.409A-3:
 - (A) **Specified Time.** A specified time or pursuant to a fixed schedule.
 - (B) **Separation from Service.** The Participant's separation from service (within the meaning of Treasury Regulation § 1.409A-1(h) and other applicable rules under Code Section 409A); provided, however, that if the Participant is a "key employee" (as defined in Code Section 416(i) without regard to paragraph (5) thereof) and any of the Company's Stock is publicly traded on an established securities market or otherwise, settlement under this Section 13(a)(iii)(B) may not be made before the date that is six months after the date of separation from service.
 - (C) **Death.** The death of the Participant.
 - (D) **Disability.** The date the Participant has experienced a 409A Disability, as defined below.

- (E) 409A Change in Control. The occurrence of a 409A Change in Control, as defined below.
- (iv) No Acceleration. The settlement of such a 409A Deferral may not be accelerated prior to the time specified in Section 13(a)(iii) hereof, except the Company may accelerate the settlement in the case of one of the following events:
- (A) Unforeseeable Emergency. The occurrence of an Unforeseeable Emergency, as defined below, but only if the net amount payable upon such settlement does not exceed the amounts necessary to relieve such emergency plus amounts necessary to pay taxes reasonably anticipated as a result of the settlement, after taking into account the extent to which the emergency is or may be relieved through reimbursement or compensation from insurance or otherwise or by liquidation of the Participant's other assets (to the extent such liquidation would not itself cause severe financial hardship), or by cessation of deferrals under the Plan. Upon a finding that an Unforeseeable Emergency has occurred with respect to a Participant, any election of the Participant to defer compensation that will be earned in whole or part by services in the year in which the emergency occurred or is found to continue will be immediately cancelled.
 - (B) Domestic Relations Order. Settlement may be accelerated for purposes of a settlement paid to an individual other than the Participant as may be necessary to comply with the terms of a domestic relations order (as defined in Code Section 414(p)(1)(B)).
 - (C) Conflicts of Interest. Such 409A Deferral may permit the acceleration of the settlement time or schedule as may be necessary to comply with an ethics agreement with the Federal government or if reasonably necessary to comply with a Federal, state, local or foreign ethics law or conflict of interest law in compliance with Treasury Regulation § 1.409A-3(j)(4)(iii).
 - (D) Other Accelerations. The Administrator may exercise the discretionary right to accelerate the vesting of any unvested compensation deemed to be such a 409A Deferral upon a 409A Change in Control or to terminate the Plan upon or within 12 months after a 409A Change in Control, or otherwise to the extent permitted under Treasury Regulation § 1.409A-3(j)(4)(ix), or accelerate settlement of such 409A Deferrals in any other circumstance permitted under Treasury Regulation § 1.409A-3(j)(4).
- (v) Timing of Distributions. The Administrator may permit distributions to occur at any date related a permitted distribution event specified in Section 13(a)(iii), and combinations thereof, and otherwise to the fullest extent permitted under Treasury Regulation § 1.409A-3. In the case of any distribution of such a 409A Deferral "at a specified time or pursuant to a fixed schedule" subject to Treasury Regulation § 1.409A-3(a)(4) and (j)(1), subject to any more restrictive timing rule contained in an applicable deferral election or other governing document, the distribution shall be made at a date (specified by the Company without control by the Participant) not later than the fifteenth day of the third month following the date at which the settlement is specified to occur.

(b) *Certain Definitions.* For purposes of this Section 13 and as used elsewhere in the Plan, the following terms shall be defined as set forth below:

- (i) "409A Change in Control" means the occurrence of Change in Control (as defined in Section 8(e)) in connection with which there occurs a change in the ownership of the Company, a change in effective control of the Company, or a change in the ownership of a substantial portion of the assets of the Company (as defined in Treasury Regulation § 1.409A-3(i)(5)).
- (ii) "409A Disability" means an event which results in the Participant being (i) unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or (ii), by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under an accident and health plan covering employees of the Company or its subsidiaries.
- (iii) "Unforeseeable Emergency" means a severe financial hardship to the Participant resulting from an illness or accident of the Participant, the Participant's spouse, or a dependent (as defined in Code Section 152, without regard to Code Sections 152(b)(1), (b)(2), and (d)(1)(B)) of the Participant, loss of the Participant's property due to casualty, or similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant, and otherwise meeting the definition set forth in Treasury Regulation § 1.409A-3(i)(3).

(c) *Determination of "Key Employee."* For purposes of a settlement under Section 13(a)(iii)(B), status of a Participant as a "key employee" shall be determined annually under the Company's administrative procedure for such determination for purposes of all plans subject to Code Section 409A.

(d) *Short-Term Deferrals.* In the case of any compensation that is not a Grandfathered Deferral but qualifies as a short-term deferral under Code Section 409A (see Treasury Regulation § 1.409A-1(b)(4)), was not settled in 2007 or earlier, and provides for a distribution upon the lapse of a substantial risk of forfeiture, if the timing of such distribution is not otherwise specified in the award agreement or other governing document, the distribution shall be made at a date not later than March 15 of the year following the year in which the substantial risk of forfeiture lapses. If any portion of such compensation is scheduled to vest at a single specified date (a vesting "tranche") and is partly deemed a 409A Deferral and partly deemed exempt from Code Section 409A (as a short-term deferral or otherwise), the time of settlement of the entire tranche will be governed by the distribution rules applicable to such 409A Deferral.

(e) *Predetermined Actual Investments.* Any change in deemed investment alternatives offered to Participants or change in the manner in which earnings are credited on 409A Deferrals and Grandfathered Deferrals not settled in 2007 or earlier shall be implemented so that the rate of return to a Participant, in respect of any prior 409A Deferral or any 409A Deferral for which the election to defer has then become irrevocable, will not exceed the rate of return from a predetermined actual investment, and otherwise shall comply with applicable requirements of Treasury Regulation § 1.409A-1(o) and 1.409A-6(a)(4).

(f) *Grandfathered Deferrals.* With respect to any Grandfathered Deferral, no amendment or change to the Plan or a document relating to such Grandfathered Deferral,

including an exercise of discretion relating thereto, shall be effective if such change would constitute a "material modification" within the meaning of applicable guidance under Section 409A, except in the case of compensation or a deferral that is specifically modified to become compliant as a 409A Deferral or compliant with an exception or exemption under Code Section 409A.

(g) *Rules Applicable to Certain Participants Transferred to Affiliates.* For purposes of determining a separation from service (where the use of the following modified definition is based upon legitimate business criteria), in applying Code Sections 1563(a)(1), (2) and (3) for purposes of determining a controlled group of corporations under Code Section 414(b), the language "at least 20 percent" shall be used instead of "at least 80 percent" at each place it appears in Sections 1563(a)(1), (2) and (3), and in applying Treasury Regulation § 1.414(c)-2 (or any successor provision) for purposes of determining trades or businesses (whether or not incorporated) that are under common control for purposes of Code Section 414(c), the language "at least 20 percent" shall be used instead of "at least 80 percent" at each place it appears in Treasury Regulation § 1.414(c)-2.

(h) *Scope and Application of this Provision.* For purposes of this Section 13, references to a term or event (including any authority or right of the Company or a Participant) being "permitted" under Code Section 409A mean that the term or event will not cause the Participant to be deemed to be in constructive receipt of compensation relating to such 409A Deferral prior to the distribution of cash, shares or other property or to be liable for payment of interest or a tax penalty under Section 409A.

14. General Provisions.

(a) *Limits on Transfer of Awards.* No right, title or interest of any kind in the Plan or to a Deferral Account, payment or right under the Plan shall be transferable or assignable by a Participant or his or her Beneficiary, shall be subject to alienation, anticipation, encumbrance, garnishment, attachment, levy, execution or other legal or equitable process, or shall be subject to the debts, contracts, liabilities or engagements, or torts of any Participant or his or her Beneficiary, except that rights to payment may be transferred in connection with the death of a Participant by will or the laws of descent and distribution or pursuant to a valid Beneficiary designation filed with the Administrator in accordance with such rules as the Administrator may prescribe. Any attempt to alienate, sell, transfer, assign, pledge, garnish, attach or take any other action subject to legal or equitable process or encumber or dispose of any interest in the Plan (except as permitted in connection with the Participant's death) shall be void.

(b) *Receipt and Release.* Payments (in any form) to any Participant or Beneficiary in accordance with the provisions of the Plan shall, to the extent thereof, be in full satisfaction of all claims for the compensation or awards deferred and relating to the Deferral Account to which the payments relate against the Company or any subsidiary or affiliate, and the Administrator may require such Participant or Beneficiary, as a condition to such payments, to execute a receipt and release to such effect. In the case of any payment under the Plan of less than all amounts then credited to an account in the form of Deferred Stock, the amounts paid shall be deemed to relate to the Deferred Stock credited to the account at the earliest time.

(c) *Unfunded Status of Awards; Creation of Trusts.* The Plan is intended to constitute an "unfunded" plan for deferred compensation and Participants shall rely solely on the unsecured promise of the Company for payment hereunder. With respect to any payment not yet made to a Participant under the Plan, nothing contained in the Plan shall give a Participant any rights that are greater than those of a general unsecured creditor of the Company; provided, however, that the Committee may authorize the creation of Trusts, including but not limited to the Trusts referred to in Section 6 hereof, or make other arrangements to meet the Company's obligations under the Plan, which Trusts or other arrangements shall be consistent with the

"unfunded" status of the Plan and shall comply with applicable requirements of Code Section 409A, including those referenced in Sections 6(e) and 13.

(d) *Compliance.* A Participant in the Plan shall have no right to receive payment (in any form) with respect to his or her Deferral Account until legal and contractual obligations of the Company relating to establishment of the Plan and the making of such payments shall have been complied with in full. In addition, the Company shall impose such restrictions on Stock delivered to a Participant hereunder and any other interest constituting a security as it may deem advisable in order to comply with the Securities Act of 1933, as amended, the requirements of any stock exchange or automated quotation system upon which the Stock is then listed or quoted, any state securities laws applicable to such a transfer, any provision of the Company's Certificate of Incorporation or By-Laws, or any other law, regulation, or binding contract to which the Company is a party.

(e) *Other Participant Rights.* No Participant shall have any of the rights or privileges of a stockholder of the Company under the Plan, including as a result of the crediting of Stock equivalents or other amounts to a Deferral Account, or the creation of any Trust and deposit of such Stock therein, except at such time as Stock may be actually delivered in settlement of a Deferral Account. No provision of the Plan or transaction hereunder shall confer upon any Participant any right to be employed by the Company or a subsidiary or affiliate or to continue to serve as a director, or to interfere in any way with the right of the Company or a subsidiary or affiliate to increase or decrease the amount of any compensation payable to such Participant. Subject to the limitations set forth in Section 14(a) hereof, the Plan shall inure to the benefit of, and be binding upon, the parties hereto and their successors and assigns.

(f) *Tax Withholding.* The Company and any subsidiary or affiliate shall have the right to deduct from amounts otherwise payable by the Company or any subsidiary or affiliate to the Participant, including compensation not subject to deferral as well as amounts payable hereunder in settlement of the Participant's Deferral Account, any sums that federal, state, local or foreign tax law requires to be withheld with respect to the deferral of compensation hereunder, transactions affecting the Participant's Deferral Account, and payments in settlement of the Participant's Deferral Account, including FICA, Medicare and other employment taxes. Shares may be withheld to satisfy such mandatory withholding obligations in any case where taxation would be imposed upon the delivery of shares, except that shares issued or delivered under any plan, program, employment agreement or other arrangement may be withheld only in accordance with the terms of such plan, program, employment agreement or other arrangement and any applicable rules, regulations, or resolutions thereunder. No amounts deferred by or payable to a non-employee director under the Plan will be subject to withholding.

(g) *Right of Setoff.* The Company or any subsidiary may, to the extent permitted by applicable law, deduct from and set off against any amounts the Company or a subsidiary may owe to the Participant from time to time, including amounts payable in connection with Participant's Deferral Account, owed as wages, fringe benefits, or other compensation owed to the Participant, such amounts as may be owed by the Participant to the Company, although the Participant shall remain liable for any part of the Participant's payment obligation not satisfied through such deduction and setoff. By electing to participate in the Plan and defer compensation hereunder, the Participant agrees to any deduction or setoff under this Section 14(g). The foregoing notwithstanding, no deduction or setoff may be made with respect to a Participant's Deferral Account except at the time a payment is otherwise to be made in settlement of such Deferral Account, and only to the extent of such payment.

(h) *Governing Law.* The validity, construction, and effect of the Plan, any rules and regulations relating to the Plan and any document hereunder 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.

