

INTERNATIONAL FLAVORS & FRAGRANCES INC (IFF)

10-K

Annual report pursuant to section 13 and 15(d)

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**UNITED STATES
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, 2010

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

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
(I.R.S. 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:

<u>Title of Each Class</u>	<u>Name of Each Exchange on Which Registered</u>
Common Stock, par value 12 1/2¢ 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 if 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 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 (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). 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 "large accelerated filer," "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, 2010 was \$3,387,661,709.

As of February 12, 2011, there were 80,256,110 shares of the registrant's common stock, par value 12 1/2¢ per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's proxy statement for the 2011 Annual Meeting (the "IFF 2011 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, pharmaceuticals, dairy and confectionery products as well as the food service industry.

We currently have 30 manufacturing facilities with the major manufacturing facilities located in the United States, Great Britain, 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 33 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 flavor products are sold principally to the food and beverage industries for use in consumer products such as soft drinks, non-carbonated 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, 2010, 2009 and 2008, sales of flavor products accounted for 46% of our total sales.

Our fragrance products are used by customers in the manufacture of various consumer goods in the home and personal care markets. The home market consists of laundry detergents, fabric care, candles, air fresheners and all-purpose cleaners. The personal care market consists of perfumes, colognes, after-shave lotions, skin care, lipsticks, deodorants and hair preparations. Most of the major global and regional manufacturers in each of these categories are our customers. Five of the largest global consumer products companies are among our principal customers. In the three years ended December 31, 2010, 2009 and 2008, sales of fragrance products accounted for 54% of our total sales.

See Note 12, Segment Information, of the Notes to the Consolidated Financial Statements for information concerning the two business segments, Flavors and Fragrances, and our geographic regions.

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 powder and liquid forms and in amounts ranging from a few pounds to many tons, depending upon the nature of the product.

The ingredients that we use 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 of emerging markets. In the fragrance field, these developments 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 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, applying and dispensing have been developed for many consumer products that utilize some of our flavor or fragrance products. These developments 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 flavor and fragrance products with consumer preferred performance characteristics. Scientific expertise includes: natural products research, plant science, organic chemistry, analytical chemistry, biochemistry, microbiology, process engineering, food science, material science and sensory science. Analytical and sensory science is applied to understand the complex interactions of the many ingredients in a consumer product in order to optimize the flavor or fragrance performance at all points of use. Material science technology is applied to create controlled release and delivery systems to enhance flavor and fragrance performance in consumer products. An important contribution to the creation of new flavor and fragrances 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 33 fragrance and flavor laboratories in 26 countries. We maintain a research and development center at Union Beach, New Jersey. We spent \$219 million in 2010, \$185 million in 2009 and \$197 million in 2008 on our research and development activities or about 8% of our revenues each year. We expect these expenditures to remain at this percentage level for 2011. Of the amount expended in 2010 on such activities, 54% was for fragrances and the balance was for flavors. We employed 1,117 persons in 2010 and 1,091 persons in 2009 in such activities.

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

DISTRIBUTION

Distribution for our 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 30 foreign countries, while the fragrances business operates from two sales offices in the United States and 36 sales offices in 29 foreign countries. Sales in additional countries are made through agents and distributors. For the year ended December 31, 2010, 34% of our sales were to customers in Europe, Africa and Middle East ("EAME"), 26% in Greater Asia, 25% in North America and 15% in Latin America.

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During 2010, our 25 largest customers accounted for 52% of our sales. Sales to our largest customer accounted for 10% of our sales in 2010 and 11% in 2009 and 2008. These sales were largely in the fragrance business unit.

GOVERNMENTAL REGULATION

The manufacture and sale of our products are subject to regulation in the United States by the Food and Drug Administration, the Department of Agriculture, the Bureau of Alcohol, Tobacco and Firearms, the Environmental Protection Agency, the Occupational Safety and Health Administration, the Drug Enforcement Administration, state authorities and U.S. Customs and Border Protection. Foreign subsidiaries are subject to similar regulation in a number of countries. In particular, the European Union will require extensive chemical registration and testing over the next 7 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 2011, we expect to spend approximately \$6 to \$7 million on capital projects and approximately \$18 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 which are 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 world markets. IFF is one of the top four companies, which together represent approximately 70% of the flavors and fragrances industry. 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 all 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, 2010, we employed approximately 5,500 persons, of whom approximately 1,400 were employed in the United States. We have not experienced a work stoppage or strike and consider our employee relations to be satisfactory.

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EXECUTIVE OFFICERS OF REGISTRANT

The current executive officers of the Company, as of February 24, 2011, are listed below.

Name	Office and Other Business Experience (1)	Age	Year First Became Officer
Douglas D. Tough	Chairman of the Board and Chief Executive Officer since March 2010; Director since October 2008; Chief Executive Officer and Managing Director of Ansell Limited prior thereto.	61	2010
Kevin C. Berryman	Executive Vice President and Chief Financial Officer since May 2009; Chief Financial Officer, Nestle Professional, Americas, a global foodservice manufacturer, from October 2008 to May 2009; Senior Vice President Group Controller, Nestle S.A., an international food and beverage company, from June 2006 to September 2008; Chief Financial Officer, Nestle Purina Petcare prior thereto.	52	2009
Beth E. Ford	Executive Vice President, Supply Chain since October 2008; Executive Vice President and Chief Operating Officer, Hachette Book Group, a leading US trade publisher, from September 2007 to September 2008; Senior Vice President, Global Operations and Information Technology, Scholastic, Inc., a global publishing, education and media company, prior thereto.	46	2008
Nicolas Mirzayantz	Group President, Fragrances since January 2007; Senior Vice President, Fine Fragrance and Beauty Care and Regional Manager, North America, from April 2005 to December 2006; Senior Vice President, Fine Fragrance and Beauty Care prior thereto.	48	2002
Hernan Vaisman	Group President, Flavors since January 2007; Vice President, Latin America, from October 2004 to December 2006; Regional Finance Director, Latin America Region, prior thereto.	52	2004
Ahmet Baydar	Senior Vice President, Research and Development since September 2010; Vice President, Global Fragrance Research from February 2009 to August 2010; Director of Shave Care and Integrated Shaving Systems, The Procter & Gamble Company, prior thereto.	58	2010
Angelica T. Cantlon	Senior Vice President, Human Resources since August 2009; Senior Vice President-International Chief Administrative Officer, MetLife, Inc., an insurance and financial services company, from June 2005 to August 2009; Senior Vice President-Human Resources Business Leader, prior thereto.	59	2009
Richard A. O'Leary	Vice President and Controller since June 2009; Interim Chief Financial Officer from July 2008 to May 2009; Vice President, Corporate Development from July 2007 to May 2009; Finance Director, International Paper's, a paper and packaging company, Brazilian affiliate prior thereto.	50	2007

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

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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.

Item 1A. RISK FACTORS.

The following are some important factors that could cause the Company's actual results to differ materially from those referred to or implied in any forward-looking statement. These are in addition to the risks and uncertainties discussed elsewhere in this Annual Report of Form 10-K and in the Company's other filings with the Securities and Exchange Commission.

The current volatility in global economic conditions and the financial markets may adversely affect our industry, business and results of operations.

The volatility and disruption to the capital and credit markets since mid-2008 has rapidly impacted global economic conditions, resulting in significant recessionary pressures and declines in consumer confidence and economic growth. These conditions led to economic contractions in the developed economies and reduced growth rates in the emerging markets. Recent conditions have begun to improve, although potential volatility continues to exist. Despite fiscal and monetary intervention, it is possible that further declines in, or depressed levels of consumer spending and global growth rates may occur in the foreseeable future. Reduced consumer spending may cause changes in customer order patterns including order cancellations, and changes in the level of inventory at our customers, which may adversely affect our industry, business and results of operations. The impact of the credit crisis and economic slowdown will vary by region and country. The diversity of our geographic customer and operating footprint limits our reliance and exposure to any single economy.

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These conditions have also resulted in a substantial tightening of the credit markets, including lending by financial institutions and in the commercial paper market, both of which are sources of credit for our borrowing and liquidity. This tightening of the credit markets has increased the cost of capital and reduced the availability of credit. Based on our latest discussions, we believe that the financial institutions syndicated under our revolving credit facility are able to fulfill their commitments as of our filing date. While conditions have improved recently, it is difficult to predict how long the current economic and capital and credit market conditions will continue, whether they will deteriorate and which aspects of our products or business could be adversely affected. However, if current levels of economic and capital and credit market disruption and volatility continue or worsen, there can be no assurance that we will not experience an adverse impact, which may be material, on our business, the cost of and access to capital and credit markets, and our results of operations. In addition, we monitor the financial condition of our customers on a regular basis based on public information or data provided directly to us. If the financial condition of one of our major customers was negatively impacted by market conditions, liquidity, or other adverse events, we could be adversely impacted in terms of sales potential, excess capacity, accounts receivable and/or inventory specifically attributable to them.

Failure to maintain the integrity of our raw materials, supply chain and finished goods may adversely impact sales and our results of operations, IFF's reputation and litigation costs.

The manufacture and sale of our products are subject to various regulatory requirements in each of the countries in which our products are manufactured and sold. In addition, we are subject to product safety and compliance requirements established by the industry or similar oversight bodies. We use a variety of strategies, methodologies and tools to identify current products standards, assess relative risks in our supply chain that can impact product integrity, monitor internal and external performance and test raw materials and finished goods to minimize the likelihood of product or process non-compliance.

If a non-compliance event went undetected, we could be subject to customer claims, penalties, litigation costs and/or settlements, remediation costs or loss of sales. These consequences would be exacerbated if our customer did not identify the defect and there was a resulting impact at the consumer level. This could lead to potentially large scale adverse publicity and potential consumer litigation.

Competitive factors may negatively impact our sales and marketability.

The market for flavors and fragrances is fragmented and highly competitive. IFF competes with many companies and some of our competitors specialize in one or more of our product segments while others participate in many of the same segments. In addition, some of our competitors may have greater financial and technical resources. The discovery and development of new flavor and fragrance materials, protection of the Company's intellectual property and development and retention of key employees are important issues in our ability to compete in our businesses. Increased competition by existing or future competitors, including aggressive price competition, could result in the potential loss of substantial sales or create 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 materially adversely impact our results of operations. Nearly 56% of our sales occur in the developed markets of North America, Western Europe and Australasia with the remainder in emerging markets. Accordingly, the impact on our operations will depend upon consumer spending on products for which we supply the flavor or fragrance in these global markets.

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. Historically, we have experienced the greatest amount of volatility in natural products that represent approximately 50% of raw material purchases. Availability and pricing of these products, such as citrus, can be impacted by crop size and quality, weather, demand balance or alternative land use. To mitigate our sourcing risk, we maintain strategic stock levels covering multiple periods for critical items and/or time purchases to capitalize on favorable market conditions.

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 and market segments that 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 sourcing strategies and a limited number of foreign currency hedging activities. However, volatility in currency exchange rates may materially 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 result in an increase in the number of claims or 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, plan assets, and associated expenses may occur in the future due to changes in capital markets, employee demographics and actuarial 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 Department of Agriculture, the Bureau of Alcohol, Tobacco and Firearms, the Environmental Protection Agency, the Occupational Safety and Health Administration, the Drug Enforcement Administration and state authorities. In addition, we are subject to product safety and compliance requirements established by the industry or similar oversight bodies. Our foreign operations are subject to similar substantial governmental regulation and oversight standards in a number of countries, including extensive requirements within the European Union. Costs or investments necessary to maintain compliance with existing or future governmental regulations may adversely impact our 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 materially adversely affect our business or the businesses of our customers, with a resultant negative impact on our financial condition, results of operations or liquidity.

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Our success depends on attracting and retaining talented people within our business. Any shortfall in recruitment or retention could adversely affect our ability to compete and achieve our strategic goals.

Attracting, developing, and retaining talented employees is essential to the successful delivery of our products and success in the marketplace. The ability to attract and retain talented employees is critical in the development of new products that meet the needs of our customers. However, we cannot be certain that we will be able to attract and retain such employees in the future. Any shortfalls in recruitment or retention could adversely affect our ability to operate successfully, retain our existing customers, grow our business, and effectively compete with our competitors.

Our operations may be affected by greenhouse emissions and climate change and related regulations.

The availability of raw materials and energy supplies fluctuate in markets throughout the world. Climate change may also effect the availability and price of key raw materials, including natural products used in the manufacture of our products. In order to mitigate the risk of price increases and shortages, purchasing has developed various sourcing strategies including multiple suppliers, inventory management systems, various geographic suppliers and long term agreements to mitigate risk.

In addition to market forces there are various regulatory efforts relating to climate change that may increase the cost of raw materials, especially energy used to operate our facilities that could materially impact our financial condition, results of operations and cash flows.

Changes in our tax rates, the adoption of new U.S. or international tax legislation or exposure to additional tax liabilities could affect our future results.

We are subject to taxes in the United States and numerous foreign jurisdictions. Our future effective tax rates could be affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, changes in reserves and contingencies, cost of repatriations or changes in tax laws or their interpretation. In addition, the current administration and Congress have announced proposals for new U.S. tax legislation that, if adopted, could adversely affect our tax rate. Any of these changes could have a material adverse affect on our profitability. We are also subject to the continual examination of our income tax returns by the Internal Revenue Service and other tax authorities. We regularly assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for taxes. There can be no assurance that the outcomes from these examinations will not materially adversely affect our financial condition and operating results.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

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ITEM 2. PROPERTIES.

Our principal properties are as follows:

Location	Operation
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; corporate headquarters
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(7)	Production of fragrance compounds.
Netherlands	
Hilversum	Flavor and fragrance laboratories.
Tilburg	Production of flavor compounds and ingredients, and fragrance compounds.
Spain	
Benicarlo	Production of fragrance ingredients.
Argentina	
Garin	Production of flavor compounds and ingredients, and fragrance compounds; flavor laboratories.
Brazil	
Rio de Janeiro	Production of fragrance compounds.
São Paulo	Flavor and fragrance laboratories.
Taubate	Production of flavor compounds and ingredients.
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(4)	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 (6)	Production of flavor and fragrance compounds.
Science Park(1)	Flavor and fragrance laboratories.

- (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.
- (7) Manufacturing operations have ceased effective September 30, 2010.

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 purpose of reporting these actions, Bush Boake Allen, Inc. ("BBA"), a wholly-owned subsidiary of IFF, and/or IFF are referred to as the "Company."

Popcorn Flavor Litigation.

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.

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, eight cases were tried to a verdict, four verdicts resulted for the plaintiffs and four 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 July 2004, the Company and another flavor supplier were named defendants in a lawsuit by three former workers (and one spouse for loss of consortium) at a Ridgeway, Illinois factory in an action brought in the Circuit Court for the Second Judicial Circuit, Gallatin County, Illinois (Batteese case). In August 2006, the Company and another flavor supplier were named defendants in a lawsuit by ten current and former employees of the Gilster-Mary Lee facility in Jasper, Missouri in the Missouri Circuit Court of Jasper County (Arles case) and one former employees in the same Court (Bowan case). Both these cases were settled in November 2010.

In January 2007, the Company and another flavor supplier were named defendants in a lawsuit in Hamilton County, Ohio Court of Common Pleas by 56 current and former employees (plus 28 spousal loss of consortium claims) of two separate Marion, Ohio factories (Aldrich 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 17 current and former employees (plus six spousal loss of consortium claims) of a Marion, Ohio facility (Arnold 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 35 current and former workers (plus 13 spousal loss of consortium claims) of two Marion, Ohio facilities (Adamson case).

In March 2008, the Company and another flavor supplier were named defendants in two lawsuits in the Hamilton County, Ohio Court of Common Pleas, one by nine current and former employees and the spouses of two such employees of a popcorn plant in Marion, Ohio (Ferguson case) and the other by ten current and former employees and three spouses of such employees of the same plant (Brown case). In August 2008, the Company and seven other flavor and material suppliers were named defendants in a lawsuit by nine plaintiffs (plus eight loss of consortium claims) in the Hamilton County Court of Common Pleas (Auld case).

In September 2009, the Company, another flavor supplier and a former employer were named as defendants in a lawsuit by the child of a worker at a Ridgeway, Illinois factory in an action brought in the Circuit Court of Cook County, Illinois, but which is being transferred to the Gallatin County, Illinois Circuit Court (Patton case). In December 2009, the Company, five other flavor manufacturers and five microwave popcorn manufacturers and distributors were named defendants in a lawsuit in the U.S. District Court for the Northern District of Iowa (and in an identical suit in case the Iowa suit was found to be an incorrect jurisdiction was filed in May 2010 in Superior Court of California, County of Los Angeles, Central District) by a consumer of microwave popcorn and her husband (Daughetee case).

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In January 2010, the Company was named as a defendant in a lawsuit by four former workers (and their spouses) at a Ridgeway, Illinois factory in an action brought in the U.S. District Court for the Southern district of Illinois (Barker case). In May 2010, the Company and 22 other companies, many flavor and ingredient suppliers, were named defendants in a lawsuit by an employee (and his spouse) at a Forest Park, Georgia food plant in an action brought in the State Court of Gwinnett County, Georgia (Anderson case). In September 2010, the Company and 28 other companies, many flavor and ingredient suppliers, were named defendants in a lawsuit by an employee of a series of companies alleged to have purchased products from the defendants in an action brought in the Boone County Circuit Court in Kentucky (Geyman case). In October 2010, the Company and another flavor supplier were named defendants in a lawsuit by a former employee of a Marion, Ohio facility (and his spouse for loss of consortium) in an action brought in the Hamilton County, Ohio Court of Common Pleas (Young case). In December 2010, the Company and another flavor supplier were named defendants in a lawsuit by three former employees of a Marion, Ohio facility in an action brought in Hamilton County, Ohio Court of Common Pleas (Belt case), by nine former employees (plus four spouses) of the same facility in the same Court against the same defendants (Calloway case) and by 23 former employees (plus 14 spouses) of the same facility in the same Court against the same defendants (Aldrich II case). The defendants in these three cases are former defendants who were previously dismissed from similar actions in the same Court against the same defendants.

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

On a quarterly basis, or more frequently as conditions warrant, the Company reviews the status of each pending claim, as well as its insurance coverage for such claims with due consideration given to potentially applicable deductibles, retentions and reservation of rights under its insurance policies, and the advice of its outside legal counsel and an independently developed model for assessing insurance deductible amounts with respect to all these matters. While the ultimate outcome of any litigation cannot be predicted, management believes that adequate provision has been made with respect to all known claims. Based on information presently available and in light of the merits of its defenses and the availability of insurance, the Company does not expect the outcome of the above cases, singly or in the aggregate, to have a material adverse effect on the Company's financial condition, results of operations or liquidity. There can be no assurance that future events will not require the Company to increase the amount it has accrued for any matter or accrue for a matter that has not been previously accrued. See Note 16 of the Notes to the Consolidated Financial Statements.

Patent Claims.

A complaint, captioned V. Mane Fils S.A. v. International Flavors and Fragrances, Inc., was filed in U.S. District Court for the District of New Jersey in May 2006, and alleges that the Company has and continues to infringe U.S. Patent Nos. 5,725,856 and 5,843,466, relating to a flavor ingredient that may provide a cooling effect. The Company answered the complaint by denying liability and asserting that both patents are invalid and various other defenses. In June 2008, plaintiff amended its complaint to add claims for violations of the Lanham Act, tortious interference and unfair competition. The Company answered the amended complaint by denying all liability. In connection with the patent claims, the plaintiff seeks monetary damages, damages for alleged willful infringement, injunctive relief and fees, costs and interest. In connection with the additional claims, plaintiff also seeks monetary damages, punitive damages, fees and costs. In May 2010, following reexamination of the patents in question by the U.S. Patent Office, all of the patent claims, initially rejected in the reexamination proceeding, were reallocated. The Company and the plaintiff have each filed motions for summary judgment with respect to various claims. No trial date has been scheduled. The Company denies the allegations and will defend its position in Court. We analyze our liability on a regular basis and accrue for litigation loss contingencies when they are probable and estimable. During the second quarter 2010, we recorded a provision related to this case which is reflected in Other liabilities. Based on present information, the Company believes that its ultimate liability, if any, arising from this proceeding would not have a material adverse effect on its financial position or liquidity; however, due to the unpredictability regarding the litigation process, such claim, if ultimately resolved against us, could potentially have a material adverse effect on our cash flows or financial results in a particular period. An adverse outcome could also potentially affect our ability to sell one or more flavor products to the extent the Court ultimately issued an injunction related to the patents. The Company disputes the allegations of wrongdoing, believes it has meritorious defenses and is vigorously defending all claims.

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Environmental

Over the past 20 years, various federal and state authorities and private parties have claimed that the Company is 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.

The Company has been identified as a PRP at ten facilities operated by third parties at which investigation and/or remediation activities may be ongoing. The Company analyzes its liability on a regular basis. The Company accrues for environmental liabilities when they are probable and estimable. The Company estimates its 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, the Company believes the amounts it has paid and anticipates paying in the future for clean-up costs and damages at all sites are not and will not be material to the Company's financial condition, results of operations or liquidity. 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 the Company's liability insurers pursuant to which defense costs and indemnity amounts payable by the Company in respect of the sites will be shared by the insurers up to an agreed amount.

ITEM 4. (REMOVED AND RESERVED)

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, 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	2010		2009	
	High	Low	High	Low
First	\$ 48.83	\$ 39.28	\$ 32.35	\$ 25.30
Second	51.77	42.00	33.51	29.84
Third	49.51	41.59	39.15	31.21
Fourth	56.10	48.31	41.85	36.85

Approximate Number of Equity Security Holders.

(A) Title of Class	(B) Number of shareholders of record as of February 12, 2011
Common stock, par value 12 1/2¢ per share	2,740

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Dividends.

Cash dividends declared per share for each quarter during the two most recent fiscal years were as follows:

Quarter	2010		2009	
First	\$	0.25	\$	0.25
Second		0.25		0.25
Third		0.27		0.25
Fourth		0.27		0.25

Performance Graph.