(i) *Limitation.* A Participant and his or her Beneficiary shall assume all risk in connection with any decrease in value of the Deferral Account and neither the Company, the Committee nor the Administrator shall be liable or responsible therefor.

(j) *Construction.* The captions and numbers preceding the sections of the Plan are included solely as a matter of convenience of reference and are not to be taken as limiting or extending the meaning of any of the terms and provisions of the Plan. Whenever appropriate, words used in the singular shall include the plural or the plural may be read as the singular.

(k) *Severability.* In the event that any provision of the Plan shall be declared illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining provisions of the Plan but shall be fully severable, and the Plan shall be construed and enforced as if said illegal or invalid provision had never been inserted herein.

(l) *Status.* The establishment and maintenance of, or allocations and credits to, the Deferral Account of any Participant shall not vest in any Participant any right, title or interest in and to any Plan assets or benefits except at the time or times and upon the terms and conditions and to the extent expressly set forth in the Plan and in accordance with the terms of the Trust.

14. Effective Date The Plan shall be effective as of June 1, 2001. The latest amendment and restatement of the Plan shall become effective as of October 9, 2007.

Summary of director charitable contribution arrangement between the Registrant and Arthur C. Martinez.

Effective as of April 10, 2007, Arthur C. Martinez (the "Director"), a director of International Flavors & Fragrances Inc. (the "Company") since 2000, is entitled to direct the Company to contribute \$500,000 after the Director's death to eligible charitable or educational institutions, as defined under the International Flavors & Fragrances Inc. Director Charitable Contribution Program (the "Program"). The Company entered into this arrangement with the Director (the "Director Charitable Contribution Arrangement") following notification that the Director's 2003 enrollment in the Program had not occurred. Enrollment in the Program for any new or additional directors closed on May 14, 2003 and the Company is providing the Director the benefit of such Program on an equivalent basis. To the extent practicable, the Director Charitable Contribution Arrangement will be governed by the terms of the Program. The Company will self-fund the Director Charitable Contribution Arrangement.

International Flavors & Fragrances Inc.

September 27, 2007



VIA FACSIMILE

44 20 8636 3824

CITIBANK INTERNATIONAL plc
Attention: Loans Agency, (John Nelson)
5th Floor, Citigroup Centre,
London E14 5LB

Dear Madam/Sirs

Multicurrency Revolving Facility Agreement dated 23 November 2005 between International Flavors & Fragrances (Luxembourg) S.à.r.l, International Flavors & Fragrances Inc. as Guarantor and Parent and (the "Facility")

We refer to the above mentioned Facility. All terms herein, unless otherwise defined, shall have the same meaning as in the Facility.

In respect of the above Facility, we wish to request an extension of the Termination Date for an additional period of 365 days pursuant to Clause 11 of the Facility.

We request that Lenders provide their response as soon as possible but in any event, no later than 2 November 2007.

If you have any questions, please contact Henry J. Pierz Jr. (212) 708-7252 or Jan Ambergen at 31 35 6883 220.

Sincerely,

/s/ Douglas J. Wetmore

Douglas J. Wetmore
Authorised signatory
INTERNATIONAL FLAVORS & FRAGRANCES (LUXEMBOURG) S.À.R.L
(as the Company)

/s/ Douglas J. Wetmore

Douglas J. Wetmore
Authorised signatory
INTERNATIONAL FLAVORS & FRAGRANCES INC.
(as the Parent, as the Guarantor)

521 West 57th Street New York, NY 10019
T 212 765 5500 F 212 708 7132

www.iff.com

LIST OF SUBSIDIARIES OF INTERNATIONAL FLAVORS & FRAGRANCES INC.

Below is a list of the subsidiaries of the Company. Each subsidiary does business under the name identified below. All of the voting stock of each subsidiary is owned, either directly or indirectly, by the Company, except where noted and except, in certain instances for directors' qualifying shares.

<u>NAME OF SUBSIDIARY</u>	<u>INCORPORATED IN</u>
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) SAS	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 (Zhejiang) Co., Ltd.	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
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 Fragrancias de Chile Ltda.	Chile
IFF Aroma Esans Sanayi Ve Ticaret A.S. (2)	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
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	England
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 (España) 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 (Pension Trustees) Limited	England
Bush Boake Allen Limited	England
Bush Boake Allen Australia Pty Ltd.	Australia
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 Denmark ApS.	Denmark
Bush Boake Allen France	France
Bush Boake Allen Zimbabwe (Private) Limited	Zimbabwe

International Flavours & Fragrances (India) Limited (3)	India
Hindustan Flavours and Fragrances (International) Limited (4)	India
Bush Boake Allen (Jamaica) Limited (5)	Jamaica
Bush Boake Allen (Thailand) Limited	Thailand
Bush Boake Allen Benelux B.V.	The Netherlands
International Flavors & Fragrances I.F.F. (Norden) AB	Sweden
Bush Boake Allen Pakistan (Private) Limited (6)	Pakistan
Asian Investments, Inc.	Delaware
Fragrance Holdings Private Limited	India
Essence Scientific Research Private Limited	India
Jamaica Extracts Limited (7)	Jamaica
Bush Boake Allen Barbados Inc.	Barbados
Bush Boake Allen Enterprises Ltd.	England
Celessence International Limited (8)	England

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- 90% of the voting stock of International Flavors & Fragrances (Hangzhou) Co. Ltd., is owned, directly or indirectly, by the Company.
 - 97.05% of the voting stock of IFF Aroma Esans Sanayi Ve Ticaret A.S. is owned, directly or indirectly by the Company.
 - 93.36% of the voting stock of International Flavours & Fragrances (India) Limited is owned, directly or indirectly, by the Company.
 - 93.36% of the voting stock of Hindustan Flavours and Fragrances (International) Limited is owned, directly or indirectly, by the Company.
 - 70% of the voting stock of Bush Boake Allen (Jamaica) Limited is owned, directly or indirectly, by the Company.
 - 50% of the voting stock of Bush Boake Allen Pakistan (Private) Limited is owned, directly or indirectly, by the Company.
 - 58% of the voting stock of Jamaica Extracts Limited is owned, directly or indirectly, by the Company.
 - 70% of the voting stock of Celessence International Limited is owned, directly or indirectly, by the Company.
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CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-46932, No. 333-59689 and No. 333-47856) and Form S-8 (No. 333-126421, No. 333-120158, No. 333-102825, No. 333-61072, No. 333-51436, No. 333-50752 and No. 33-54423) of International Flavors & Fragrances Inc. of our report dated February 27, 2008 relating to the financial statements, the financial statement schedule and the effectiveness of internal control over financial reporting which appears in this Form 10-K.

/s/PricewaterhouseCoopers LLP
New York, New York
February 27, 2008

CERTIFICATION

I, Robert M. Amen, certify that:

1. I have reviewed this Annual Report on Form 10-K of International Flavors & Fragrances Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 27, 2008

By: /s/ Robert M. Amen
Name: Robert M. Amen
Title: Chairman of the Board and
Chief Executive Officer

CERTIFICATION

I, Douglas J. Wetmore, certify that:

1. I have reviewed this Annual Report on Form 10-K of International Flavors & Fragrances Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 27, 2008

By: /s/ Douglas J. Wetmore
Name: Douglas J. Wetmore
Title: Senior Vice President,
Chief Financial Officer and Treasurer

**CERTIFICATION OF CEO AND CFO PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K of International Flavors & Fragrances Inc. (the "Company") for the fiscal year ended December 31, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Robert M. Amen, as Chief Executive Officer of the Company, and Douglas J. Wetmore, as Chief Financial Officer, each hereby certifies, pursuant to 18 U.S.C. (section) 1350, as adopted pursuant to (section) 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 27, 2008

By: /s/ Robert M. Amen

Name: Robert M. Amen
Title: Chairman of the Board and
Chief Executive Officer

By: /s/ Douglas J. Wetmore

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

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6H,`4FAXY1/P'&P)%KQWY@IB,+B6 M#"Q\$SMD%<)+KCKP6TF:\VOR^/EM)_+R_KY?'X?ST M*,<E*"#-2)KH8#".D#&!LB;#P&D
MS/#R3-!!F"IC'&PQ8.0C2?/!)I]KY+_M* MN&-(+^,#*I@?31UCCKN2?FM##/C6P457S2;AW2\U03.2,LU'-N"%Z@R.Y#Y
M\$N:#]37"N'AW(4D[22;Y=9\ ODY2Q)\EN%.,I"]I^%I).XXXFTQ6D#7%23S M6.`F(N&)@D=DL5>?)_*);- MLC&?0]>?
=FDL!\$,Y_C_KCW1A'+7,7+10^7Y2^Z&30?59KF2`MR@5C(_@X\M+W84JJDE552JN*KBOEP<7-_/P0JED1-,G5F21`02R.3R?
&M>15*+`9DQ`2R M:7O)'-\$"X>:>1R#!)X`AX7)EKX8XW+@WPMOR_,*,55)>GC"Q?-4L7W5%J- M?FL+K,UUUF1'IE);
<0G3)DDRNX54Y' M7%9&+`/UT`YX+WT/R\?KH!SP7OH?EX_70#G@O?0_+Q^N@'!/!>^A^7C]=`. M>"]#O'ZZ<\%
[Z`Y>/UT!3%%#OCC:PF%[W%`M:UL;\WO?GP_!UKT!J`Q_ MX6&R;V_-^*+;^9B5`18UJV5V,2=SI2[.=8R=^UZ0/.&@'2E MV<-
`.E+LYUC)W[7I`X: `=*79SK&3OVO2!YPT`Z4NSG6,G?M>D#SAH!TI=G.L9. _:]('G#0#I2[.=8R=^UZ0/.&@'2EV<-`.E+LY
MUC)W[7I`X: `=*79SK&3OVO2!YPT`Z4NSG6,G?M>D#SAH!TI=G.L9. _:]('G M#0#I2[.=8R=^UZ0/.&@'2EV<-
`.E+LYUC)W[7I`X: `=*79SK& M3OVO2!YPT`Z4NSG6,G?M>D#SAH!TI=G.L9. _:]('G#0#I2[.=8R=^UZ0/.&@ M'2EV<-
`.E+LYUC)W[7I`X: `=*79SK&3OVO2!YPT`Z4NSG6,G? MM>D#SAH!TI=G.L9. _:]('G#0#I2[.=8R=^UZ0/.&@'2EV<-
`.E+LYUC)W[7I`X: `=*79SK&3OVO2!YPT`Z4NSG6,G?M>D#SAH!TI=G.L9. _:] M('G#0#I2[.=8R=^UZ0/.&@'2EV<-
`.E+LYUC)W[7I`X: `=*79 MSK&3OVO2!YPT`Z4NSG6,G?M>D#SAH!TI=G.L9. _:]('G#0#I2[.=8R=^UZ0/ M.&@'2EV<-
`.E+LYUC)W[7I`X: `=*79SK&3OVO2!YPT`Z4NSG6 M,G?M>D#SAH!TI=G.L9. _:]('G#0#I2[.=8R=^UZ0/.&@'2EV<-
M'.E+LYUC)W[7I`X: `=*79SK&3OVO2!YPT`Z4NSG6,G?M>D#SAH!TI=G.L9. M_ _:]('G#0#I2[.=8R=^UZ0/.&@'2EV<-
`.E+LYUC)W[7I`X: `= M*79SK&3OVO2!YPT`Z4NSG6,G?M>D#SAH!TI=G.L9. _:]('G#0') [1,B'"6 M&>Q4ZYX9'2>.6&U_UVO:]KT!
[[6W'%0UU@,^?QQ/ M`ST*Q8<.G3EK&39PV98R\$,9-&C(W=C&#)@;/,4<<7/,447/(03+*/] [@?_9 `end