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

ANNUAL RETURN PERCENTAGE
Years Ending

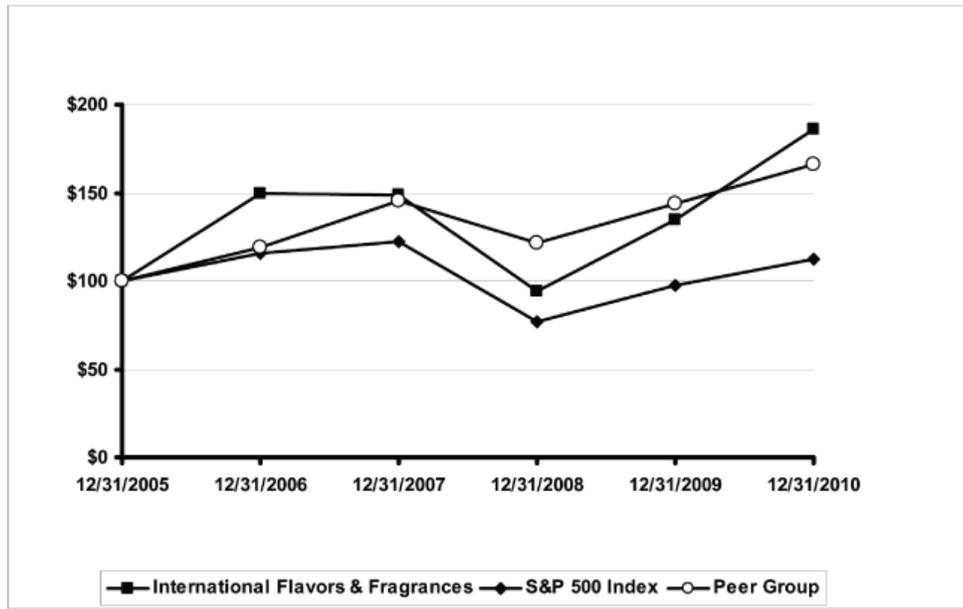
Company Name / Index	2006	2007	2008	2009	2010
International Flavors & Fragrances	49.64	-0.36	-36.64	42.43	38.06
S&P 500 Index	15.79	5.49	-37.00	26.46	15.06
Peer Group	18.66	22.37	-16.32	18.05	15.44

INDEXED RETURNS
Years Ending

Company Name / Index	Base Period 2005	2006	2007	2008	2009	2010
International Flavors & Fragrances	\$ 100	\$ 149.64	\$ 149.10	\$ 94.47	\$ 134.54	\$ 185.75
S&P 500 Index	100	115.79	122.16	76.96	97.33	111.99
Peer Group	100	118.66	145.20	121.51	143.64	165.81

Peer Group Companies (2)

Alberto Culver Company	Hormel Foods Corp.	Unilever NV
Avon Products	Kellogg Co.	YUM Brands, Inc.
Campbell Soup Co.	Estee Lauder Companies, 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, 2005, 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, is the most appropriate group against which to compare shareholder returns. Wm. Wrigley Jr. Company has been eliminated from the Peer Group for all years presented above due to its acquisition by Mars, Incorporated in October 2008.

Issuer Purchases of Equity Securities.

The Company has not purchased any shares during the fourth quarter of 2010.

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Number of Shares That May Yet Be Purchased Under the Program
October 1 – 31, 2010	—	—	—	—
November 1 – 30, 2010	—	—	—	—
December 1 – 31, 2010	—	—	—	—
Total shares purchased	—	—	—	—

ITEM 6. SELECTED FINANCIAL DATA.

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

The following selected consolidated financial data is derived from our Consolidated Financial Statements. This data should be read in conjunction with the Consolidated Financial Statements and Notes thereto, and with Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

Quarter	Net Sales		Gross Profit		Net Income (a)		Net Income Per Share (b)			
							Basic		Diluted	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
First	\$ 653,909	\$ 559,630	\$ 270,207	\$ 222,065	\$ 63,789	\$ 47,197	\$ 0.80	\$ 0.60	\$ 0.80	\$ 0.60
Second	665,800	568,261	285,001	227,914	67,152	48,083	0.84	0.61	0.83	0.60
Third	673,283	612,634	285,048	248,854	77,038	52,800	0.96	0.67	0.95	0.66
Fourth	629,870	585,633	252,346	235,412	55,578	47,446	0.69	0.60	0.68	0.59
	<u>\$ 2,622,862</u>	<u>\$ 2,326,158</u>	<u>\$ 1,092,602</u>	<u>\$ 934,245</u>	<u>\$ 263,557</u>	<u>\$ 195,526</u>	<u>\$ 3.29</u>	<u>\$ 2.48</u>	<u>\$ 3.26</u>	<u>\$ 2.46</u>

(a) Net Income Q1-2010 included \$4,408 of restructuring related costs associated with facility rationalizations within our European Fragrance business. Q2-2010 includes \$1,594 of restructuring related costs associated with facility rationalizations within our European Fragrance business. Q3-2010 includes \$2,049 of restructuring related costs associated with facility rationalizations within our European Fragrance business. Q4-2010 includes \$877 of additional costs associated with the ongoing reorganization of our European businesses.

Net Income Q2-2009 included \$2,685 related to restructuring costs driven by weak economic conditions impacting our Fragrance business and \$680 pertaining to employee separation costs. Q3-2009 includes \$9,186 of restructuring related costs associated with facility rationalizations within our European Fragrance business. Q3-2009 also includes \$3,348 of costs associated with the change in our Chief Executive Officer. Q4-2009 includes \$2,892 of additional costs associated with the ongoing reorganization of our European businesses and \$4 million of expense related to out-of-period tax adjustments.

(b) The sum of the 2009 quarters' Net Income per diluted share does not equal the earnings per diluted 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)

	2010	2009	2008	2007	2006
Consolidated Statement of Income Data					
Net sales	\$ 2,622,862	\$ 2,326,158	\$ 2,389,372	\$ 2,276,638	\$ 2,095,390
Cost of goods sold	1,530,260	1,391,913	1,418,441	1,325,226	1,211,453
Research and development expenses	218,772	184,771	196,863	186,271	173,303
Selling and administrative expenses	447,392	390,885	400,723	397,985	376,781
Curtailement loss	—	—	—	5,943	—
Restructuring and other charges, net (a)	10,077	18,301	18,212	—	2,680
Interest expense	48,709	61,818	74,008	41,535	25,549
Other expense (income), net	8,059	1,921	(2,797)	(11,136)	(9,838)
	<u>2,263,269</u>	<u>2,049,609</u>	<u>2,105,450</u>	<u>1,945,824</u>	<u>1,779,928</u>
Income before taxes	359,593	276,549	283,922	330,814	315,462
Taxes on income	96,036	81,023	54,294	83,686	88,962
Net income	<u>\$ 263,557</u>	<u>\$ 195,526</u>	<u>\$ 229,628</u>	<u>\$ 247,128</u>	<u>\$ 226,500</u>
Percentage of net sales	10.0	8.4	9.6	10.9	10.8
Percentage of average shareholders' equity	29.7	28.9	38.0	32.0	24.6
Net income per share — basic	\$ 3.29	\$ 2.48	\$ 2.89	\$ 2.84	\$ 2.50
Net income per share — diluted	\$ 3.26	\$ 2.46	\$ 2.86	\$ 2.81	\$ 2.48
Average number of diluted shares (thousands)	80,440	79,094	79,723	87,528	91,639
Consolidated Balance Sheet Data					
Cash and cash equivalents	\$ 131,322	\$ 80,135	\$ 178,467	\$ 151,471	\$ 114,508
Receivables, net	451,804	444,265	400,971	400,527	357,155
Inventories	531,675	444,977	479,567	484,222	446,606
Property, plant and equipment, net	538,118	501,293	496,856	508,820	495,124
Goodwill and intangible assets, net	714,416	720,530	726,683	732,836	745,716
Total assets (c)	2,872,455	2,644,774	2,749,913	2,726,314	2,478,904
Bank borrowings, overdrafts and current portion of long-term debt	133,899	76,780	101,982	152,473	15,897
Long-term debt	787,668	934,749	1,153,672	1,060,168	791,443
Total Shareholders' equity (b) (c) (e)	1,003,155	771,910	580,642	626,359	916,056
Other Data					
Current ratio (d)	2.0	2.3	2.6	2.1	2.4
Gross additions to property, plant and equipment	\$ 106,301	\$ 66,819	\$ 85,395	\$ 65,614	\$ 58,282
Depreciation and amortization expense	79,242	78,525	75,986	82,788	89,733
Cash dividends declared per share	\$ 83,056	\$ 78,962	\$ 75,902	\$ 76,465	\$ 68,956
Number of shareholders of record at year-end	\$ 1.04	\$ 1.00	\$ 0.96	\$ 0.88	\$ 0.77
Number of employees at year-end	2,758	3,004	3,167	3,248	3,393
	5,514	5,377	5,338	5,315	5,087

- (a) Restructuring and other charges (\$8,928 after tax) in 2010, (\$14,763 after tax) in 2009, (\$12,583 after tax) in 2008 and (\$1,982 after tax) in 2006 were the result of various restructuring and reorganization programs of the Company.
- (b) The 2006 amounts reflect adoption of ASC 715 "Compensation — Retirement Benefits".
- (c) The 2007 amounts reflect adoption of ASC 740 "Income Taxes".
- (d) Current ratio is equal to current assets divided by current liabilities.
- (e) Includes noncontrolling interests for all periods presented.
- (f) The 2006 — 2008 periods have been revised to properly recognize R&D expense, net of R&D credits. Previously, these credits were reflected as a reduction of tax expense.
- (g) Certain reclassifications have been made to the prior periods, within cost of goods sold, research and development expenses and selling and administrative expenses, to conform with the 2010 presentation.

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
- 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 \$15-\$16 billion of which IFF represents 16%-17%; the largest competitor in the industry has approximately a 25% market share. IFF is one of the top four companies, which together represent approximately 70% of the flavors and fragrances industry.

IFF is organized into two units that reflect our flavor and fragrance businesses. Approximately 46% of our 2010 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 54% of sales, representing the fragrance 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 natural and 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.

The under-pinning of structural growth for the flavor and fragrance industry are population growth, an expanding middle class and technology. Changing social habits resulting from such factors as increases in personal income, leisure time, health and wellness and urbanization stimulate demand for consumer products utilizing flavors and fragrances, especially in the emerging markets. These developments also drive the creation and development of new molecules, technologies and/or solutions that facilitate and improve the end-use consumption of flavors and fragrances in consumer products.

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Flavors and fragrances are generally:

- created for the exclusive use by a specific customer;
- sold in 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 flavors and fragrances 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, IFF is susceptible to margin pressures due to customers' cost improvement programs and input cost increases. However, these pressures can often be mitigated through a combination of price realization, product reformulation, sourcing strategies and material substitution plus internal cost containment efforts, and the development of innovative and streamlined solutions and processes.

We produce more than 34,000 unique compounds, of which more than half is flavors. We continually create new compounds to meet the changing characteristics and needs of our customers' end products. No single compound represents more than 2% of net sales. Development of flavors and fragrances 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.

IFF's success in the flavors and fragrances industry is driven by our ability to create unique sensory experiences that meet evolving consumer needs and expectations. These solutions are delivered in a cost-efficient manner in conjunction with world-class customer service.

STRATEGIC DRIVERS

To increase shareholder value, we pursue and develop a value-creation model that encompasses three main elements: investing in research & development to identify and commercialize new, innovative materials and delivery systems; maintaining a deep understanding of both consumer preferences and consumer product brands; and excellence in our creative capabilities. Our goal is to deliver differentiated solutions that enable our customers' brands to win in the marketplace.

In order to pursue these strategies, our organization is focused on ensuring that we efficiently create, produce, and sell unique, superior, and economically competitive products through our world class integration of research and development, consumer insight, customer intimacy, creativity, and operational excellence. We believe we are well positioned to achieve success by targeting strategically important global and regional customers in both developed and emerging markets; attracting, developing and retaining top talent; investing in research and development; and fostering a culture of innovation, accountability, cost discipline and continuous improvement.

CHANGE IN MANAGEMENT

During the interim period from October 1, 2009 through February 28, 2010, the Company operated using temporary office of the Chief Executive Officer ("CEO") of the Company, which was comprised of Executive Vice President and Chief Financial Officer, Kevin Berryman; Group President Fragrances, Nicolas Mirzayantz; and Group President, Flavors, Herman Vaisman. Each of these executives remained in their then current positions while carrying out their Office of the CEO responsibilities. The Office of the CEO reported to the Board of Directors. On March 1, 2010 Douglas D. Tough assumed the position of Chairman of the Board of Directors ("Chairman") and CEO.

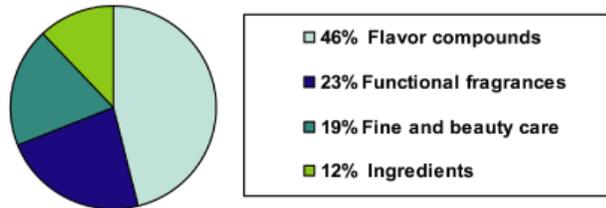
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Effective December 31, 2010, Senior Vice President, General Counsel and Secretary, Dennis Meany retired from the Company. Since Mr. Meany's retirement, our CEO has assumed direct oversight for the legal functions and our Executive Vice President, Head of Supply Chain, has assumed direct oversight for the regulatory functions.

Sales Commentary

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

2010 Sales by Category



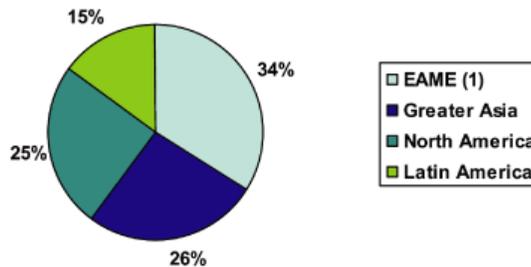
Our five largest customers comprise 32% of consolidated sales and our top 25 customers comprise 52%; these percentages have remained fairly constant for several years. We have one customer that accounts for 10% of our sales. A key factor for commercial success is inclusion on the strategic customers' core supplier lists, opening opportunities to win new business. We are on the core supplier lists of a large majority of our strategic customers.

Net sales by business unit for 2010, 2009 and 2008 were as follows:

Net Sales	2010	Percent Change	2009	Percent Change	2008
Fragrances	\$ 1,420	14%	\$ 1,245	-4%	\$ 1,297
Flavors	1,203	11%	1,081	-1%	1,092
Total net sales	<u>\$ 2,623</u>	13%	<u>\$ 2,326</u>	-3%	<u>\$ 2,389</u>

2010 Sales by Destination

We manage our operations by global business units but utilize destination sales as a supplemental performance measure and indicator of underlying market trends. 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 competitiveness of our business.



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Net sales by destination for 2010, 2009 and 2008 were as follows:

Sales by Destination	2010	Percent Change	2009	Percent Change	2008
EAME ⁽¹⁾	\$ 897	11%	\$ 808	-11%	\$ 907
Greater Asia	677	18%	575	5%	547
North America	651	8%	600	0%	601
Latin America	398	16%	343	3%	334
Total net sales, as reported	<u>\$ 2,623</u>	13%	<u>\$ 2,326</u>	-3%	<u>\$ 2,389</u>

(1) Europe, Africa and Middle East

2010 in Comparison to 2009

Sales for 2010 totaled \$2,623 million, an increase of 13% from \$2,326 million in 2009. The significant acceleration of growth (+13% in Local Currency; LC terms) reflects strong commercial performance in both businesses, higher volumes, including the effects of re-stocking in developed markets, most notably in the first half of the year and stronger sales mix for both businesses. Sales from new wins accounted for half of the LC sales gains. In addition, higher volumes were driven by a broad-based recovery in demand and lower base period comparisons in 2009 (primarily in Fine Fragrances, Ingredients, and Home Care). Foreign currency movements had only a minor impact on year-over-year sales growth, although there was volatility from quarter-to-quarter.

Flavors Business Unit

On a reported basis Flavor sales increased 11%; excluding the impact of foreign currency translation, LC sales for the Flavors business increased 10% from the prior year period. Almost 60% of year-over-year gain was driven by higher volume (including some elements of re-stocking) with the remaining due to sales from new business. Solid growth was experienced across all product categories, led by double-digit LC growth in our Beverage and Confectionery categories and near double-digit growth in the others. Our regional growth was driven by EAME and Greater Asia which benefited from result of higher volumes and net new business particularly in the Beverage, Confectionery, and Savory categories. Growth in both regions benefited from continued investments to strengthen our commercial and development capabilities. Sales in North America were up 6% due to higher volume and new business in Beverages and Confectionery. Latin America had solid growth, up 6% in LC as new business wins and volume recovery in Confectionery and Savory more than offset the effects of non-strategic business lost last year. Overall growth was led by solid double-digit growth in emerging markets of 14%, which represent 47% of Flavors overall sales.

Fragrances Business Unit

Fragrance sales increased significantly, up 14% on a reported basis and 16% in LC terms. Approximately 60% of the improvement was driven by sales from new wins with our customers with the balance attributable to increased volume (including the benefit of weaker prior year base sales in Fine Fragrance and Ingredients). The volume gains reflect a bounce back in demand supported by increased customer promotional activities, mainly in Fine Fragrance, lower base period comparisons and re-stocking in the developed markets. Overall, Fine & Beauty Care LC sales increased 26% versus last year, driven by significant gains in new business, a recovery in demand (including effects of re-stocking), and low prior year activity levels. LC Functional Fragrance sales increased 7%, driven by double-digit gains in Home Care resulting from new business and solid growth in our Fabric Care category. Ingredient LC sales increased 18% driven by a recovery in demand, weaker year-ago activity and customer success within certain specialty grades. All regions delivered double-digit LC sales gains, led by Latin America (Fine & Beauty and Ingredients) and EAME (Fine Fragrance and Functional). Greater Asia's growth was led by strong Functional and Hair Care category sales, whereas North America was mainly driven by higher Fine Fragrance sales. Overall growth was well-balanced, with both emerging and developed markets delivering double-digit LC gains, although emerging market growth was strongest at 18%.

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Sales by Region and Category

Regional and product category sales performance for 2010 compared to 2009, in reported dollars and local currency, was as follows:

		% Change in Sales — 2010 vs 2009						
		Fine & Beauty Care	Functional	Ingredients	Total Frag.	Flavors	Total	
North America	Reported	11%	2%	23%	11%	6%	8%	
EAME	Reported	25%	1%	12%	12%	10%	11%	
	<i>Local Currency</i>	<i>31%</i>	<i>6%</i>	<i>17%</i>	<i>17%</i>	<i>13%</i>	<i>15%</i>	
Latin America	Reported	44%	5%	14%	20%	10%	16%	
	<i>Local Currency</i>	<i>40%</i>	<i>5%</i>	<i>14%</i>	<i>18%</i>	<i>6%</i>	<i>14%</i>	
Greater Asia	Reported	22%	19%	11%	18%	17%	18%	
	<i>Local Currency</i>	<i>20%</i>	<i>17%</i>	<i>10%</i>	<i>17%</i>	<i>12%</i>	<i>14%</i>	
Total	Reported	24%	6%	15%	14%	11%	13%	
	<i>Local Currency</i>	<i>26%</i>	<i>7%</i>	<i>18%</i>	<i>16%</i>	<i>10%</i>	<i>13%</i>	

Local Currency Sales Drivers

- North America Fine & Beauty sales growth was driven by 16% growth in Fine Fragrance associated with general demand recovery (including some elements of re-stocking) as well as weaker year ago comparison levels (mostly in the first half of the year) combined with good market success for new business launches. The strong performance in Ingredients reflects broad-based volume gains, re-stocking and weak market conditions last year. Functional Fragrance sales increased as strong new business wins across all categories more than offset volume erosion in Fabric Care, with the strongest gain within the Home Care category. Double-digit growth in Beverages (volume) and Confectionery (net new wins) categories led the growth in the Flavors business, with Savory also contributing solid growth.
- EAME delivered strong sales gains across all categories (except Personal Wash), led by new business and demand recovery in Fine Fragrance, Ingredients and Fabric Care plus net new wins and higher volume for Flavors, notably within the Beverage category, which grew 27%. The Flavors business also benefited from double-digit growth in Confectionery and Dairy. Re-stocking also supported growth in the developed countries within the region across most categories.
- Latin America's sales performance was led by general recovery in demand and new business in Fine Fragrance, which grew 50%. Double-digit growth in Beauty Care, Confectionery, Dairy and Savory categories more than offset the effect of non-strategic Flavors' business lost last year. The Functional Fragrance category improvement benefited from both new business and volume recovery in Home Care and Fabric Care.
- Greater Asia delivered double-digit LC sales growth in all categories. Fine & Beauty Care gains were driven by demand recovery and new business wins in Hair Care and Toiletries. Fine Fragrance's growth of 40% also benefited from demand recovery and a weaker prior year base. Within Functional Fragrances, Fabric, Home Care and Personal Wash all achieved double-digit gains reflecting both strong commercial performance and solid demand growth. Flavor sales growth was driven by new product introductions and volume growth mainly in Savory, Beverage and Confectionery, with all major categories producing double-digit gains.

2009 in Comparison to 2008

Sales for 2009 totaled \$2,326 million, decreasing 3% from the prior year period of \$2,389 million, as Flavor sales declined 1% and Fragrance sales decreased 4%. Foreign exchange had a 3% negative impact on reported sales during 2009 as the U.S. dollar was stronger during the first three-quarters of 2009 versus the comparable year-ago period. Market conditions improved during the second half of 2009, as global economic conditions strengthened and customer inventory levels stabilized. LC sales increased over 2% during both the third and fourth quarters compared to a decline of 3% during the first six months of 2009.

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Flavors Business Unit

Flavor sales decreased 1% for 2009 compared to 2008 as the effects of a stronger U.S. dollar, soft demand and inventory corrections in Europe and customer specific losses in Latin America more than offset new wins, solid demand and price increases in North America and Greater Asia. Excluding the impact of currencies, sales for the Flavors business increased over 2% during 2009 compared to 2008.

Fragrances Business Unit

Fragrance sales decreased 4% for 2009 compared to 2008 reflecting double-digit LC sales declines for Fine Fragrances, as consumers reduced discretionary spending and the industry significantly reduced inventories across the supply chain. These headwinds were partially offset by solid growth and new wins in beauty care, toiletries and substantially all functional fragrance categories. Excluding the impact of currencies, sales for the Fragrances business declined 1% during 2009 compared to 2008.

Sales by Region and Category

Regional and product category sales performance for 2009 compared to 2008, in reported dollars and local currency, was as follows:

		% Change in Sales — 2009 vs 2008					
		Fine & Beauty Care	Functional	Ingredients	Total Frag.	Flavors	Total
North America	Reported	-14%	1%	5%	-3%	3%	0%
EAME	Reported	-24%	-3%	-11%	-13%	-7%	-11%
	Local Currency	-18%	2%	-6%	-8%	0%	-5%
Latin America	Reported	8%	4%	-2%	5%	0%	3%
	Local Currency	9%	5%	-1%	5%	4%	5%
Greater Asia	Reported	17%	14%	-1%	12%	1%	5%
	Local Currency	20%	16%	-3%	13%	4%	7%
Total	Reported	-12%	3%	-4%	-4%	-1%	-3%
	Local Currency	-8%	5%	-2%	-1%	2%	0%

Local Currency Sales Drivers

- North America sales were flat as the erosion and volume declines in Fine Fragrance and Flavors compounds offset more than \$40 million in new product introductions, plus modest price realization in Flavors and Functional Fragrances. Ingredient sales growth was mainly attributable to cost driven price increases.
- EAME sales declines in LC were driven by de-stocking and weak underlying demand for Fine Fragrance and Ingredients that more than offset solid win performance in Functional Fragrances. Flavor sales were effectively flat as new wins in Savory and Confectionary plus pricing were offset by customer inventory reductions across most categories.
- Latin America sales growth was 5% in LC led by near double-digit growth in the Fine Fragrances and Beauty Care and solid performance in the Functional Fragrances and Flavors categories. The growth was primarily driven by new product introductions of approximately \$15 million combined with price increases across both businesses.
- Greater Asia LC sales growth was largely driven by more than \$15 million in new product introductions in Fabric and Hair Care, combined with approximately \$10 million in new product introductions in Flavors which more than offset the effects of customer inventory reductions in the Ingredients category supply chain.