begin 644 html_301453piechart01.jpg M_JC_X^02D9)1@!0\$!((\$@`#_@V(\$EM86=E(&=E;F5R871E9"IB>2!
M4\$P@1VAOUP26B_JH#;,! M(1'Q\$P#W^A.\$3A%XSG&,=Y|>[WI^;W<^C'ISYN\$51=B]X->M9%\$?%YY
M*U[[:3V&NT41" LX^Z61<I0% C\$2!R00", \$JW)HC9BD'D9DXFD7@*!3C('2 M5H0@,&'R7-N?
<(Z;8*;*DW4#EF!X=@826')\@R,% """:4#?W>G'(XV,A;=X#*= M"&S:>7-
#83L*GY/+8S#5CT,\$\$NWIW8M(1I58UM4NK<6" I'0VXI5;IW>G\$^LQAT!KR10BHX0Y8)SWS@
MRU|>3\$F^@Y\$9VR'FLOJG|K'TMX|)0Z4<'SO4*W\$|K69OD,YX?QR1OS!|Z] M3T;W(KC'0" S[Q3PY>>X'DV8SG7?"4W.BP>-
GRCVN^VY!3K.:0?GBAC\$UF M4#QN.=U"0;T6C3M06[-NQ,T'JLC=G:BOF""!|=!7": "CH,X\WBD".C(%!
MY(E38#^B#"R8NB_MYSG\$XS.3,X2J^U^A)O.26V8(\ "X93EUPVZ(*V4#U8&UG%J8'L]NU7RDGM
MXL:+:6=64BQG&>^,B8MA"+HCX\8SZ2M@2Q|OTPBSG.<|>&F,`J\$7EWT+7M: M!^T&-
Q/[G!5.KU.Y-7WZMV&X3[" Q3J|O|_2@CD/Z|2-/X\$+N\$2?JKA^C%V M5#LZR\$JPCFB>P==?
F5L%>B""!)DEVT*G7P9,KSYO.=9CTYQG;U0K1@\$(\ M+M81X?H|NR'M(\^RTM+]_J<L'XZ7K;U@.V,R^*80&_G)?(YCN|QX;6L/
ME:_8^;,(L_U*4H-U!J)*?V2;*PN7ZC6(5Z5FCA%P';NHYZ]+,^F';SV M)B:|UJ*2.B\1:9IALC?
(-:"\XP"UX6+. \@YCF^X\$D`@AS7:.CVN:2UP! M|RTD*Z6&Y/A,\W_V|)-IQ=4E,_VVANNXB%YW*UN_FDKNFB'U>K_A&\$?H|/
MHSC.,XSC/O9QG&,XS^S.,9|>?MV|9YQ5>7+ASX1.\$76/3LC86AT>W`0P(&AN
M7.BT99>33')&Y((U*E&^L+J20MV)3+4Y3BU+TBP"=:F3+"`G8) M5)R%`#"@62^6C./@%[T?0F@OQ\
(GEHSCX!>|)T)H+1_)Y;X^701]": M`_\$?PB>6C./@%[T?0F@OQ\'(GEHSCX!>|)T)H+1_)Y;X^701]": "_\$?P MB>6C./@%[T?
0F@OQ\'(GEHSCX!>|)T)H+1_)Y;X^701]": "_\$?PB>6C. M/@%[T?0F@OQ\'(GEHSCX!>|)T)H+1_)Y;X^701]": "_\$?PB>6C./@%[T?
M?0F@OQ\'(GEHSCX!>|)T)H+1_)Y;X^701]": "_\$?PB>6C./@%[T?0F@O M Q\'(GEHSCX!>|)T)H+1_)Y;X^701]": "_\$?
PB>6C./@%[T?0F@OQ\'(G MEHSCX!>|)T)H+1_)Y;X^701]": "_\$?PB>6C./@%[T?0F@OQ\'(O&=TIQ MC&<^05O1GMC.>V(30/?;&
<|L=|C|=Y|=L8|^GA%.%7|(UO;:~5W:D;?J\$M=LR"Q*P6*|M&\$#TF99FP^C:D|N)4K24;H2A,+TE5L=:1R
M'M,YR&^Z]_C^7BGP/[M\$X;4I\$ZONJM?8Q|E|VHX[P<6Z|J95GD|X715W M|-#-
#=:J<:IS02.J/BM92[1KV*L5VTW4'JE1X@9,90C9>SW:>^A.0.-7%P^0V M0" QTYV'-K,>QK&GOGDV&UYH&KJIH-
5R5X+BC271421D*1'E&B*)2E?/=U.ZN=1NLG)|N5]2 M>69;E69D|VPR7Y|4;7<6D4L-C(&Q8|#4&=K>VGC:M:SEO?())2Z1V)6;Y#E
M^0VWVWGN3O!;N5^VL9L\$1Q;,'#"\$1!"R!.CMF.-G<0)QCMZ.6X5%3A% M\$P##"JTM'@EF# \$^3;(DGA#GM@XGR99T?
XHS'_<#QQ!)O@YWAE' %Z0XYMR^ MRS)_E=ZK#>E;?^>('^\|ZNPX'X|D)^HQS"/USY+^#Q^XD?L)6Y#HQ^ M|'-|R|"\
(NCDD9CLP8'J*2UA9)3%I(WJ6F11F2M>_ QV0-2PL12IL?&)V3+ M&IW;U)8LEGHG %
(I3&'SG^BL^;..37N;L`Z#O#A|M<=@.:=AVCY&P=\$`CR'I
MD4TL#VRPR/BD8YK/C<6/Y|FN:YI!#FN'8:V0@1@MD._P'WO8&")/\$\@% MCN1N=,QQ\$<3'!FC.-
%MH^,)>M#U0'6@1MQLN/ &Q|-^9NFL|@*C|U|)*T, MQA\$D+5>H'1(4L1*DB|M6'-CY'T.RJ9" ^Q:6QAY2K&&6P^2MK5)XG(4"]AD3
M4WR.0E!5(Y&2L9+\$)DD4C&R1R1N#V2,<-M>Q|26N8X\$%KFD@|!(4N+
F MG"+K3_5K8"\$2_ ^G'3A%!6AX'9TATZ|@#G_`.%77;TAQG_|/0WW<(I'O*_ MJCUPBC9,[?D1;8GN5,L'9,ML2F,V=WJ62\$M<L(; '!1"
M%G4')3(E*E2,@@D9F'E3SP58GV+,T5>("R33R,BBC!(:"^21S6,!Y" QVB=IZ^V2-F::HI0XOCA7JB|)YDT2"O;KA[8LRMO5NLT.:7-
WL' C8&PJ|./54T;-6| %W.47FRCUPK*TY'2|W8R2.RA:E>+&C\$T M30!;'X(T)68U|L(2Z1JBRF!#6YX;I\$UA42%G4JF!*HUHK(-;,'6,G*
MV^((+|+W%|)2L;&J=>\$5J|AMB'T4=G7C9KIEAK:GZ^F% H3Y|(%SP8SPJ", M'^3R9V*:VE.KHCCE+U0486\$BZP
M5AUX!)&EXYG#@('H'>6*2+DJL"OD.&(2V8Q!&&4>M.(T)5(F)/B09?C,DL>&/)RX&'?+R;C
M);3ZW>J<.0>^AR>|/A%_*;9U8D1T\$N.GD&*BI@7,8)*9*XX7'Q@9332'@8 M7H;D%L\$!J.)2/TH(5JHVRJ7
M9K3N@3("0"*RAD;#E(%SN0B(+.6'-R+46E),>(LL019O I=#@D%*12. M.83GIW%62?
EY;,\$F16A<4V.B@HW*O19A#SU#;P*G+K&E"?L+LPW|7;9:M3H7088Q+I='5!P3 MOZ&#R++;@IB4I@!KP&LP3&T6M*?;:;E?)EH;+
(IPBW\$B% @M.YSG&8]W/FQ_G^S^S^A%ZX'4]W;=[RFDSTMIN1+6NFX4H.C.VU@QM>;L^1 MI^&7(QU#SM3UK-
Z/MD=PI"V&N9'D M'TI:W/9(=PPL<@/W2!LF6DC2KNJC(FUA\$ M-G|3)2\$0[GI&+I1:=
+&=K2)R| %K!B2IT=G1MN+>8RB*LID+1S; CXT/@YP MWQ'\<=R3C\$5'#|8^T3@|K)Z=6KR_'P!
[X^)\CL::QKPYSO|G<19<^CA'TLO=)+@|MB1 MQH92U*Y^N2F&W+^1|'FQ.WB&S*+V#%H|-X2_M,JB,K9T#_&I(Q+27|G>V5T
M3@5(')N6D"\$6H2JB|A&6/&<"Q^D6: L'LTH'S:YW!9GC&9RG'N0XR|ALYA;U
MG&9;%9*O)4OX|(4Y70VJ=NO*&R0SP2M;IZ,_Q5LC_.,_\$P";?|NY%_P!NC_\`9XU;DP^C'[L?|O/"')PB"#@
M6,XSCOC2FSC/;.,XSZ<9QGOC.,^C.,XSPBIW8+5+M6[&?'\;FCF)UD+]'1
M+=OZ\$C2021<,@/9DA\$ZJX9C^,9%LW\$5%;2@/R2B+RHV!K1E-JY^+73-CJ9| MCTXD2@D_TS1LG7B9H|JR|Z^JT>2|VD:"7\$2-
W+=GI|SAV,GCPV5F)QUB0-KSR M\$N%*:0ZV7'9;7D<09@?D82;+'";U|K<'FT3LF'16P|(&J60J;QYGED1E#\$ ML*
<&611J0(\$|HR;2N)\$I6W;K1/R0:M'3E*18E,++4HBBU)!!P8YQO;V MO'V6G8V7#R;RQS7#70X<%3&-7+?&\$C0R M/>
[P'!^EKQ|+J<=P47'L> M858":&,*YE3*:S0";JP3221Q2IE3/%9"^\7RU75LKV6Z7|KRN3/MFZZ/M4UO M<2&#U|
(3+69R\T_9.P&R#C)DD=O6S|,EM>U^|I*K=UVOP;#A-42JOXZ_*X=. M|CK?G":.M3HG:79:178MW6N|KFZ95E:C3JS(S*-
B|0T@E>O4NM|S1+D\$0D%R MS&D5E?/EAN"%M:QN":.N4S7J9"K3(F3*S#<<9@AI"<(*+!%5UOZ3D-
MJAV=N%3|/O6V\$LQ7UYK+;='+R8(&R)9,ES#E2S|G=4,7;U< M,BQC,WN(1;G4Q-D9%0/7CH7|PRN-MV"QI|KW#9O=-":S-%6OM %
(#6.;0G: M|4BV+&N&IM@/87"/IR/1-E|FC|#5X8JPM+1VEVRN MFY'VQ%F,@-F'5/-E+SIK^\$S>9N<>;W5>YQ|6C>GLQE2F+
(:W2)|;QBD(Q5RIBZ>+NXTI=-IOF=3(3;+EU\$45'VS9L^7)HFI35XB(L'G?Y.O;-B58_1:1R_5V M0.FKUK5!F0N-R|[WNN]BVYU\$6<,
<8H0M7\$EKY\$-4 MI+88S"DUH:B+O+LR35V5|>M%QZH=>-8;S:2|2G>O:*5'8<3>VW4>I:GM MO1-
BKB)0NY&=@KJ1HX<6NMN.;FS^BL%DL>.'|A5@3J'4X*\$A%D43Z#_0 MMTHE-; -
%V6EA)"Z;|>=MD|:YL+;#6%7H;A3J11O3)2|B?4#7"+P[CC2H+ MU-X\$MC#8Y/*R2(;%)4(F5&1=?-
^AMMY:EG|#J+0UJ;X(RT#U)*&I1_3J|3S M)'I'O/N)7>U#)K.:?T.-4(2Y)R M7!*WSN3)%RUTL!R:S?" "NC|00=JE%HO:<|O*-
P#%D3'>8'U^2A,XO<&-+C|! M_>?H/WE>%ZF<|Q?3'@O).<9<-DKX*@^6M4+^QV2RD|FUL5BXG#3O4OWY8("6 M_-'"Z6?
VB<1ZS40BS7#(ZU1IH-<%2)K)\R>58W!^?7-P6JG5^D\DS>>R% C)9*R=AKK %AP(BA:2?2JU8FQU*#=-@J00PM^5BR7S|)9
MQG(1!S@01|SD(@B#G'@B'+&<"(L8\$S0"#X('PH^AD>M190|S-A0.+WKE+9=(+DKEE1J'!RJ|)OQO?;!;1^((#S<^X#4
MJT.LV\$HM8R/<56KU\$Q=*+MAP64G=V10\BJOL\$&^U.X.F:(%E9!4=0MXS+W MHSU:AS%?|>;7V0W(&0T>%\HO3'K" T!L53BF?
MS.;'0&5N.9BR_MJ|/"'9 M*44CC;6/V^+,RRAD:))'9M?X_(&M'JL3ZS+DSFSO3,ZI2ES6|+DC,-1N#
M:XHCR5B%4I6;D;|;LT,AC|]6I=HWJ MC/\`6R/_C|/\;?|NY%_VZ^|GC5N3#Z;?NQ_MS?001
MY!!|CV402""00000=\$\$=001Y!!|BJZ:MN^;-B91JL<(A'3MWIIO?^LA<& M|3(X7,4SRF<|DZ%:2O'83IV,IYDS;?5;- "03':^;BD_-X|7
M@:#|@^@?|IM!|6CZAX:WN|6N:"XD%9+==
>2',X@X^R\NXL<7B_1=VQFN7N+WN*VF8^,9]_DM7)6!6G^K6P/X(E_P#3CIPB@S0|
MVD.G7R5==OL>AO"*V")PB<(G")PB<(G")PB<(G")PB9#C.<9SC&G,MFZ6J.6S;3R4(G'@8/*! M2D0)P,OU"0:V6)1"+'L-
*ST|3_+6#_J/\`_P%K^T'Y|(ZSPOIE4E(BA@ MEYGG&=H23S.L8K'02@'9\$,<>5NAI&BZ:N;+055#G36ME.\$3&1!\$8\$!"`
M@C',LA&'8_NGN""00000""\$.\$P01 MX<""#H@K':ZLM;IH^KE^2U2W4R0NBQXG\$:1)SE2C6M^=58UCQ9T(4H##AT
M@|N" @YUM>"MI'OS:NBA;9.1XC*N:LR#6M='P25^MM&[U3Z88Z&MU?QE0/S M&)|@;'!#U,QU.(-CB>?DC9S:A7C;#BKTA:.058XV?
D^|Q8VRW,WHWU7CY=%0 MX)S&XUG)H(H:'\$N2W)=#/11M\$53C&>L2N&^OSP,K|>R^SR|(Q-CPV0D==9CI
MK.X%N<4#N1.C6M2.3:Y)\$R|N<6|20M0+T" T@M4C6HEB4PU,K1JTQI2E*J3& MF)U2W3T9_BK9'_Q@G_-M?V0G_%
|JK_XK'^;O> _W=R+MT?|/|&K<^!C'-GEKV_4CO'R@B;?2F/EK>MPO|UEK=CQL>OX-ESAN28^61YCD>7D.C!(V=L?V-
S3'R-XLSTA(\$72|T; MT4CT|:0S?]>S,|\$)FL5@0'X'^,2V0'^P&O'T%E-&7)KP+GUN5"4J,JL9)
MP'&'&^!GU"/>\$KZC\KPG|^#X6QR+EG(|E/"86I-3KV,A9AJV+TL<<|^ MS41|>G4J6;#WV;,,;8X7DOWH&19LP4X)+-
F00P0M#)!Q#&EP:"0QKG';G- M'#6D|LJTZN=8C631?9CI7!-B;V0J&.>2G:C#|8|6-\\$C)8XW`RZ5ZID(?O%