Consolidated Operating Results

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Cost of goods sold	58.3%	59.8%	59.4%
Research and development expenses	8.3%	7.9%	8.2%
Selling and administrative expenses	17.1%	16.8%	16.8%

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.

2010 in Comparison to 2009

Cost of goods sold, as a percentage of sales, decreased to 58.3% in 2010 compared to 59.8% during 2009. The improvement in 2010 versus the prior year period reflects favorable input costs, combined with better absorption resulting from higher volumes, continued margin recovery efforts, and a stronger sales mix. This improvement was partially offset by inventory write-offs and transition costs associated with the rationalization of our Fragrance and Ingredients' operations in Europe.

Research and development (R&D) expenses increased approximately \$34 million from the prior year. The increase was due to growth driven incentive compensation accruals of \$15 million and lower R&D tax credits of \$5 million. The remaining increase was due to higher basic research, targeted investments to support strategic growth initiatives, and lower prior period base comparison resulting from some curtailment in 2009 spend due to the then prevailing economic crisis.

Selling and administrative expenses (S&A), as a percentage of sales, increased slightly to 17.1% of sales compared to 16.8% for 2009. Overall spending increased \$57 million versus the prior year, mainly driven by higher provisions for incentive compensation of \$36 million. The remaining variance was due to planned investments and volume related activity to support growth, contingency related costs and fees, and lower prior period base spending in 2009 due to the prevailing economic crisis. The 2009 results include approximately \$6 million of severance and related costs, primarily associated with the change in CEO.

Interest Expense

During 2010, interest expense totaled \$49 million compared to \$62 million in 2009. The 2009 amount includes \$4 million of interest paid on the close-out of a cross-currency interest rate swap classified as a net investment hedge. The additional reduction versus 2009 reflects certain debt repayments of more than \$210 million made during the second half of 2009. Average cost of debt was 5.0% for the 2010 period compared to 5.5% in 2009.

Other Expense (Income), Net

Other expense was \$8 million in 2010 versus other income of \$2 million in 2009, approximately 50% of which relates to losses on foreign exchange transactions. The remaining change is principally attributable to higher provisions for non-controlling interest in consolidated subsidiaries and miscellaneous non-operating expenses.

Income Taxes

The effective tax rate for the year 2010 was 26.7% compared to 29.3% during 2009. The year-over-year decrease reflects the mix of earnings across the countries in which the Company operates, an adjustment to provisions for tax reserves, and lower repatriation costs. The 2009 results include \$6 million of tax expense due to the recognition of out-of-period tax adjustments arising from periods 2006 and prior, and was also impacted by the higher level of restructuring costs which carried lower tax benefits.

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Operating Results by Business Unit

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

Flavors Business Unit

In 2010, Flavors operating profit totaled \$243 million, or 20.2% as a percentage of sales, compared to \$208 million or 19.3% in 2009. The improvement in profitability was mainly driven by a 100 basis point (bps) improvement in gross margin resulting from strong sales growth and better absorption, improving input costs, and the benefits of our margin improvement initiatives, partially offset by higher tolling costs associated with some outsourcing of work. Research, selling and administrative costs (RSA) were down 10 bps as a percentage of sales. Higher overall RSA expenses were due to targeted investments in business development, growth driven incentive compensation costs, and product liability and other contingency claims.

Fragrances Business Unit

Fragrances operating profit for 2010 was \$235 million, or 16.5% as a percentage of sales, compared to \$171 million or 13.7% reported in 2009. The 2010 period includes \$10 million of restructuring related charges related to the rationalization of our European fragrance manufacturing footprint compared to \$18 million in the prior year period. Excluding restructuring charges in each period, operating profit increased more than \$56 million to \$245 million (17.3% of sales) versus \$189 million (15.1% of sales) during 2009. The improvement in profit was driven by a 200 bps increase in gross margin resulting from higher volumes and net win performance, favorable input costs, and the benefits of ongoing profit improvement initiatives, which were partially offset by inventory write-offs and transition costs associated with the rationalization of our Fragrances and Ingredients' operations in Europe. RSA as a percentage of sales improved 150 bps due to positive cost leverage on our higher volume. Higher overall RSA expenses were due to increased incentive compensation expense, lower R&D credits and investments in business development.

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. In 2010, Global expenses were \$61 million compared to \$39 million during 2009. The increase in Global expenses is mainly due to higher incentive compensation of \$22 million with the balance mainly related to litigation related provisions and costs. In 2009, Global expenses included \$6 million of employee separation costs associated with the change in CEO.

2009 in Comparison to 2008

Cost of goods sold, as a percentage of sales, was 59.8% in 2009 compared with 59.4% in 2008. This increase reflects higher input costs, a weaker sales mix principally related to Fine Fragrance and slightly lower absorption that could only be partially offset by cost recovery, and productivity and margin improvement efforts, including pricing.

R&D expenses were down \$12.1 million in 2009 compared to the prior year, mainly due to increased foreign R&D credits of \$8 million driven by program enhancements and additional qualifying expenditures. The remaining reduction was due to tight cost control on applied research and development and the effects of a stronger U.S. dollar, partially offset by higher incentive compensation. During 2008 and the first nine months of 2009, these credits were previously recognized as a reduction of tax expense.

S&A, as a percentage of sales, was 16.8% during 2009 and 2008. The 2009 results include \$6.0 million of employee separation costs and expenses related to the change in CEO whereas the 2008 amount included the benefit of a \$2.6 million insurance recovery related to a prior period product liability claim offset by \$3.4 million for employee separation costs. Excluding these items, S&A declined \$15 million and would have been 16.5% as a percentage of sales in 2009 compared to 16.7% in 2008. The reduction in S&A dollars reflects a stronger U.S. currency and cost reduction efforts, which more than offset higher pension expense, higher incentive compensation expense, and provision for product claims.

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Interest Expense

During 2009, interest expense totaled \$61.8 million as compared to \$74.0 million in 2008. The 2009 decrease reflects a lower average borrowing cost, the elimination of a cross-currency interest rate swap during the second half of 2008 and debt repayments during 2009. The 2009 amount includes \$4 million of interest paid on the close-out of a cross-currency interest rate swap classified as a net investment hedge. Average cost of debt was 5.5% for 2009 compared to 6.1% in 2008.

Other Expense (Income), Net

Other expense during 2009 was \$1.9 million compared to other income of \$2.8 million in 2008. Approximately 50% of the change was mainly due to year-over-year changes in foreign exchange gains/(losses) on trade receivables and payables during the year. During 2008, the Company recognized foreign exchange gains, primarily during the fourth quarter, as a result of the rapid strengthening of the U.S. dollar (USD) during the period of financial turmoil. During 2009, we saw a general weakening trend for the USD that has resulted in a higher level of foreign exchange losses on trade receivables and payables. The remaining change was due to less favorable mark-to-market adjustments on our investments.

Income Taxes

The effective tax rate for the year 2009 was 29.3% compared to 19.1% during 2008. The 2008 period included a \$23 million reduction in tax expense related primarily to prior period tax settlements versus \$2 million during 2009. The 2009 results include \$6 million of tax expense due to the recognition of out-of-period tax adjustments arising from periods 2006 and prior. The Company did not adjust the prior periods as it concluded that such adjustments were not material to the prior periods' consolidated financial statements or to the current year. Excluding these items from both periods, as well as the previously discussed restructuring charges, the tax rate for 2009 was 27.4% compared to 27.5% for 2008. The change reflects \$3 million of higher repatriation costs on foreign earnings offset by a net reduction of valuation allowances on certain deferred assets and the mix of earnings between high and low tax jurisdictions.

Operating Results by Business Unit

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

Flavors Business Unit

In 2009, Flavors operating profit totaled \$208 million or 19.3% of sales, compared to \$198 million or 18.1% of sales in 2008. The operating profit improvement reflects increased prices, ongoing cost discipline, and cost recovery and margin improvement efforts, which more than offset higher input costs and negative currency impacts. The 2008 amount included \$3.5 million of restructuring expenses versus \$0.6 million in 2009.

Fragrances Business Unit

In 2009, Fragrances operating profit was \$171 million or 13.7% of sales, compared to \$202 million or 15.6% of sales in 2008. The 2008 figure has been revised to reflect R&D credits that were previously reflected as a reduction of tax expense. The 2009 amount includes \$18 million of restructuring related expenses compared to \$4 million in 2008. During 2009, as part of the rationalization of our European fragrance manufacturing footprint, we decided to close our Fragrance compounding facility in Ireland and partially close our ingredients plant in the United Kingdom (UK). In addition, we eliminated 60 positions to improve profitability.

The decline in profit was driven by significantly lower volumes in Fine Fragrances and Ingredients, higher input costs and unfavorable mix, partially offset by improved pricing, margin recovery efforts, lower overhead expenses, and \$8 million of additional R&D credits versus the prior year. Excluding the restructuring charges, operating profit margins declined 70 bps over the comparable prior year period.

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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. In 2009, Global expenses were \$39 million compared to \$45 million during 2008. In 2009, Global expenses included \$6 million of employee separation costs associated with the change in CEO. Global expenses in 2008 included approximately \$10 million of restructuring charges and \$3 million of employee separation costs and \$2 million of implementation costs related to our global shared service structure, partially offset by a \$3 million insurance recovery related to prior period product liability claim. Excluding these items, global expenses were flat, indicative of strict cost control measures that offset inflationary pressure.

Goodwill and Intangible Assets

At December 31, 2010 and 2009, goodwill and other intangible assets, net of accumulated amortization, totaled \$714 million and \$721 million, respectively. Additional details are contained in Note 4 to the Consolidated Financial Statements.

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 6 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

Restructuring and other charges primarily consist of separation costs for employees including severance, outplacement and other benefit costs.

The Company recorded a net pre-tax charge of \$4.1 million during the second quarter ended June 30, 2009. This amount included \$6.6 million for severance and related costs associated with the elimination of approximately 70 positions globally, less a \$2.5 million reduction to previously recorded provisions. The reduction in prior reserves was attributable to lower estimated benefit costs on severance paid as well as fewer position eliminations requiring severance.

During September 2009, as part of the rationalization of our European fragrance manufacturing footprint, the Company announced that it had initiated a collective consultation process with employees regarding the closure of its Fragrances compounding facility in Drogheda, Ireland, as well as the partial closure of its Fragrance Ingredients plant in Haverhill, UK. The Company has completed both consultation processes and has communicated its intent to proceed with the closures. The Company completed the negotiations with the Haverhill employee representatives during the fourth quarter of 2009.

The Company has completed its negotiations with the Drogheda, Ireland employee representatives regarding separation benefits related to the closure of the Company's compounding facility at that location during the third quarter 2010. Based upon the period-end estimates regarding the separation agreements, the Company increased its provision for severance costs by approximately \$4 million in 2010. The balance of the restructuring charges in 2010 was mainly due to accelerated depreciation and other restructuring related costs pertaining to the rationalization of our Fragrances and Ingredients operations in Europe. The Company ceased its operations at the Drogheda plant as of September 30, 2010. The Company is currently working with the Trustees of the pension plan regarding various aspects associated with the funding requirements for the plan, which it expects to conclude in the first quarter of 2011.