M*=MB'O='ZC60.:@F]5KMV.NRL+FJ^54%? MBS6*:<:ZN0*QE=KKKK01N'3QP\>Z_L.5U-*T#-6U;I]*\$@L`+5#6%MD),
MK,:='ISWGV^7;6>QGJV5!,KQNG7J.5I92ZRZMOVOM?(XR40H:JRI/+K&L*O M9*[-;PN3I2T1+LB-HW1L?FA.<17VV.O*-ZT:7
MCL;,&M>XE0]0V-(AG)E; ,MK8E*XEP20:11KLAU>^GQJ^S7JGVR=-O\$LU10(E=J57!I*Q2:TVM2LE,K?5'4,TRI2I8VI MF)\`B[S=7J-
TOI#/-6JRL-.K=)IM=:#O`H6C*DD*B;3&H]#V(Z2V#9\$R?YL M^LC>@C\$4:@)B"4:*Y^DC^Z-4?
9\$!RQ9@8"+^AMEZJ'3JD:BOT!N9KV_G3D
MJF)U^H;K%9U:&3O*='Z9XT\$"!Q(\$8W` ;UDHD#)%&M]6*TK\$2MS1Q=IGM,'FLX_%MPJ"?W6XWTZ-UDG:
M;!:5Q4Q>`2BBMZ=RQHPD6:L^_V ME+];,EHMIVDHU9;<,)LHV5P,%BQ1^C@J;4'\$6NE>R5"HDAL<;Y"G/6S1K6*
M"7*.M)1CVYI"&<E^"*RNJATZCJX(MPKI)\$FURE<:CYZI^D47;ETB9&U>S)# MUQ9%9O&>^,9QZ,XQGY^\$7GASX1.\$7\$7H^?
\`E%PBT[Z4^TVU*^3+0WV613A% MH4B/P_>XV9?&<9QG M&<9SC.,XR`.,Y"+`@B\$(C?
@L_KZC(T1^H@@@^0^000"L)J>U#M,W4#;F#`J M`N`A"%GPQ^2B_.JSPA\$X,&&,&L[ZXJ:U(6;L5V#?*JL> MF[SL,?
Y4S@Z0=5F_KU.&KMAO.:T;.`LU9>-RKPL_-8C)2N_3Y77C9VTK M+R71%F
M%F`\$\$99A8A%F`\$\$98A`\$\$6<>LB&CZPJ6(Y&N8^I;V/8]KFN:JO+0US7- M<YKFN:YK@'<"UP#@0,D^(M->5N8#Z,?NQ_M MS?
8IJ\((G")PB<(OQ4)\$B^DQ`X)R53>M`)X\$)5`F\$*F]8*5/IV`\$25^M>-[-;_)RX M']:ME:?
ZM;`_@B7`_-.G"J"@S0[VD.G7R5==OL>AO*).IET^8EU+;:<:XS M.Q955S478(L%28^+E/\$+T^0PTF5I'(XX6+./N8R86J0GK&>-U_9
M8&MGBE9#S!8:&2!CNQ^@YKQVNT[7S-'T.QL`P53_2 M+HOF]/K6S;:E=<[N;9] %V=(;[,]ZR&NX4XO].O+/%520R**1-G<6-H>'9`
MA=%BYM,='!6A>"T"["#(Q%*2=@,9B9;L]1OW1UJXXS^KD;3I9G3GO#F;QC(VM4G&8RKB:WW2F)!#ZKYM2O] M1W?
(&AWS=K?&F-T?B?G:WI@XV3:U2%)=3E%CV"GJ_KNNEK_&7.:*F3M,UACK;L^O21(YM#YA=BZ\ MZQK6\$47+
<*)%G] %72JQTA\$F68L1T1I2*QLPT]-F_3SDVAL@MR6/)KT]=4 M'F)`@+?
9LYG/-FU2OM1X;+%J2WDRHP^R4JT^E#ZKX/!';%LBL:MEM-;C:E=19VKTJ6 M*I='IU)DF7FEA"\$]Q?WRT1PAPCJ7+:UD)F%-
(DRCQBDID; MR*1K+Z,DQL`L]L=?D^Y+I'-K^>=BY_7=?%:JU]2RK+7V1O:)]&2212RV76
M1&3`T8=\$K*C:LR`P9DS4ZQ?7]6RV)+9T-DBZUH(NR7='F;M;Z WV_6VW)<,V M7:ME=MMAD-
D/&O\$>G-:A!NM6T`KZ[(2HIEXL=*:>409`VF15]P6&2YQM7@Q MB?\$DKC"]_:WPBZFONA76E61-
R@,O29%1XU^Z5;HSF/T.:N0H\$/2_>F]J8D M+@EOK<2ZJ[B6IW([X5IVQI:X&>
[GEQZ/N38G(;\$49H^@Y:U+9H_5BK5RU+#+=G_*499?)W!JN"2)I!+&PXY1!%#9#FJL*XPRDM MB^,02*!7!(\`6T#;
[2%LVRF^O4T7V(Y0@V@5>R*I&@0QQ^%R46P^KEIZS* M^*5)
[RUC:\Q5%9Y^N1B**6Y=5;04S`!0\$K1.*8BUXW3T/W:UZWU4IU+M]*6" MJ]9]8]4]?PPI36BQR9)!-4K(A-C,=RL3(S6Y\$(Q'I?
89D)11:FT;5HG2N--5M^]3B\$4V=I)2\$M=;+ZZ<71F4R32VQF?;XBR)EMN(Q&,++5(8TD<MGL,GA5D/+4W(6@%\$DT;2DNZ![(OTG?
0XK.RBI"TRV]9<*.'3'8OJ=WO+&\$3!#V MAD>G%`U+ZBL&HI3#4,@R^+^YU6-,'XQ^3J6QSDYS`@;WA@0-QQ8"+`9
MZ)=MWC&=:S76EO2`2W#4Z&?U]9@?U?CD`K1/1UF4+\$ZE\='*TK`VH1,I3+W M5HAK1+3YC+GDT0!(N,4_-6&H5YM<<(IE(Z/*-
AW(I#;&O-@G6KH[3K30S(ML@M=5Z9")?8L;H&J%54,==V!.X?8C!'Y]6\$F:AH% C XV6?1]A6%`26TF+UE9D
M'B`D],B(MU8<""&.^<]L8QWSZ<_OX1>>\$3A\$X1<1>CY_P"47"+3OI3]3;4K MY,M#?99%.\$7KE:N9^+6N@!YSW\$?3-;S,^?
OX]=%&Q4J3^DD_ZW?37U^`K^"^^>KJY-)/U5ZE32@B23GO+7/#O<^O7FZ^ MGT:W/*^<%;Q.\$3A\$X1?
R+1HPHUICAE(%N*1J1.8W#U-AM+;1DC+6Y29&YK`WA60\JRF:AR6/Y+A9;'W6:7(Y)V-FHYZ?%5;F\$NWI*M^>U3RUJPW);6^D3
M^H&5X%ELCU&X];PO)(Z%.M!;OFM7RG+<8+=;8YO*85KORCC,05;###D+%VO5 M9G&21Y1E>*XW)26?4\$==.DT>
(+L:W=NZ=JWCW!(2F?J]A;E;SE(E'^@^&?^ MBX/BU,./<>C4&:'>TATZ^2KKM]CT-X16PX1.\$3A\$X
M1.\$3A\$X1.\$3A\$X1.\$3A\$X1.V/3V_O`)PB<(G")PB<(G")PB<(N(O1_\
M*+A%IWTI]IMJ5\F6AOLLB"+UYJ+8EL/JV,5^Z%B)=ZN4ZHG@>,A\$05%/ M956;D4(NP@?
VB*B,`7G"487W]S.:7*2R`_P!LG^[\G]5H*^A(3\$28/KAU M4Q@` (YKE[L>@6AU?+/9EZ[P#_5=#>80?K]/&E+?);LXG"+JGM]98TT.,@D3
MPU1]@:"IJG9?G)\$S,K6F!C(A*)VA)#C<^&J4%!%Z`9%GMC."0!LD M\$AH)([G'36]) [G'PUONX^&@D@+M4J-
W)6Z^/QM.WD+R]015*%`M-1[NT/*U4WKU9JEB/JQCH5A4W;(B_#)!*U1JV*5(@/QG
M(/&DO1Z7V33?I0O/@N*M"1H5X#X)4M+`+P^9X?#U]G3?2?Q`CEZ_&Y-^"V M_3E`-.H<%\$\$QVZCP'B?<`<,\$>19ULL>S6L?=
<=AYCH?EA@/C M>Y[?BX1CG:>>5\$R'+NQR@ MS%06`N=X_D]QZ6NX^3F+5BWBP+`B!AZ!0:!).SC`BW&9NSG<9QX0%]6,^
M#C>CV7V7_PX]\$740#3EY%D`#*T/5PJLS8;+)FF6)Y?': M8?JFKV&NBM,)V3") [XV23W\$.D!?!5?U8V"BFUFNE+{&PGP`X]-
&Q.;HDP7)8NI%CA^ZNB

V,^++XG)8++9/"YFD)0 MR^(R%[%9:C*PQR4LIC;KV(0':)#`[0V%X7*4GXZ_:I/(=Z\$ MKFL>`)(C\T,K0"?DEB.,+)_
M;W-,"7C_/8NTATZ^2KKM]CT-X18WO3N!C2^J8M8A%.:L.TMB
M\$U)'XBV2QAA.37B9IWIY84X+)'(TRML1(4"/2K3#@C(-,,\$025X.1B%CB]P8 MTN)`UO6M^2!OR1;V?U>VSX7E.
<\SPO3SB6/U8K>0&J_?;QB MFMUZ48K5?4A]:0SVH@6F5@#"YY=II5<];^I3-]CZWVK?(SJ3-A6WK>QQ)R8:
M39;9K*1.MOND_BKS(>Q1^;#%'XE&5"]6S'-CDJD1WB6DD>7/P5F"PHC8,>)
M'7-!UO7G7GP#L:)>=>'8/C6B:/TQZG/7ZN<9?RSB(R@Q,>5O89PS%`8ZX+ MN/96DL?
S<3V082RU"8I1*0_;AVM+2%2.8=>Z5PV(RHL_3ANDMLU1(MU55QQN M&[-,3S4B*I-`JUJZS-BK!I^ZSZA0?
G:D+.7:S;7C+`E<#@H3;8B=@PY^E3&5 M&.,B[FKAJP,*ZPQUM.QJS+UV7QH*2UZNA5.R>7S-
VC;+,H'*2:/]AVC8:Y M]KYH9ZZ:(#KW`39Q\$G8GNPFY_K"7U8B<7^,R.=(D19%LTVGOQ-K/JUL+LUB
M.#G:2AJ*M&[L1-\$[ELYDO35M!WF;!8\$CYA "[%-IK^4TX0)W+#+:Y%I1J@*0I%
M98,%&\$6MG6#JY_G` (S34J[(L[R[G7-TL M`&M;HJFC-FQM!`DR#%FBS M(G**O6QXFS&6?PAZCKTQM?
JHGB8E/2`38D95BI2B`H(JFE=8?18V*-\E]FU MKA='RY[3J6M.;Q])J+KQ9M;U8@N^40Y72Z.JU-E-[HGJ-
U;K`0C<(XE0N<= M4C/1K!J\$+DF1\$4=7OUJ=4*Y9JL.I]8];\$2*UW+2U:U(8;%[;X9:'W=M".0
M>JY?/K4*K9@U4M+(HVZE'6=2]/F M]U-+'UC2+^!KU,?-KEL0W./1T
MQUC8'4Q24W!4\$"QE2(BN%\$^I]J>_696E)/LJDL(N&QHY5:XZ&R.!38YH@D_N M2J%-U0*BY_:+
(P.E31N]9)73:JR6/5>JFF)/6IH-61]\$X%.#,%P(NNK7JPZ M/6I(6J,(%F2YFF#
[;U54DRPZP:00"LIO<6G#FA01=07&EB-Y(7\$]C4D4% CZY>CP;A'!/7ZP`U>EH%SO9TV',J>UP
MU:U)6O:E3J&NC;@<@&!CMY'7(43NG?FNR5+4E7FI2+KT MO67Z=RU%"G->CBJ:9M13[LN4])J?
NQ0P0ZC(K(K!AIF-SR ML)A7[PEL1;'9-/\$C7\$2V)\DK0K"S> M\$5C^\$3A\$X1.\$7\$7H^?
\`E%PBT[Z4^TVU*^3+0WV613A%J1VBKT^F=W-L:Y) M/3M\$LG3-LS!]/5(<@SMBFPK48MEYJ7]+.#D[=>T-
MPDT1??!"KFA*,P6,XH&>
MA.;J0.^CA_\$>#_#7]ZU#?'=PUV\$ZKXSEL,);2YQQRM)+*`3&0D!D,+`RO)`8PDZ6&N%P6:Y)DH,/Q_\$Y'-
Y6S_08[%4Y[UQ[?&Y/1KL M>Z.%H\OL3>G7C:"Z25@!*U%WMUK6+6R%&SA?C!A(+*L5*Z1J"D#\"(<
M*F`&@SAF^N`/Z91KJ.#M9V!/,+7D9["V3_`_]9;?9UG-'6N;7?Y&G>V[EMN_`<MMZN:P'Z>FIE`E+6RKAD-
T*C YF?L]/AO^DT/!<;#9F& M2"3\$XZ+(QM=ZJ_O/2>2N7AN5;/K[J,;>X0S(18#D0T6BQ("C_0(BUE^
MMLF&6`OL`%FGF>%X)8O!^6[[53H@>E_Q'6><8RH8>],9L>[F\$+V10;7AY=0= M7QG,Z?

J/&I+%J5V)Y\$K'\$=V:M.`^5Y'0Y'7^4J.3:!WPZQEL_*"2QIDH2. M\=Q+ZX?
6;YT&TO;YMKVR^:R%XY.\$3A\$X107LQ:2REZ\$M>RFA.)=XU#',,\$: M0%9./?[-
D(B8G5<:2\$X\YRV2V2_15A2\$X\YA[B#`H[\YLULD[TUKCX=VD.UV ML(^ITM)\Z:]@ "15<)CGY;+8_'1@DV[44]
[3HL8YX\$DGN#J)G=*[7GM8X^P M)%R-;JB24%0%+TDB4%K2:GJZ"U8XE@R#UU6Q2-MS0Z/)N!8"
(1[RZ)EKJH, M% C`C3UAI@L=Q9YP6936M8UK&#M8QH8QHJ]FL:`UK?'X-`[EE]I_JUL#^")?_
M`\$XZ<*&@S0[VD.G7R5==OL>AO"+^W;74NNMQJX9:VLA[G:01R?Q>RV"05I)
MR(G+&B51\$MU(:U21U4M#VF]3B3/+BF6)3VXX"@E1G&!%#`^:(.`M<-@^X_
M'Z_3_15#Y+QK!.&W#/#:9^(^M+!88&V((9 M0Z*:~P=&WYM;IK77W2XJRJJ7V?J"O;PV@C;GM9&6J)S>Y@V8P.-
S1)K9HXY1 M-N,K*3JX*%HB+FB8GIX3HG7V.N"`)K<#`-\$I3N"9\$>F@UC6#31H;WKS[GW]_
M];^ZI_ " ^ " 1Z=X9W'N%8.KQ["NO6L5K=INF?46U3, MY,,JEJJG40^1EO#KVZ*Y&R*!\$?
(936U1S>F6)+.Q#8#P.K.HBT]=E+B2T%L:UW2MIJ
M5P2("#V]21:_7#H*:A.53P*HU4VO)4RUEJA76IL+*?!S=2,'C"Z;V=J*E
MTSDQ/L*JBGX%&&.:!K1\$0_MC3'V]M4D3SQ[VXNCLD5JVTXBP=EZ\$>N<6;JYC M\$2O/9N,0*'Q?
2=GFD&;9!4AS1=,CZ?LA;GK7&>V.L=*A7O.:1-2!'7')@WUT MYP6*S)K2LJMQ8"7R/-+H2161VHZ:\$8VC5E&8
M9IK2['-FXTK8UZ9'@D!'RSPC.,(H,A70OU`K
M6Z(+;==O5H1%%!8/4D11P5,=63RG4N5\$T0/7.J9DDM&3UF]WU#I!&:Z"UJ3B M*]M.)L3S.HM\$YVO:Q/K2>-
P(H_K/H\$:]5*UD*H;L!L>WV8T3?4^Q(C;I:779 M-(K,=.T%N1RMI&%H04,CA4RD,LAEV3J/W")+CB9C M.V-Z@-
BVC+)3" ^MF)H=7<+>RL+WD0AGO@"*XE`=-^K8'TV(WTZ[F%FWHD_4 ML^0" _P"2'+G=&YVO.
[.\$Y2.Z;R^GJ!2=(R^QI#(9@VORMQ.DK8M.;%HUVC MBB";PBAE\Z/<9G%?
RZ(6QNCNM<\AD;W0:E!.K3F5/2#UFB.MI72ROZW7U2B
MIAIH:PX>]NCDK46L&U*NFKU:Z@251,79;ZVMQ*8BZ>N.A7IU7U86'3YS]<R M@UF:ES'3>1MLEDT-
1`K&9;#7%LNI>FD^'0&+\$M@[BY.N(W'XBW(MT\9HRM:I@+:VMC#&6TDH*6+9<5K@=!K M'CZDLV0?
7LMJFO+:#K1TDXSU>XU1Q?)*UV=O\JS/T1C;::%V55:>O;QXN> MA8DBJY"O+VVFV-
CL/, \$H3P2M9*WYS]@SZP+;DGLPM:<26QI.7D>\$CI*G'"T MII'./"3QIF3%I8[%D.\
M&JS\I9" &6.>\H+.0\ULDAP>Z,6X6QX>.1KRR2IQZGAZ+V!H?6<1W&T_`N/< M?XCC3A^*83&\K5Q5?
T76W-JI,E=D+=D,K-[[FR5NU)Y(:6CPL4_WSZ< MY^\<_MSGW<_MSS*X`#V573A\$X1.\$3A%(-
QN!!R#OS7I)IET0/6'X9.19 M;%T#;Y9THG/47!^A%WW);C*TT",,7" _N#FQW>,37K9B:UYFN8N@`PN:TCM5
MX6W8[6,=K60@.4.SKMNQGU:3@?H7SM%9SOI%8D'U7U*\$QY"D@H]*D)6)CBRS
MDRQ,8`U,L2G`":F5IC2Q"+-3*B!EGIS"Q" `828`8'9"+&<_*&0`3HAP]VN&] M.:?+7-
V>UPTYI(&P05;9S2TEK@0YI(((((\$\$\$`C]A`/X@+)^04\$X1,^;A M%5IQ;A[#]=U?
3:'&5==ZPJ8UL]>BDLSNB5629AR3ZK5>>,E2#)RY*)Y%L(^ M(_%Y-":_J94M+]2S!!DV8[Y&!OU?I[MCR&C?
ICRP\$;+!M<6N:YAT"%>OI- MQ]SIK(/;\$>F1=-4H=P_2FD;_#B9HV)];%[*]LSLB3N+4[L[JE-
0.;6YH%19J9LATO)1TR-G5T<8&UW^4G(W#3,`F=7`4`3M1BLWU1,:|9),G\$H<4,M M(:?
I>^S\$^,ZKU=X53Z%=0Q\$WJKP#\$MAX[\$3A\$X1.\$3A%P,+++,*+":2`91Q0=P&DF`\$6: M4/'N@-
+\$(L6/" +..=>W5KW:MBG;@BLU;4\$M>Q7GC9+#!.QT'9UHR_%I?4:3&YT&,LM
MQ4PC(#+>+M1D!S`4+D]8,OMOQM[8,K\$+@`#@UE@DQW8MGY6ZM,E?&P:[87Q
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5NSOHX`L=:)(j1WOV#7D M@#1>01VMT.YKWQAWH>-<=N]
MS(PYKI&\$V@U/U[\G6K/8^2'\$ZM2;R)VM"JK-\$B];3+*N27!2#E4E3-OAFB9
MHPW)D+3#*ZC&3U`8;645AL1*4J0,HE!W`DDDGW)VLL?0K8NE6Q]-GIUJD38
MHFGRX@;+GO=_6DD>722._K/V@8XWB:W7K'ND!!:&"#LB8T3U&T*A0_Q]I7.I3,K M5E)6%>L`E,-1*?7K(?\$?
TH'4C)\6IVM#E6>XV[\$4/D9<%FY M6JS"2?[^8Y(O3[M^MW6"QS?&O3@.):-.3COWU`91TU->+N9]BZT8-
O+`NO=:G8O4M?;[.MAS/; M78.K]CK2JZ@J3JJ&R)];VR`4Y3A@=\$[TZ/&22 M]BIKL'=?
W6>Y)G&]M93\$817EA656\H@;_7\$3BUHJ812\$2M<;?8Q-41"\$1^2 M6A+SKD(F&O6LL,1V[&%MA+-
AK:F,I@3>*NH44>F(ME6[&UZR(]+W9'+=628- M#BJ:=-K`V)HN=#9RG=F6AS5ZJ=U_)1,4@1`*6H5!!KI7)"\$8
M3B.\$5+8UUBI4V6_":JF>N*MQK/O8O6K3ZP-@\$%GM2=RQ=&Q.H,7V@C;]'Z11 M050N<(B0!W41N58Q-&YOE4?
CZ=*- M):N07E6P\$4_5GUGW"2[.237JPM4)E#VVN)8U36[8L(E&T+M2L3B;\U28XBI^V]8+::RK`S*
M5L';J`I^P]4>EUL)2`C\FKRYFX1W=[J.QN@VZ9R^2.<%94\$8BB*R#;UVFER2;B2I-
JK81U9:VU!N=;D#G1IT1@U@"WMULH6Y8X_72WSD+G36R&I%A[6P!;`I.DA<29F>
MRE\=@K^U2U\$)U\;B3]\$LQYKD\$B:IVAG\3(KT=-3J4G;^!MILD],CUXGE6DU
MX[JZKD\ODZZS4T8L="^J6=RF,*F]2U&],`B5+`J;BY#%M@U)*U.#S:[M27) M4" `TDBVH
(G")PB<(G")PB<(G")PB<(N(O1_P#*+A%IWTI]IMJ5F6AOLLB MG"+<5PBK+MWJ-1N[)#S37?
8*)ERF`S%,686>F,+02:'R5!@TR.SR"^\DA0? M&9M%5IF5K\$]IRC0`R-4V.B1S87-
V:5U9X[R+<1SV`Y3Q;7^^`)/.9&MEL M'F7.ZKD<7DJC^A^O;JS-WVO8=L?&]KX+\$+Y:UF*:O-+\$^7-
#%8BD@GC9+*#Q MTQPT6N`X`?!T000"OF,]3?I4;&],.SALEC(%D[HF3O1R"H=CV1G
M\$DAQ"9XP]#%IHE3F*2*XM@E&`7JV(N:D+5)1)U;M7SH^MQ2]&S_`X?`_\`
M:+=17,:UC(V,2Z2W2: ^QC"2XD;=-3WL]DX`VZ(?U)P-:2AK@" _M6/[^/=QGMG&?-G&<>G&<>G&<>
[C/GQS9^#OR%XM.\$3A\$X1.\$6^?G8VN^G_? M(FF7]SRCK[<"`K0XL]2!)<<,"ZRJGW,>,BR6!2]ICIO78!^+P-
4ME#"G\$ M9CQ)(>://MD.B/Y0X_T^Z^XBH'661W:>15HP`&C4+U?[_`(>U"!W3XY_Y0K?+MQ@?Z<-^
I+AKY6UK!^C M8Z\K@TG: ^@>\$6,AP+W,X[\`ON_`-Y\2`H!NC8&/U0KCL)9F)\M6]#)5 M9J:@8")\$HL.?
C2G%)5CX>->:2RP" L8^I4\$9F]QSU6S5Y#4Y@2U;HXR!6S1IW MF!@`#Y-AA\AHT`O'_+OV:3L>H06C3NUKW-
+#Z/CO&,GR2XRO2A<(6EILVW]; M7K1DGYI)"#Y=HB-C6ODD(=Z<;^QP\$N:N:L2*!R9YV\$V#?&.&.;0SABS&U:^.8
MDU;L3HT0]RN&5*)Q:2^H3RLDM2RP)>J42*6J M\$H2S7QU.,+1&#%SFHJ39SIWK-93%)XU-Z:A5#(U M\PK&+</p></div>