We expect to incur total costs related to this restructuring plan of approximately \$34 million, consisting primarily of \$18 million of employee termination costs, \$12 million in plant shutdown and business transition costs and \$4 million in accelerated depreciation of related fixed assets. The increase from our prior estimate reflects projected higher inventory write-offs and transition costs associated with a more complex operating environment, due to higher activity levels, and potential incremental pension settlement costs.

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Inception to date, we have recorded total expenses of \$30.8 million relating to this plan, of which \$24.5 million was recorded to restructuring and other charges and \$6.3 million recorded to costs of sales and research, selling and administrative expenses.

Positions eliminated and charges, net of reversal, by business segment in 2010, 2009 and 2008 are detailed in the table below:

	Restructuring Charges (In Thousands)			Positions Affected		
	2010	2009	2008	2010	2009	2008
Flavors	\$ —	\$ 637	\$ 3,538	—	7	36
Fragrances	10,077	18,046	4,396	(10)	200	38
Global	—	(382)	10,278	—	5	144
Total	\$ 10,077	\$ 18,301	\$ 18,212	(10)	212	218

Movements in related accruals during 2008, 2009 and 2010 are as follows:

(In Millions)	Employee-Related	Asset-Related and Other	Total
Balance January 1, 2008	\$ 3	\$ —	\$ 3
Additional charges, net of reversal	18	—	18
Payments and other	(6)	—	(6)
Balance December 31, 2008	15	—	15
Additional charges, net of reversal	17	1	18
Payments and other	(13)	—	(13)
Non-cash charges	—	(1)	(1)
Balance December 31, 2009	19	—	19
Additional charges, net of reversal	4	6	10
Payments and other	(19)	(1)	(20)
Non-cash charges	—	(5)	(5)
Balance December 31, 2010	\$ 4	\$ —	\$ 4

The remaining employee-related liabilities are expected to be utilized by 2011 as obligations are satisfied.

Income Taxes

Effective utilization of the cash generated by our international operations is a critical component of our tax strategy. Strategic dividend repatriation from foreign subsidiaries creates U.S. taxable income, which enables us to recognize deferred tax assets.

Pursuant to ASC 740 "Income Taxes", we establish a valuation allowance for net deferred tax assets if, based on the weight of the available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Historically, we have provided a full valuation allowance against deferred tax assets resulting from state net operating losses and state credits, as well as selective non-U.S. affiliates' net operating losses. The changes in the valuation allowances from December 31, 2009 are primarily attributable to the increase in amortizable intangibles in non-U.S. affiliates.

Financial Condition

Cash and cash equivalents totaled \$131 million at December 31, 2010 compared to \$80 million at December 31, 2009. Working capital totaled \$664 million at year-end 2010 compared to \$644 million at December 31, 2009. The 2010 increase in working capital reflects sharply higher commercial activity, the build-up of contingency stocks related to the European rationalization plan and higher inventory levels needed to meet customer requirements. Accounts receivable was up slightly due to higher commercial activity, which was partially offset by reductions in past due balances. The increase in our current liabilities was driven by higher trade payables, mainly due to the higher commercial activity and a more disciplined approach in our "purchase to pay" process, and increased accruals for income taxes and incentive compensation. Gross additions to property, plant and equipment were \$106 million, \$67 million and \$85 million in 2010, 2009 and 2008, respectively, and are expected to approximate 4%-5% of sales in 2011. The increase in capital expenditures is mainly attributable to investments needed to support growth in emerging markets and certain capacity expansions in critical process technologies.

Our financial condition continues to be strong, as evidenced by substantial cash flow from operations and substantial drawdown capacity of approximately \$818 million on our multi-year revolving credit facility. Operating cash flow provides the primary source of funds for operating and capital needs as well as dividends paid to shareholders. We anticipate that cash flows from operations and availability under our existing credit facilities are sufficient to fund our capital spending and other cash requirements for at least the next eighteen months. We regularly assess our capital structure, including both current and long-term debt instruments, as compared to our cash generation and investment needs in order to provide ample flexibility.

As discussed in Note 16 to the Consolidated Financial Statements, at December 31, 2010, we had entered into various guarantees and had undrawn outstanding letters of credit from financial institutions. These arrangements were entered into in connection with normal business operations and based on the current facts and circumstances they are not reasonably likely to have a material impact on our consolidated financial condition, results of operations, or liquidity.

Operating cash flow in 2010 was \$315 million compared to \$292 million and \$221 million in 2009 and 2008, respectively. The improvement in operating cash flows during 2010 as compared to 2009 reflects higher earnings in the current year period, partially offset by the higher core working capital (receivables plus inventory, minus payables) discussed above. We began to see the benefits of our internal process improvement initiatives for our core working capital efficiency in the second half of 2009. We expect to make additional operational gains in working capital management going forward. The improvement in operating cash flows during 2009 as compared to 2008 was led by the reduction of our inventories, which was driven by our internal process improvement initiatives combined with better operating discipline over receivables and payables. Operating cash flows in 2008 benefited from the receipt of \$18 million on termination of an interest rate swap. The decrease in other assets and liabilities was driven by long-term incentive plan payments, lower deferred taxes, and pension and other postretirement payments.

Net investing activities in 2010 utilized \$107 million compared to \$81 million and \$90 million in 2009 and 2008, respectively. The increase in investing activities in 2010 resulted from capital investments to support capacity requirements in emerging markets as well as key technologies, primarily in the Flavors business. The reduction in 2009 funds used compared to 2008 reflects a \$20 million decline in capital spending, partially offset by a \$14 million payment to terminate a net investment hedge related to our investment in Europe.

Compliance with existing governmental requirements regulating the discharge of materials into the environment has not materially affected our operations, earnings or competitive position. In 2010 and 2009, we spent \$6 million and \$4 million, respectively, on capital projects and \$18 million and \$17 million, respectively, 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.

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The dividend paid per share in 2010, 2009 and 2008 was \$1.04, \$1.00 and \$0.94, respectively. In January 2010 and April 2010 we paid a quarterly cash dividend of \$0.25 per share to shareholders and in July 2010 and October 2010, we paid a quarterly cash dividend of \$0.27 per share to shareholders. In January 2009, April 2009, July 2009 and October 2009 we paid a quarterly cash dividend of \$0.25 per share to shareholders. In January, April, July and October 2008, we paid a quarterly cash dividend of \$0.23 per share to shareholders. We paid dividends totaling \$81 million, \$79 million and \$75 million in 2010, 2009 and 2008, respectively. Our current intention is to pay dividends approximating 30%-35% of yearly earnings; however, the payment of dividends is determined by the Board of Directors ("Board") at its discretion based on various factors, and no assurance can be provided as to future dividends.

No shares were repurchased during the year ended December 31, 2010. During the year ended December 31, 2009, we repurchased 75,000 shares on the open market at a cost of \$2 million or an average of \$26.22 per share. For the year ended December 31, 2008, we repurchased 700,000 shares of our common stock at a cost of \$30 million on the open market.

In July 2007, our Board authorized us to repurchase up to 15% or \$750 million worth of our then outstanding common stock, whichever is less. 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. The ASR concluded in June 2008. Total aggregate shares repurchased under the ASR program were 9.7 million shares at an average purchase price of \$46.53. The ASR was primarily funded through the issuance of \$500 million of Senior Unsecured Notes in four series under a Note Purchase Agreement. See Note 8, Borrowings, to the Consolidated Financial Statements for additional information regarding these notes.

We supplement short-term liquidity with access to capital markets, mainly through bank credit facilities and issuance of commercial paper. In 2005, IFF, including certain subsidiaries, entered into a revolving credit agreement (the "Facility") with certain banks. The Facility provides for a 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 (or in relation to any Euro-denominated loans, EURIBOR) plus a margin, currently 25 bps, linked to our credit rating. We pay a commitment fee on the aggregate unused commitments; such fee is not material. The Facility expires on November 23, 2012. During 2008 the maximum amount of outstanding commercial paper was \$30 million. We did not issue commercial paper during 2010 and 2009.

As of December 31, 2010 we had total borrowings under the Facility of \$61 million. The amount which we are able to draw down on under the Facility is limited by financial covenants as described in more detail below. At December 31, 2010 we had a remaining overall borrowing capacity of \$840 million. However, our drawdown capacity on the Facility was limited to \$818 million based on existing balances outstanding under the Facility at December 31, 2010.

At December 31, 2010, we had \$922 million of debt outstanding compared to \$1,012 million outstanding at December 31, 2009. We regularly assess our capital structure, including both current and long-term debt instruments, as compared to our cash generation and investment needs in order to provide ample flexibility. In that connection, in December 2009 we prepaid, without penalty, the remaining outstanding balance (approximately \$151 million) of our Japanese Yen loan, which was scheduled to mature in 2011. Total debt repayments during 2010 amounted to \$103 million as compared to \$238 million in 2009. In 2011 we have principal debt repayments related to our 2006 Series B note of \$100 million and Japanese Yen note of \$22 million.

In February 2009 we terminated a \$300 million USD LIBOR to EURIBOR interest rate swap which required us to make a payment of \$16 million. See Note 14 to the Consolidated Financial Statements for additional information regarding these transactions.

The Facility contains the most restrictive covenant requiring us to maintain, at the end of each fiscal quarter, a ratio of net debt for borrowed money to adjusted EBITDA in respect of the previous 12-month period of not more than 3.25 to 1.

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At December 31, 2010 and 2009 we were in compliance with all financial and other covenants. At December 31, 2010 our Net Debt/adjusted EBITDA ⁽¹⁾ was 1.56 to 1 as defined by the debt agreements, well below the financial covenants of existing outstanding debt. Failure to comply with the financial and other covenants under these agreements would constitute default and would allow the lenders to accelerate the maturity of all indebtedness under the related agreement. If such acceleration were to occur, we would not have sufficient liquidity available to repay the indebtedness. We would likely have to seek amendments under the agreements for relief from the financial covenants or repay the debt with proceeds from the issuance of new debt or equity, and/or asset sales, if necessary. We may be unable to amend the agreements or raise sufficient capital to repay such obligations in the event the maturities are accelerated.

- (1) *Adjusted EBITDA and Net Debt, which are non-GAAP measures used for these covenants, are calculated in accordance with the definition in the debt agreements. In this context, these measures are used solely to provide information on the extent to which we are in compliance with debt covenants and may not be comparable to adjusted EBITDA and Net Debt used by other companies. Reconciliations of adjusted EBITDA to net income and net debt to total debt are as follows:*

<i>(In Millions)</i>	<i>12 Months Ended December 31,</i>	
	<i>2010</i>	<i>2009</i>
<i>Net income</i>	\$ 263.6	\$ 195.5
<i>Interest expense</i>	48.7	61.8
<i>Income taxes</i>	96.0	81.0
<i>Depreciation</i>	73.1	72.3
<i>Amortization</i>	6.1	6.2
<i>Specified items ⁽¹⁾</i>	10.1	24.6
<i>Adjusted EBITDA</i>	<u>\$ 497.6</u>	<u>\$ 441.4</u>

- (1) Specified items for the 12 months ended December 31, 2010 of \$10.1 million consist of restructuring charges. Specified items for the 12 months ended December 31, 2009 of \$24.6 million consist principally of restructuring charges (\$18.3 million) and employee separation costs (\$6.3 million).