AZ-:F5Q]O@LL'2 MN(!AO]BY<>*+9@-&"L)0MQ8\$V`8+# MVR189C4O6@*IT#1=7X<2+2@5VD+
<1%KPI)MRKH0W5M75CE&Y*R(N8PJ!-#7 M\$8T^@SA:T,"!*W)!@)'A%KIU?Z'VJ.NU@V;8\$A-/O4^Q(NQ0H4?
L&K-?8C M&R&..7PFV4:WJ3-%+U/6J*R);3V^U1J2DV1."")J0^Q&.\$-1+<-.N4.!%L0(
MU"UA2W\OVF3T15Q.PSFV'M*^W@!1JQ-U2=6R\$Q=8I.=O\$Y\X6Q1,FB2V08) MP_K8DF3194Z',!!3<\$BC.`]-
[0ZK\$A2UWJ30<-3RM=%7"0DQZN&%N+=CH)9 MR"YX,4J"2GQW0PBTFILG\$;,"_%MD3?V]\$JCZ-
N`F))1=^7H/IB5)KVF(-9: M7Q)=FX_)XI?3OF"LXE-HQN<*BW"=,DJ"(K)"MMGCH0G>9VE3DI"YJ^I4CY*
M.SNE3K2R+^R>:+Z?V>J+@='(\$?9VT+@KP<16/X M1.\$3A\$X1.\$3A\$X1.\$3A\$X1<1>CY_Y1<(M.^E/M-
M2ODRT-JED4X1;BN\$3A%@ MME5C7MQP:3UE:L)B]BUY-&D]CEL(FC&WR.+R-H4>#DUO>&5U(4H%R;PP@.+`
M>2(1"@LI2F&0I*+.\$%S7,>QSF21O9+(QSF212QN#XI8I&%KXY8GM:^.1CF MOC>UKV.:YH(>^P0""""""-
@@^""#X(\\$'P0O39D.;%8VX!2"VOR.,9)[M8V0MY##"UD;?\$9G@V.R!=/1<.=9=LEK6=U.1WXF%NC"3^,)[-
DDQ\$[*]3+9+ M3W:S3MX/9=H]>K5I(1*L2\$F0S"+J3*^=U`!9"+V.6LP#>JQDA67<5ZB/CX7FXGL('I1R9:9 MF\$R-
Z.P0+<9#BN"Y3LPVZEJ-LM:U6E9/7G MB=Y;#/\$7Q2L<#L/8]S3[&E>><<@7`\$#ZDZ`)\"_N"+.:?9 M+?
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M9@8^R"6M*^TQ6(W32]D0;+"^1A/?O3CK?LOIZ5CY?NS+AJTVJ&[0IL?XM&W& M?
2JW1Q6UKX1R!Q9\$:J4L]6TG'7-ZK6)\$'P;BA8IO=LTD2]&G)2JG.@%HC/#WQ1.:SLC>[N+&R-
+FL+06QO!`KN)Z1P1V7S9F[MZM=LLGHU*ATZ2,//IF>=T;6Q=T>N^*" -Y!
[+\$9:"K]:]ZJU)K6!68:4E>VIR:%)A&0X.+3N M:%0@.&5D>!`P:`I0,1>1!\$`!\(.0](<(M=-:9[5577\$K"&]0.9I8C7\$,
MBT!BR9PUJUY-PUB01MB)6N!K.Q:L*:FQ(6J5B++RI/"8=XLOP_`"19C MY-^YWQA4G^J]KK]T\GDW[G?&%?2?
ZKNNOW3PB>3?N=85)_JNZZ_="/)Y-^Y MWQA4G^J]KK]T\GDW[G?&%?2?ZKNNOW3PB>3?N=85)_JNZZ_="/)Y-
^YWQA4 MG^J]KK]T\GDW[G?&%?2?ZKNNOW3PB>3?N=85)_JNZZ_="/)Y-^YWQA4G^J] MKK]T\GDW[G?&%?2?
ZKNNOW3PB>3?N=85)_JNZZ_="/)Y-^YWQA4G^J]KK]T M\GDW[G?&%?2?ZKNNOW3PB>3?N=85)_JNZZ_="/)Y-
^YWQA4G^J]KK]T\GD MW[G?&%?2?ZKNNOW3PB>3?N=85)_JNZZ_="/)Y-^YWQA4G^J]KK]T\GDW[G? M&%?2?
ZKNNOW3PB>3?N=85)_JNZZ_="/)Y-^YWQA4G^J]KK]T\F=;]SNV>W4 M*D^,]LXQGR7==?-G.,XQGMZT]L]N?
MGS9]WA%+M.:M1&GZBJNIS+]7]5M M<0>ND;ZZ8;4KD])81&&N,IW9Q3-
J8AN3KG(IL`L5D("41*@XPM*460\$L`2*MT")PB<(G"+IG)N;W8@YJ=\$*-
R:W!*H3KVUP3\$K\$"T@T&,&DJT:@!B=249C.
M<&%G%C`/&>P@YYQT^"US0YI'X\$\$\$]X1>GY^4%ZBZH5]&4H,,\$9^GD61>?
ME5XYU'ZA`*S,\$7#>>7*'EW23\$IE=7),B\$M,+RD3KE1*7)85(PX!E.6:\$K(!Q@ M.`Y!X.`XQC&.WFGMA?B&Z_NX^]
[NN76%S_NT)]CU,YH7;+(]GN.;WL_4[K
M\$N(Q0E`&,QX'>1K[E6UK;O']\$O9TZ%5"T98A=5NM_6C/Y1M3.]7NJ&:JGY#6RW^`
ME>2KECGN#F&&YEIHRUP%I;HCP1I5RAC<=\$SNBH4HSX.XZL##O\`;8P5])6
M!U=651,*2*U174\$K"+E&EX*C=>1&/PIA*P\$K.`X+9XVWMK>#<>8.`I8QCS M8[8Y:]C&`F0-:)=.DD[1WR.
(V7/=KN>XGR2XDD_5=__`.>WZE(H0A#CMC&,
M8QWQC&,8QC&,9SVQCM[F/>Y,11.\$3A\$X1.\$3A\$X1.\$3A\$X1.\$3A\$X1.\$3A\$X1?__9`end

PFB2BBB\QJCRU:_.%3&,LYEM?NECTQ MXNNCW43.09)\$((J/U:;RGN,=[S77AW&9QM%@D;#AK]RTA<[VRRR"K^:R MYV]638PV=;E//3F<2%671<'I0@L]51Y[.WXM7004'JWM#&]02ZRIG7X M9>*%#Q/@BU.S^RZWQ#KQ%C7ACCJT.910(7EMZB!`L53>QQ*U_10A8K`62[I M\$-?UM=K,8XQG`@`@(#)[@X]_? _5QC(PZ?/%(7L)W@ MH1 "\$Q=WK#ML:\$3*4")+ZEB\$29L0\!E.G\1D91P`!5',@JOY,JIJ/(Y` M`WL2>U1B3[DLR*S>_#PQ\$]?IF3WAA9]?BE>,LSFIB'HDJ;Z?W3_NCB6?[GU^U36^R\$SG5BSBQZ/U[=FR7 M-K)0FZ36+LU@S:6L=:\W68KC[X+I3TGJ`Q#&ZP=>>2D<_9(43WN^I'Q^V?U M)>(J>(NVX;QG@UJ/CNLXZ- +Q1K\$FNDBUEK8VDOS2VHH99+LYV3PR-Z8405JR M`GRDY+="/JDT]/[(EF:T/5>7U)^@X+A%`H"D@*/("/? OLD_CC(0]L-;T%W.Z M.OA)CSI?KY(T!QET=,[49G-77CLLB8=*3L?TBNRL:LIH^3,M?N78&M%B-FN M9[6YR1U#L,WIE9;N+`Y-9];X2>U+5[[%V.5D-2A+Y6Z[9*SH]29TMU6ZY-L\NOBK!2!=2DG!NJ.QE? H>BF_6N.1N9_0(JQUF%RKT_:QL4Q+7 MG=G>CWZY=1[?O]ITZ3:V1U:W,LDQV1]MY)9M-.+*RL=>?P#N+\$#Q-BD>,9)G M9[TM-X[6]6NFG62[=K%*ZGUNQX#7W3&=3" ^733.SU5R>&S3*-;27OOTKZN0H MDM(7S3&^Y=*Z&G? 5;.:PTI&RL,YDSL9UL5Z7G8U[ML)V\$N/9ER: #L=6V"S M1570>^1U%5>0G8SK1I3JMPE.<7+\F6]9+CE%]8Y\$PS^`7CD(O>WP/6CM\$P MN=C/3GGI:=D&(Z%#ZOVPL.@U>Z]QEW282306PQ;NY9CGN@[<[!3;>.FHO M\E+H,)]H%!\SRT5ZLR[V@R54QZK,WOS(M5*"CV,H);TMNXT1.7:1@>R=%L(V; M)=JIU7D;O9.S#!7,9/1M* [&7%:OU:K9WH]2J,Q6]"C=CI9;U:[LQLL_3Y;,8 MLU1K4^T;5!6GL9AH]6S!=#ZQ9%T)P[4]\$5U.Y4>J]EP6N*LG/S'QURR;L]MU M\$K",G9P)-/6E`HT_7:"R7= (,T3,ZT@#"/CHXK1@V8SXNN93)X#BC=0/A58Y7 M18A M*7B12D+%ZW.^6QLS?VF[WMZ0\$ _J5<'O\0>\F? D.6_P<8S@1^X<1\$`]"Q\$ M1'P`>>1\$1'V`1\$?8`\$1`.,?`<_H![_D_P]SWT.OG,<')>]ALP^9TKPLC35=>T7IS\BY# M&I4Q:342>>]VC?;7=1686+?;=Z\H MDBEXI68QNGIRHIBY'9,6NJR)ZM']YV8C`OW>BCZU\$5UDR>3-RMXNSN)6AE+,U M/,'ZM_V7&S^G3@VLYGX)S]/FWA_QO2Q_RZU)U>NJ[WCEU?/8W'+];J]!2JU9 M^(WK8[*C3KTU6U*)YMO%5 MA2%9Y9Q\$)=U,\$]6VPCBCV4[R2P0PV6\$%C>1:/&S]LW>,W#=#VT=MT';1VU72 MX!!!#*5 M8!E964E65E(974E64AE)4@FAF5D9D=2K*2&5@001\@@^X.?3SC(<<8QQC(IZ MQ*Z[C=Q7*0`*+.,G5>6.3W)]9-6/8&R+D4'QX!T2,M<=00D1!JJS,(4Y M3&C<=\$`_[\$9_^R*P_P#[?IF27A- &R<9G8]]2;:PR]_E]CH#V_:=YD6Y!ESL M<8QQC`&, <8QQC,6_>;QZT;3"=A0K);F:%O3^[\WZ,2HGG"UE.RJU[3>E*R,* MI8CQDT6"??+*)IK2HP\I]!2^< (JT8H)&X)Z!Y#O/DOW(=00["97>+7T;M M^5(@IE>*C5FMRI&*&J9'CA98PS*IJ1>-7QGN/?);^4R6S]4X MO/YAP^NG9IZ[Q9S`7F-DI:0MMZTQ+%X:8I<-1(F%F)F9CXVEV>6GF)M%P/_ M!M*-420QR"1?,'0.^O?K\OR)JO? _IEN/"#Q:T/C/Q.3F"=;N-7KX]M;TQ MK;R.I%=-BE7IV)0M*U;A]!TO1",F7S^99`R'!2T61GJB=T;6+2\$!1BLV;1 MW_5>[O]JC-ELA]&S-2;FJA&5][LU?G,OJK'.Z_J36:MLED=)E;`GNSY_7&\$=/? D[ETLFP0JN51]U*W#L97JQ59Z[9G;YK47C7]8"LBKO`EHB&,KC0_6AZ]4+/T*I,[MG#Q150-EM!HA9%=5C.HJ M`K;] <)&FSD[=L[VJ16"@]0J_VOU"#C*S"6Z,J_T_KUF'9F?R*+L,?96Q)F^P MF7:U3YR/?X^I-G,/_!P]I4MS&4KK%*P]0KU5ZGT\$R7KCI=XSA]'S&X7%J MXG\UT2W5JFW+^>IU>+=MXMKA2!/? W2LV*YM55XUO#4&`L\$@G+=A-P]:C9TA MW970,9]EM]6C\$FEIWO/:Q!VIKJ9.KWYE%U^O7:N[GV&S#!R7[-FT= M81*[6>BQS_2XUXQOAZG'T>5.O*,YYTS75,FQERO3GO%DG=F*U&4RR*ND(2 MWUC0]&SN36K^7ZLY2JWHE8LU9F*5;+I6;!5;-3[7#RL5)L)PRP&4<-7C-LJB M'QL9KQ_TEC_K*ZJ?^2- 2_P#D=6XQD26&A!CVL=@,0!JHP;X]ONH5F!8K>RC> MA6R93V#,!'!%M_5[IM=8M%0*!%2QR@)>03;!9;.OEE;\FZ8?W_#_CWFD# MZO>+>Q?Q[YF5B,=3DQUW+Z9"D)(- U2C&P]-B`&\$>WJ;!7\OL')Z.>OG3F,V M4OY7,`&7<*%\$63)`B[Z1 MM5K0))9LSR,L M<%>".2::1E2)'<@&9Z;2];D.SIZ;1ZV[M]ML)?1I:[7P/8MV9!][MZ<2#VCC7 MMYI#!7C!FL2Q1*SC`- VP]3:YZC]94/KNK.9OG2Q5V4GHZY%X?3[JU. I+) MUQ`?#K,JX[3\$0*]\$PZ#)-S@(JTXIE6:^[3Z.?V3F[Y4=7XB? 5!!=XWQTM!=U M?A'7GDIEW4/0EC?G&QK.)>-Z^92H?CNMF7D,R%X]G=T3H].;/SPG^F33<7- M;?> (B4>2NIQ=^203I58XX((P2SL\$0%Y&>20M([M,9\$.K*4U!])6DW55;Z!OV@?[-YM0=WXX?3OH7DU)^T];GGA;IZQ> M34NQ>Q?Y-P*A`I:36N3):W?#ZR%Z3>MLN-1M`UC31MA1CWB>;M(MPB]1S.0D M>S`M%88]+/=Q'98A+++>+8*RDSR[XM?L\$%:X*%L]8FHFQUNQQ,?/5ZPP,DS MF(*>@Y=JF^BIF%EXY9Q'RD5)LEDGD?(L7"[1XV5(NW5.0WD-&7Y\$\$,"`592" MK*? <,I'L01\$904L4D,CQ31O%+\$])'(I1T=259'5@&5E((((!!'1SN.,@S@ MWQ"PD+\1S"! "%^P3'./@I0_>81`_?]) [K>8>5NKJV>(86"N6.#D=1Z6H2,-.P4HW=QL MQ%/T#&1>1S]JX:.DA%-9%0H^.,X(!!!]P00>_?V(Z/L?;W!(/?R/8Y*K? IUU M&:9]>Z;8Y.G25!DK#5,>I5?GG](F(;G9.J.YB*A6DB MX@GD"/U,YBE7)VXQ8? 013*V#Y8,CR1&'6WKY'M-/CV6*98A&[5&1<'KL8%!K M1XO3(2%#@#56*AKS&*QJD?9X=C7E%H=M&2]9TP38.`2`- Q!RX,HQE+TWIOU)S MRO2E5HW6?!:A6IVIV:B3D)7DH\1'3=+NSYG)7&JS;1M!IDF(&V2,W1Q%.KA1? IC]HXQUWYGU5.*P6>2:N1CVGR6,BB%Z=3JVO..8'K=A40K8T*4TGA8992VY)1M MG,S`V.AMGJ1(@\$E4:C8JM6;#`I"0\$XZ>KL'-(E"3BF+!C*VR+!<>MY.9B\YIE0DA(/NOMOEQ(/S"- KBSF[CCSV8<%*B2P*9)"JGV MFQDOEM)VH<#LI_)_)`_`/^1.8,?7-X6V.5<'U?B)J*OK[/#@#68]TL:EIY> M([&2- I[55]D72;)&8KLB^YCI6MA,!Y8VZP=I.ZF2=7([Z#/N%+AIT@P!][7< MGK3ML6QO\$5@,#67LSUO%CZC MN81<- *N,3[JW&T#[K=62]+C'%J4Q/6PY+O&BDKZZ\$HKO6J1I9VVR*&+5ZZY M)VJZ[O"WP5Y=XHV? 7H1KI^,5YS!L>6;&*4ZZ%UZ,M/60H4EWFU5?;[%198:[M,AV=VA\$P_=C] <[-6=&Q:G.I*1D6[65ITT5;HF"3;RO/R'81!_7O5:L[:V+8]X?'\AOQ+PRUCZ[BU M%EM6H4BV_+(QCFWV[*D,5MVD1\$J4/4!>'3;]8=#]UI4M65:V`P'0 M_(976.,8XQC[PS/80'R`A["`A]@@(>X" `W" `N". ``001V#C&9P?2+9*^AG M].QV-;"K8-"Z:SLHH=S!,TUYFW=? 9.5="N_NF7,0,9S+4ETZ55D+SDS40^ZBMTZ^ZC"3ND&QC0)6O.?*EA4'E2M M>8D`\$!*]QB/3`6&R3!Y)JOZ`F>Z'1]7I%5TG-;9`7J@WB\$8V2H7&KR3>7K] MC@9-/YK&4BI%L84G+98OQ\$,`@FNV2M9B>&>%BDD;@ MAE8?F#D9=D-!LU+H"\$!FORW&VZ_8&..81'J(F5U MJ/LNP798Q`VI]!F?][0KN&J2Q;M_P#8Z\OO[^=N_*?9E;[O1;S`,`RJ&'39 M/>)Z*7D.[J4\$501#K-

E4B(:9R0RLI*CTXV\F_IGB4@ALOSQC+*UB&3Y MSD%.
(N6L9I2ZY2815W\LT@8UV+;1I9.46332!U,2ZB"DK,/##\$!5Y*O'CI43
M*K',/7F7:JJ*J(H5\$5410.@J(^JJ!^50!^0R3>,YQQC'&,<8QQC'&,Q/>H M#0=
(U/2T\VQYRX9ZG>O3O[ZUC/W+2T/J.Y):)/3.E)(I)"YQITG]46=D3<,T MI]HLBO&G7!SK:ZT*.QLZS8UM=>
(+"CL+%*>&C>*@,6%. MW)#:*A6+"+H*Q(!ZIUD>"Q'"_IS/!,D,G9'IS/\$ZQ2\$J"0(Y"KD@\$_=@3[9
M\$W5;I WV/KV5=XZ-?HS2L1BMRJ%7K^2PT'V@LFCW>O2\=1+E\$VFP5B_NIN=7S M-
W8)24K<<5U"R;1D2/6F\$%HY^DV?IVB\^'>+?!>?!N/QI\280%3F7[[V-Q M>3PQV41-/8BI)1U?=-NG1GD-
6:&Y/YV@`MB-78(!I?Q?7[S6ZZ2#D&S3:WFM
MRS)82>S8"5FB@5(4M0P2\$K(DS)>GY1ZGLQ)/5M*GIZ]F]"F,VKF@4K;*)`Q
MGIS40%>P.A4;LW!2CW6]1IF<]=Y:KU^CP<[;,\$UB[E!ZCFN@4B:CK12VF-25 M8M,_JK31Y\Z-/QL=>O*DS);Z?
=1[;YPSUZB=G*A#HLF5BJEJI^K-[JZN=FU M>P7*\$4D-#4GE'\$[*.\$6- ",TK%&KZZT#2?G1\,+5*'G?
HJM OFV,QP1M6]9&D^ MGOB?7[!\=T:A=G,A=O(FS:_8-SZOW:.T,K&%U&>JLH1&VV6^/K%1WUU2S^\$N
MC&Q/<\N3.&F4W\$,!N M>B,<0N_>K4]8;J9L-@A+C'QT*CUYFZ`PK1.5!6QU"7;SE:AHJ.BXZ#CD6,K
MCN+@GJH=D>IW2/,Z)-5"B=A:1GL%MO9C4);07%+BE.U&2YK`DS*E1C;*49# MHH?>WFL#-[9#;,)W^V4S-I'8Z
MU:I;"#2_5^;K5LK.FO<+JFG.ZBVF.X>2+M;+1TNO1UH;K4RT'976P.LK7E MH.T+
(TV;S\$V"PL!'Z)4!UJ'L3.JR];-9VZDOIC9C([AL]8'.4[G\$P\$-;Y.*2 MSK='F4P&>:7U8JM\$:W"X:[V;LQ5=?/:92[Y?
Y#47<58%F,9<4TS#,(F.:3, M1J,A#RB=B:S+&8?5NB^T,7DO0R+[BOE9CL-&U;LNQN,FH-06>2%=[L^1RI
M_,*T!>H&L+S)"49>R?4SAP0)T_.EK*O\`Z4JHQFZ5MV-T/L%DV@8OIL2, MU1-)K\$E5;&R26%H]
(SD\$@^3)0\B0IEX>PPCY-I-5R=:?"^@I^C)ABHF[8HG M#@CL\$=D=@CL=\$CL==CS`CL?(!?'
R#G39K5[E:S3MP16JERO/4MUIT66"5S5L MQ/!8KSQ."LD,\,CQ2QL"KH[*003GY47J:^GYM_IU=I;EEFPNK'>
(.ZRTW=,E M[3I7CO^OZH*.DSJV.6FW2KHRFGUP'C.)U&M.79WL%+BWE8Y(U,GZR^<^H/
ME]0'A#SWP8UOA7QG0<7V?7@%(#E?=\$+76@.3QAHZ_XU(S);W!W3&%>0 MS6+5R[J-P?L=EX]=8TLEBQ?
(>*IQG[+6UM6*KQ^"&.IJ:U2"*M2UE>(\$)K8* MU=(Z]6.\$`F%(XXUE3N0^:7U3F/CFT;*9QQC'&,<8QQC'_O\`+"BM?
LE:JF=35,FIEV@UM5-+QOF]*G#ZEW>"W8>&CIN:10Q@R796CI6J?98Y#+4]BOG@!B'Z%'5+*[AI5]/W#VNIRM
M,DG]8>5'K/C]M9+,K3CF2V!9F^L5WO\!N1\$*_NVYJ1T(^MT"J0EE>>0M0R MI=9M9!TP9?
SGLX8*\$WI@=H&7R,?.2SIJ[#KS*W;(L9)F7FX5Q2/B^M* M2E9-E;Z>[*/*1&!QU8RI92D1^](X9A)+,|
<4)S(QR#*SQQC'&,<8QQC'&, M<8R`=JZOX=V&?5.4URC(6F5HS>Q,ZI+)3MLK4M#,,;>\$4LC!M*5"P5Y^>/FE
M:W`+R#!RX<,UW\$/'+B@"S5(Y6,AC)!T^_9?*_Q:V_\$\$C&/T<'3]E\K_% MK;_Q,XQC]'!T^_9?
*_Q:V_\$\$C&/T<'3]E\K_%K;_Q,XQC]'!T^_9?*_Q: MV_\$\$C&/T<'3]E\K_%K;_Q,XQC]'!T^_9?
*_Q:V_\$\$C&/T<'3]E\K_% MK;_Q,XQC]'!T^_9?*_Q:V_\$\$C&=>Z],7HK)K`YL'7BIVUPF@FV;KW>8O-Y
M68MR*KKBA '*7"VSAXU%59RJJX3CQ;\$=*0[D%C(HBFQE^O&,M-[G=)^O7?7\$
MIO!NQU++:JA).\$I>#EHJR,/=,_MS)!="(O6>VA)%=U6;9#E-NFQ6@MP25K423P2KY9(!VK#OL?D0RG
MHJZD.C`K!@#GYT?J3^A9W\$]/:3L%TC: *_B>L#5RY=1FY9Q`.WTS487XCJ- MDMPSN*2>R]M42BF^N<&E-
YB\,5)VM-U5V_3K;3T0_2?^U9V/\$*IJ>%_4' M+0\-.?+%!27F3[/X=QL^:-YZ>V=M\$9?6>INH%>'6PVDW
MO!K=1GL:D/=JDEOLWS;@'SY0OM]I0>_3/(5ZZ#1GHN<*"Z+E!-RV62<-E0^
M)P@JFNW5#_*FND8Z1_W_@CLTKU&S#;I MVZTPT5BK:KO)!8@E7[TAPYY16':N%@;DE[=,*G:URAUQ-4P%15?
_\$\$ M'7QZ^JOP^ IOU\$FP3N:4*&T>NT^KX=K&CVO--X?)YHTU?'*HM^E+_9&Q MV#:_3Q'WL[*!?'O9-
M7H]GN)`E*LS("]B3N.M%V>B7F(\O8_%\$A'PAS?1] M';^CNTSIQ-U?LQW"=5;8.S\JWFZ!288%I;
(L!E`3^)K,1BTDT9J:/J?P_MR+W)1K.NT]W_&J!"*LT+N^U7UA?7?XE?5;?'W&(IN#>\$>OM)8U7':=W[
M1/M[,#^>ON.: [&% (DV] ^)P)*.J@1=)IW"O!'>V"':RWCX_Q>GHT]7L6K[KU) M:9>A&#\QUD/?IH?AG^`2R#L,50^F-
HD``\!_O_`(^1_P`1\$1'R(B(B(C@O ME3YSQC'&,<8QQC'&,<8QQC'&,<8QQC'&,<8QQC'&,<8QQC'&,<8QQC'&,\#D
M*8!\$0]P\B`A[#]GO[AX'W_[7_>#V'R'MQ_,P_JK?0M],ON!,SUHO?7>+SO M29LYG4AJF"RC[';F^D'C`XE9II5#
(TBVRK@1 [B0NE.L;EPU.LV0_KU*O8;H@2,@68`_E.GDF'7X??' ;H?D,T+O5J]/W)>@VKO: M3D-
VU:TPR1'ZJ1M.DZ),OD_HRI2II@ZJN>TSXR?"/@PJIJ*C]OS?/GSGKX3?
MM;/JLNV)M=R"OX6\F,3HHO;/A^QHVV]V[+IQKDF@H=MU[^2D@^?%REKW`\$
MH#Q&]!_ =2PK+^7^FAE8]=_BQ_7O,.FOR+O1;?'5V6.2:/)Q",4<0Z22;P MJ"JR:9E\$S29)1L"P`81`3-3I/CRD(>0'(/G?
[4/Z@=#IS;U_?%)WH"P'E MX]S"4)(1;[JGG@0JI]U#J_ ^6R55>\$ZJ63RO/L.@P'0EKCL=_C_`%70_EUF M_%Z]E?
OU455J5;-4;U>A^4VS=V":C#(:KF5@>MS*\$ MJK:2LKUNLCY263.0QP-
KXYK^TJ^L'Q2K6:5KQ0DX5K@L+40#G4T.*221S*5 M=6W44=KDB]J2H]+=1^4>XZ<#H^W49*P_XSW_
M`]LVCL'Z[8/UJ#3/.ON/YSC%(0)!?FMR36K,I)/RH5544(BJB*.E1%"JH_)54!0/T`&3?X<^;(L<8Q FQC'&,<8QQC'&,
<8QQC'&,<8QQC'&,<8QQC'&,<8QQC'&,<8S_ID_`end