<i>(In Millions)</i>	<i>December 31,</i>	
	<i>2010</i>	<i>2009</i>
<i>Total Debt</i>	\$ 921.6	\$ 1,011.5
<i>Adjustments:</i>		
<i>Deferred gain on interest rate swaps</i>	(12.9)	(15.0)
<i>Cash and cash equivalents</i>	(131.3)	(80.1)
<i>Net Debt</i>	<u>\$ 777.4</u>	<u>\$ 916.4</u>

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At December 31, 2010, we had contractual payment obligations due within the time periods as specified in the following table:

Contractual Obligations (In Millions)	Payments Due				
	Total	2011	2012-2013	2014-2015	2016 and thereafter
Borrowings ⁽¹⁾	\$ 909	\$ 134	\$ 150	\$ —	\$ 625
Interest on borrowings ⁽¹⁾	373	49	88	79	157
Operating leases ⁽²⁾	270	25	44	37	164
Purchase commitments ⁽³⁾	15	15	—	—	—
Pension funding obligations ⁽⁴⁾	78	26	52	—	—
Postretirement obligations ⁽⁵⁾	75	6	13	15	41
Total	<u>\$ 1,720</u>	<u>\$ 255</u>	<u>\$ 347</u>	<u>\$ 131</u>	<u>\$ 987</u>

- (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, including sale leaseback obligations included in Note 7 of the Notes to the Consolidated Financial Statements. 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. The projected contributions beyond fiscal year 2013 are not currently determinable.
- (5) Amounts represent expected future benefit payments for our postretirement benefit plans.

The table above does not include \$64 million of the total unrecognized tax benefits for uncertain tax positions and approximately \$11 million of associated accrued interest. Due to the high degree of uncertainty regarding the timing of potential cash flows, the Company is unable to make a reasonable estimate of the amount and period in which these liabilities might be paid.

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 \$714 million. Goodwill is evaluated for impairment annually. In assessing the potential for impairment of goodwill, management uses the most current actual and forecasted operating data available and current market based assumptions in accordance with the criteria in ASC 350 "Intangibles — Goodwill and Other." We identified two reporting units, the Flavors reporting unit and the Fragrances reporting unit. These reporting units were determined based on the level at which the performance is measured and reviewed. We perform a goodwill impairment test on an annual basis or more frequently in certain circumstances. We utilize the two-step approach, by assessing the fair value of our reporting units based on discounted cash flows. In addition, we utilize external market data of comparable companies to assess the reasonableness of the cash flows' indicated values. There have been no significant changes to the methodologies used for valuing goodwill since the prior year. We deem goodwill to be impaired if the carrying amount of the reporting unit exceeds the estimated fair value. We completed our annual goodwill impairment test as of November 30, 2010, which indicated no impairment of goodwill, as the estimated fair values substantially exceeded the carrying values of each of our reporting units. In addition, there were no triggering events which required asset impairment reviews and the undiscounted cash flows associated with other long-lived intangible assets.

The analysis and evaluation of income taxes. We account for taxes in accordance with ASC 740 "Income Taxes." Under ASC 740, 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 tax 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.

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 assess 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 estimated 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.

We consider a number of factors in determining and selecting assumptions for the overall expected long-term rate of return on plan assets. We consider the historical long-term return experience of our assets, the current and expected allocation of our plan assets, and expected long-term rates of return. We derive these expected long-term rates of return with the assistance of our investment advisors. We base our expected allocation of plan assets on a diversified portfolio consisting of domestic and international equity securities, fixed income, real estate, and alternative asset classes.

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We consider a variety of factors in determining and selecting our assumptions for the discount rate at December 31. For the U.S. plans, the discount rate was based on the internal rate of return for a portfolio of Moody's Aaa, Aa, and Merrill Lynch AAA-AA 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.

With respect to the U.S. plans, the expected return on plan assets was determined based on an asset allocation model using the current target allocation, real rates of return by asset class and an anticipated inflation rate. The target asset allocation consists of approximately: 60%-65% in equity securities and 35%-40% in fixed income securities. The inflation rate assumed in the model was 2.5%. The plan has achieved a compounded annual rate of return of approximately 8% over the previous 20 years. At December 31, 2010, the actual asset allocation was: 64% in equity securities; 35% in fixed income securities; and 1% in cash.

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 target asset allocation, for the non-U.S. plans, consists of approximately: 55%-60% in fixed income securities; 30% - 35% in equity securities; 5%-10% in real estate; and up to 5% in cash. At December 31, 2010, the actual asset allocation was: 55% in fixed income investments; 30% in equity investments; 11% in real estate investments; and 4% in cash.

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 approximately 50% 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.

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.

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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 January 2010, the Financial Accounting Standards Board ("FASB") issued authoritative guidance revising certain disclosure requirements concerning fair value measurements. The guidance requires an entity to disclose separately significant transfers into and out of Levels 1 and 2 of the fair value hierarchy and to disclose the reasons for such transfers. It will also require the presentation of purchases, sales, issuances and settlements within Level 3 on a gross basis rather than a net basis. These new disclosure requirements were effective for our first quarter of 2010, except for the additional disclosure of Level 3 activity, which is effective for fiscal years beginning after December 15, 2010. We did not have any such transfers into and out of Levels 1 and 2 during the year ended December 31, 2010.

Non-GAAP Financial Measures

The Company uses non-GAAP financial operating measures which exclude: employee separation costs (including costs associated with the change in the Chief Executive Officer position in 2009) and restructuring charges (including costs associated with the Company's ongoing restructuring efforts in Europe in 2009 and 2010); benefits of favorable tax rulings and settlements relating to prior years; the benefit of an insurance recovery and costs for the implementation of the global shared services structure in 2008. In addition, in certain instances, we exclude the effects of exchange rate fluctuations when discussing our historical performance. The Company also discloses, from time to time, non-GAAP effective tax rates, which exclude the effect of the benefits of tax rulings relating to prior periods, as additional information in seeking to assess and compare our tax rates without the benefit of those tax rulings. 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, of financial amounts both including and excluding these identified items, 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 our core continuing business. A material limitation of these non-GAAP measures is that such measures do not reflect actual GAAP amounts, restructuring charges, employee separation costs and implementation costs include actual cash outlays, an insurance recovery is an actual cash recovery and benefits from favorable tax rulings and settlements 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", "anticipate", "believe", "outlook", "guidance", "may" and similar terms or variations thereof. All information concerning future revenues, tax rates or benefits, interest and other savings, earnings and other future financial results or financial position, constitutes forward-looking information. Such forward-looking statements are based on a series of expectations, assumptions, estimates and projections about the Company, are not guarantees of future results or performance, and involve significant risks, uncertainties and other factors, including assumptions and projections, for all forward periods. 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, especially given the current disruption in global economic conditions, including economic and recessionary pressures; energy and commodity prices; decline in consumer confidence and spending; significant fluctuations in the value of the U.S. dollar; population health and political uncertainties, and the difficulty in projecting the short and long-term effects of global economic conditions; movements in interest rates; continued volatility and

deterioration of the capital and credit markets, including continued disruption in the commercial paper market, and any adverse impact on our cost of and access to capital and credit; fluctuations in 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 of currency fluctuation or devaluation in the Company's principal foreign markets, especially given the current disruptions to such currency markets, and the impact on the availability, effectiveness and cost 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. The Company can give no assurance that such expectations or forward-looking statements will prove to be correct. An occurrence of, or any material adverse change in, one or more of the risk factors or risks and uncertainties referred to in this report or included in our other periodic reports filed with the Commission could materially and adversely impact our operations and our future financial 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, India, 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 twelve months. The notional amount and maturity dates of such contracts match those of the underlying transactions. The gain or loss on the hedging instrument and services is recorded in earnings at the same time as the transaction being hedged is recorded in earnings.

We have also used non-U.S. dollar borrowings and foreign currency forward contracts, to hedge the foreign currency exposures of our net investment in certain foreign affiliates, primarily in the European Union.

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.

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 currency forward contracts, 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 currency forward contracts, calculated using the sensitivity model, is not material to our consolidated financial position, results of operations or cash flows in 2010. 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 2010. Actual results in the future may differ materially from these projected results due to actual developments in the global financial markets.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

See index to Consolidated Financial Statements on page 41. See Item 6 on page 17 for supplemental quarterly data.

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.

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.

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Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2010. 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, 2010, 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, 2010 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). We have filed the required Sarbanes-Oxley Section 302 certifications of the Chief Executive Officer and Chief Financial Officer regarding the quality of our public disclosures as exhibits to our most recently filed Form 10-K.

ITEM 9B. OTHER INFORMATION.

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

The information relating to directors and nominees of the Company is set forth under the caption "Item 1 — Election of Directors" in the IFF 2011 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 2011 Proxy Statement is also incorporated by reference herein. See Part I, Item 1 of this Form 10-K for information relating to the Company's Executive Officers.

The Company has adopted a Code of Business Conduct and Ethics (the "Code of Ethics") that applies to the persons serving as the Company's chief executive officer, principal financial officer, principal accounting officer, and to all other Company directors, officers and employees. The Code of Ethics is available at the Investor Relations / Corporate Governance section on the Company's website *www.iff.com*. A waiver from any provision of the Code of Ethics in favor of a director or Executive Officer may only be granted by the Board or the Audit Committee of the Board and any such waiver will be publicly disclosed. The Company will disclose substantive amendments to and any waivers from the Code of Ethics provided to the Company's chief executive officer, principal financial officer or principal accounting officer, as well as any other executive officer or director, at the Investor Relations / Corporate Governance section on the Company's Internet website: *www.iff.com*. The Company maintains an anonymous worldwide Hotline to address the serious concerns of employees. The Company contracted with Global Compliance Services to assist our employees in identifying issues that might compromise the health, safety, or reputation of the Company, employees or shareholders.

The information regarding the Company's Audit Committee and its designated audit committee financial experts is set forth under the captions "Board and Committee Memberships" and "Audit Committee" in the IFF 2011 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 2011 Proxy Statement and such information is incorporated by reference herein.

ITEM 11. EXECUTIVE COMPENSATION.

The information relating to executive compensation and the Company's policies and practices as they relate to the Company's risk management is set forth under the captions "Executive Compensation", "Directors' Compensation" and "Compensation Committee — Process and Procedures Regarding Compensation" in the IFF 2011 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 2011 Proxy Statement and such information is incorporated by reference herein. The information relating to the Company's equity plans is set forth under the caption "Equity Compensation Plans" in the IFF 2011 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 2011 Proxy Statement and such information is incorporated by reference herein.

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ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

The information regarding the independent registered public accounting firm ("independent accountant") fees and services and the Company's pre-approval policies and procedures for audit and non-audit services provided by the Company's independent accountant are set forth under the captions "Principal Accountant Fees and Services" and "Audit Committee Pre-Approval Policies and Procedures" in the IFF 2011 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:

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Consolidated Statement of Income for the three years ended December 31, 2010, 2009 and 2008	43
Consolidated Balance Sheet as of December 31, 2010 and 2009	44
Consolidated Statement of Cash Flows for the three years ended December 31, 2010, 2009 and 2008	45
Consolidated Statement of Shareholders' Equity for the three years ended December 31, 2010, 2009 and 2008	46
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(a)(2) FINANCIAL STATEMENT SCHEDULES

Schedule II—Valuation and Qualifying Accounts and Reserves for the three years ended December 31, 2010, 2009 and 2008	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, 2010 and December 31, 2009, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2010 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, 2010, 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 Management's 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.