begin 644 html_301453ifflogo.jpg M_JC_X`02D9)1@`!`0\$!(`\$@`#_@`V(\$EM86=E(&=E;F5R871E9"!B>2!' M4\$P@1VAOOO)/X0&N/7?`Z?"_`!P'M&7A8\$0#Z?-7!ZCZ>HQ.X-0 M]_XCM6X``?F(@&?GUC+PL?S\5? \`I\$K\$[/A6_H/_ (9S#VB_PLB`#)/JJO>' MK[XQ;@#^H#70"``_D(^/WIDN- 4VG`;OK2!W#52[,+TC(WN'WY:'6P03K>/LA^^I18;F0V3[&;`7H&QFQ?=\$+_`!>V^WP? M782_3UT'81'0?? J("`>F\$?)8GE=B,0\B"&]8^.9JX>,JJ11@Z@G-RCQW6^ MU93&O(U%YC&RF88/NXD31QO/D;CG.' MCST\?_2G"/.Q" [GN,%VK],MT96I1+52:OZD)A9]??40DZA6F8B#)!I)?DGR M42A<&0!+4;:::EU7'5LEL.7=]/&2BUWZ*R6SY%>=LO- C2*!"1K!W^MR9X;!\$?%!XXQ\$?41XIYP\$1' M[1'J\U?]XY)9C&5-O+?LM7].6&*M+1K17:#2Q2B16WI.&U@3" MZGI')L9*B>&C=X`IF5&E)6]6IS?AD%ZJ_C=M]"H^,U_U9T57_`((.RH6W M@IJ;XM*CS\$1J5: [W=TRG=NDUMO5K!^;H1NH9D7\$3B\4X2^/T5+>"%S^D)[J[OM[J!UN/@BF'_IN2DO,8J1RN^W),]:& MORMXS'WA"Q.JCG.++I:8@:XR,B"5XKE,G01Y/RI#5#8:T,]2KW')+ ,8S3\9'EJY2Y)\&O.VEG%6RTQ>N.? W:MII8#;6BV1Q-BDNTJE M\$'/V-(9'55+UK2@D;R@1+G)MJBQ/KIONI+WV2Z;GEXJKKHV.U]Q1Q-S*P7A(M&N# <55KR9U&_3&+T_9:"3V57E0W2-EODM*1MNX]DI/E%BC4FG*:M MFO1E4-M=TTD97*5)VTN;JG\IK5D- 6[N0@%K.=RDAVB8Q&*O3?K.DQDDG M\%7D':*=-G)K4QY[-:]R"R,(4D\$_#U-]'3YLGZ8>.8NU/\$^3.HNVE1FS>! MZPYHMZ-*V94J0.K?+GK>;'N;<<>&RS=FGJ%J5J#R0+,T0Z.J8LCZ2_I!'(/7Y9\$UW3V>8^YVO+XXP;4A M<&6)1:8H6*1N;4![FWL%FRD6I.YN&P)UW?.C_%UXDY-POY`[Z+_`_,L?Y+\$ M>:WF3WMSTOLI'9<9? Z'A4WAMO+VP^)RIAB]RPAT9W>N&ASA7W2!NT40+I7WG..792EY#/UCG+<233Q#%>@]2VR0'-YDA+;) M8A8C!FR_"V!-ZPJ=%'J'JIK3;SAP3QV-36633]K)#HQQ*61>/(VA5 MLXR1Y]O=4]IT?T%3\S33^@N\$)38B&EY-7,- LUP[#06!8<)!-!7)>R/\$+:E7. MZ%>K5I7Q2:KCT?;WQO,WEJD&TY

begin 644 html_301453logocolor.jpg M_JC_X`02D9)1@`!`0\$`.0`Y`#_@`V(\$EM86=E(&=E;F5R871E9"!B>2!' M4\$P@1VAOZ):\$XUG:#ZF8[KMI;CNJ-7B36/0NF&:FQ;JIN,:6YG4SBG)42 M&PPXE]V"M]L(:04- N)00=84>I9=23,4OYM"J8+EN0TQ5&0TM]M"_E169(0 MXLJ'.A))/L@[=/520%IMB>(DS]V&'U_? 9"HUZ=37!65UAVW.%R MC2P_?76J=/(9RU+!KU)16L-L*0JO5^%) <`3*3LI!./2S=X/(!*!\JB\@>0E3>Z%'T%)X3BZ&@ZIL^\BKFVNG6'-M/7`2DN3 M95VCMEW>#\$(LL,E,*^J\$H2GD^I[, (<.EMWF`89-DQY\5869NA=+J09]OBM" MJRP_2M_4ZY%A\$AIQBBD8O13UQ7R^)%D)^0AFN#\$ (M-)=9+GG<5(06QQ0X4@^ MCCQ[*:F-8WIIF%- +6)3[=A+07`!P9#4)+KQ4X2=CPXCCL3N1U2Y?X6^Z.<> M\M3[3GIBJ7GGNIGO"_04BMCY;YGH&Z:6N%>A)X&LI>2<6=KA,U:H)8MXM;T M:6Q'N% (#D:DR^[@>^#0/4SM^R[\$Z^%;4&HUNW1#ZIRL9#HK["CSBEL9U>YE\$ M.,U5.DP:B0M,ME(84IQ\$<@KY@G7\$=+,JH\OK[%Y]F73Q_F'YR):1Y&95;*89 M<\$1UXR!LJ0V2"CF""%@(+/J=CL? 0U^XSZ1V?S/8MFN;Y-ZI5RN7(;+;:"EMY#:P7\$J)">55,K M&+^SHUSG)*Z]QE)>:6VASSQ6)20E"E@H2^&SZ`DDI`20.D0H?AVWOTEK* M/VGPMU!K?L"O- [7(TJ]YB)2_Z3^P5CCZ_!V', M^,^3E2L@@+=D'>E@&F.4R,3U\TIR71FQ=J(UY0";\$QW.?K!62+&?6B2TC&\$G MTUJ\$NU[Z@)KY<XBZ8VEW!1/Q2_C9`RA]4:8\$.2ZTQ9"68[X03 M9F.7`6WPKDVE2? N^SR)3V/P`_+7_`NH_P`D*_T/73_`#AW9Y_G+?`YC8_MA^N?V.:@_P!AO_3+J*&)\5FKC)]KQ;,7-ZU+A& M.P6B#*=@K3RU;W\JT;YRC![HIPS;Y;VU0TK#C!FCPWFT?!11AM]P.4X40LVVL)3Q):8SN M9TH6RV8G!JR9Q(;QDDFJ?I)Y6-^7]0`VUL^=U;I6=@5C@%&B-Y6#G.[*V+6 M:7J.^R36LS<\$BO[MUG`9I"VTD)HLKLM2L<<1I)9K\O&F/E/RN&2#/\$#QE#L MR;'!LHL,004NQ5)0RFXK`928;HD*,F)_+? M4VRI6RF4\$"*CMW*2:F8U#KIQ#:F2Q9PF)\- L;]&EF%L")@WE\$ZQ:V`8F])`T#[%-`*H&!@-6!B8C=8PD;1*!(&WPD" M583C&?62B561U9Q(J%JD.1#E3U4GDITEP MC7^2T2\$)<\$!#P`4`-A?Q4N`!`!`5Z"0?20\$[[=96'1W0FQ^L-RW M?H';9X(^Q-EDA'UF-6(5- =A%GAZO"U9CF/B\$.WV&.\$Q,&P2;]4=1G:3NU*PL MV4IUIZ::<8SI#A-%IUAS<]O',83.8JT6LXV4X- S;6;;2/DS%,L%\F9/D%'ZI ML-M%MH`AL\$SVOKJ9D=M,NI_C^7/4TM[PH2TV/%':C(XH3Z!#3*.1'WEBN2MGV.ST72]# <5C?,E46<;I+5->U)\V;/6VO)#\$M.0E;5EG M+65P5^03R>-A+IRT`R:K3@3,7J`?TC.G-7IMK#BM95WV;Y`W::? QKAZ5G66V M686,=Y_)ECF`G68\T.L;3&"V:]LEEIYQ]Y)YO+W;O1FZ>O,