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 24, 2011

International Flavors & Fragrances Inc.
CONSOLIDATED STATEMENT OF INCOME

<i>(DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)</i>	Year Ended December 31,		
	2010	2009	2008
Net sales	\$ 2,622,862	\$ 2,326,158	\$ 2,389,372
Cost of goods sold	1,530,260	1,391,913	1,418,441
Research and development expenses	218,772	184,771	196,863
Selling and administrative expenses	447,392	390,885	400,723
Restructuring and other charges, net	10,077	18,301	18,212
Interest expense	48,709	61,818	74,008
Other expense (income), net	8,059	1,921	(2,797)
	<u>2,263,269</u>	<u>2,049,609</u>	<u>2,105,450</u>
Income before taxes	359,593	276,549	283,922
Taxes on income	96,036	81,023	54,294
Net income	263,557	195,526	229,628
Other comprehensive income:			
Foreign currency translation adjustments	(6,220)	81,240	(116,856)
Gains (losses) on derivatives qualifying as hedges	(1,442)	1,091	(1,989)
Pension and postretirement liability adjustment	3,285	(28,200)	(61,913)
Comprehensive income	<u>\$ 259,180</u>	<u>\$ 249,657</u>	<u>\$ 48,870</u>
	2010	2009	2008
Net income per share — basic	\$ 3.29	\$ 2.48	\$ 2.89
Net income per share — diluted	\$ 3.26	\$ 2.46	\$ 2.86

See Notes to Consolidated Financial Statements

International Flavors & Fragrances Inc.

CONSOLIDATED BALANCE SHEET

(DOLLARS IN THOUSANDS)

ASSETS	December 31,	
	2010	2009
Current Assets:		
Cash and cash equivalents	\$ 131,332	\$ 80,135
Receivables:		
Trade	458,128	454,528
Allowance for doubtful accounts	(6,324)	(10,263)
Inventories	531,675	444,977
Deferred income taxes	74,160	55,002
Prepaid expenses and other current assets	136,224	103,687
Total Current Assets	1,325,195	1,128,066
Property, plant and equipment, net	538,118	501,293
Goodwill	665,582	665,582
Other intangible assets, net	48,834	54,948
Deferred income taxes	122,800	129,720
Other assets	171,926	165,165
Total Assets	\$ 2,872,455	\$ 2,644,774

LIABILITIES AND SHAREHOLDERS' EQUITY	December 31,	
	2010	2009
Current Liabilities:		
Bank borrowings, overdrafts and current portion of long-term debt	\$ 133,899	\$ 76,780
Accounts payable	200,153	161,027
Dividends payable	21,657	19,786
Restructuring and other charges	3,977	18,914
Other current liabilities	301,265	207,947
Total Current Liabilities	660,951	484,454
Other Liabilities:		
Long-term debt	787,668	934,749
Deferred gains	50,917	54,884
Retirement liabilities	221,985	240,950
Other liabilities	147,779	157,827
Total Other Liabilities	1,208,349	1,388,410

Commitments and Contingencies (Note 16)

Shareholders' Equity:

Common stock 12 1/2¢ par value; authorized 500,000,000 shares; issued 115,761,840 shares as of December 31, 2010 and 2009; and outstanding 80,210,365 and 79,157,393 shares as of December 31, 2010 and 2009	14,470	14,470
Capital in excess of par value	123,809	110,374
Retained earnings	2,519,706	2,339,205
Accumulated other comprehensive (loss) income:		
Cumulative translation adjustment	(74,826)	(68,606)
Accumulated losses on derivatives qualifying as hedges	(4,183)	(2,741)
Pension and postretirement liability adjustment	(196,342)	(199,627)
Treasury stock, at cost — 35,551,475 and 36,604,447 shares as of December 31, 2010 and 2009	(1,383,212)	(1,424,072)
Total Shareholders' Equity	999,422	769,003
Noncontrolling interest	3,733	2,907
Total Shareholders' Equity including noncontrolling interest	1,003,155	771,910
Total Liabilities and Shareholders' Equity	\$ 2,872,455	\$ 2,644,774

See Notes to Consolidated Financial Statements

International Flavors & Fragrances Inc.
CONSOLIDATED STATEMENT OF CASH FLOWS

<i>(DOLLARS IN THOUSANDS)</i>	Year Ended December 31,		
	2010	2009	2008
Cash flows from operating activities:			
Net income	\$ 263,557	\$ 195,526	\$ 229,628
Adjustments to reconcile to net cash provided by operating activities			
Depreciation and amortization	79,242	78,525	75,986
Deferred income taxes	(13,301)	(17,354)	7,261
Gain on disposal of assets	(3,681)	(2,324)	(2,160)
Equity based compensation	22,001	19,652	17,246
Changes in assets and liabilities:			
Current receivables	(12,143)	(27,380)	(34,368)
Inventories	(86,250)	47,090	(19,736)
Current payables	116,817	56,676	(30,585)
Changes in other assets	(53,917)	(85,809)	(25,825)
Changes in other liabilities	2,811	27,035	3,166
Net cash provided by operations	315,136	291,637	220,613
Cash flows from investing activities:			
Additions to property, plant and equipment	(106,301)	(66,819)	(85,395)
Proceeds from disposal of assets	1,657	1,784	2,848
Termination / maturity of net investment hedges	1,719	(13,604)	—
Purchase of investments	(3,858)	(2,249)	(7,198)
Net cash used in investing activities	(106,783)	(80,888)	(89,745)
Cash flows from financing activities:			
Cash dividends paid to shareholders	(81,181)	(78,841)	(74,865)
Net change in bank borrowings and overdrafts	(103,190)	(37,292)	2,902
Net proceeds from long-term debt	—	—	139,167
Repayments of long-term debt	—	(201,102)	(139,364)
Proceeds from issuance of stock under stock plans	26,224	7,010	7,353
Excess tax benefits on share-based payments	1,403	—	133
Purchase of treasury stock	—	(1,967)	(29,995)
Net cash used in financing activities	(156,744)	(312,192)	(94,669)
Effect of exchange rate changes on cash and cash equivalents	(412)	3,111	(9,203)
Net change in cash and cash equivalents	51,197	(98,332)	26,996
Cash and cash equivalents at beginning of year	80,135	178,467	151,471
Cash and cash equivalents at end of year	\$ 131,332	\$ 80,135	\$ 178,467
Cash paid for:			
Interest	\$ 54,087	\$ 70,847	\$ 87,340
Taxes	\$ 70,807	\$ 58,055	\$ 50,280

See Notes to Consolidated Financial Statements

International Flavors & Fragrances Inc.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

(DOLLARS IN THOUSANDS)	Common stock	Capital in excess of par value	Retained earnings	Accumu- lated other comprehensive (loss) income	Treasury stock		Noncontrolling Interest
					Shares	Cost	
Balance at December 31, 2007	\$ 14,470	\$ 54,995	\$ 2,078,937	\$ (144,347)	(34,766,612)	\$ (1,386,858)	\$ 9,162
Net income			229,628				(1,631)
EITF 06-4 adoption adjustment; net of tax: \$(5,529)			(10,022)				
Cumulative translation adjustment				(116,856)			
Losses on derivatives qualifying as hedges				(1,989)			
Pension liability and postretirement adjustment; net of tax: \$(34,159)				(61,913)			
Cash dividends declared (\$0.96 per share)			(75,902)				
Stock options		(299)			157,376	6,295	
Reacquired shares		45,000			(2,762,058)	(74,995)	
Vested restricted stock units and awards		(10,003)			165,277	6,826	
Stock based compensation		16,380			105,239	3,764	
Balance at December 31, 2008	\$ 14,470	\$ 106,073	\$ 2,222,641	\$ (325,105)	(37,100,778)	\$ (1,444,968)	\$ 7,531
Net income			195,526				(4,624)
Cumulative translation adjustment				81,240			
Gains on derivatives qualifying as hedges				1,091			
Pension liability and postretirement adjustment; net of tax: \$(8,876)				(28,200)			
Cash dividends declared (\$1.00 per share)			(78,962)				
Stock options		(1,294)			207,435	8,098	
Reacquired shares					(75,000)	(1,967)	
Vested restricted stock units and awards		(13,026)			236,462	9,190	
Stock based compensation		18,621			127,434	5,575	
Balance at December 31, 2009	\$ 14,470	\$ 110,374	\$ 2,339,205	\$ (270,974)	(36,604,447)	\$ (1,424,072)	\$ 2,907
Net income			263,557				826
Cumulative translation adjustment				(6,220)			
Losses on derivatives qualifying as hedges				(1,442)			
Pension liability and postretirement adjustment; net of tax: \$(2,429)				3,285			
Cash dividends declared (\$1.04 per share)			(83,056)				
Stock options/SSAR's		(333)			779,317	30,461	
Vested restricted stock units and awards		(11,544)			111,484	4,337	
Stock based compensation		13,844			162,171	6,062	
Other		11,468					
Balance at December 31, 2010	\$ 14,470	\$ 123,809	\$ 2,519,706	\$ (275,351)	(35,551,475)	\$ (1,383,212)	\$ 3,733

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 International Flavors & Fragrances Inc., and its subsidiaries (the "Registrant", "IFF", "the Company", "we", "us" and "our") is a leading creator and manufacturer of flavor and fragrance compounds used to impart or improve flavor or fragrance in a wide variety of consumer products. 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.

Fiscal Year End We have historically operated on a 52/53 week fiscal year ending on the Friday closest to the last day of the quarter. For ease of presentation, December 31 is utilized consistently throughout this report and these financial statements and notes to represent the period-end date.

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 noncontrolling interest is included as a separate component of Shareholders' Equity. Any applicable expense (income) attributable to the noncontrolling interest is included in Other expense (income), net in the accompanying Consolidated Statement of Income due to its immateriality and, as such, is not included separately in comprehensive income.

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) collection 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 and are presented net of applicable R&D credits.

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

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,	
	2010	2009
Raw materials	\$ 270,191	\$ 228,999
Work in process	6,211	9,173
Finished goods	255,273	206,805
Total	<u>\$ 531,675</u>	<u>\$ 444,977</u>

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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 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.

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.

In assessing the potential for impairment of goodwill, management uses the most current actual and forecasted operating data available and current market based assumptions in accordance with the criteria in ASC 350. We identified two reporting units, the Flavors reporting unit and the Fragrances reporting unit. These reporting units were determined based on the level at which the performance is measured and reviewed. We perform a goodwill impairment test on an annual basis or more frequently in certain circumstances. We utilize the two-step approach, by assessing the fair value of our reporting units based on discounted cash flows. In addition, we utilize external market data of comparable companies to assess the reasonableness of the cash flows' indicated values. There have been no significant changes to the methodologies used for valuing goodwill since the prior year. We deem goodwill to be impaired if the carrying amount of the reporting unit exceeds the estimated fair value. We completed our annual goodwill impairment test as of November 30, 2010, which indicated no impairment of goodwill, as the estimated fair values substantially exceeded the carrying values of each of our reporting units. In addition, there were no triggering events which required asset impairment reviews and the undiscounted cash flows associated with our other long-lived intangible assets.

Other intangible assets include patents, trademarks and other intellectual property valued at acquisition, and amortized on a straight-line basis over periods ranging from 6 to 20 years.

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"). A valuation allowance is established for net deferred tax assets if, based on the weight of the available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

We recorded a liability for uncertain tax positions where we believe that a tax position is more likely than not to be sustained based on our best judgment of the amount we would ultimately pay.

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.

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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 income. 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 AOCI and are subsequently recognized in the consolidated statement of income 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		
	2010	2009	2008
Basic	79,495	78,403	79,032
Assumed dilution under stock plans	945	691	691
Diluted	80,440	79,094	79,723

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

There were no stock options and stock settled appreciation rights ("SSAR's") outstanding that were excluded from the computation of diluted net income per share as of December 31, 2010. Stock options and SSAR's to purchase 283,000 and 798,000 shares were outstanding at December 31, 2009 and 2008, 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.

We have issued shares of Purchased Restricted Stock ("PRS") which contain nonforfeitable rights to dividends and thus are considered participating securities which are required to be included in the computation of basic and diluted earnings per share pursuant to the two-class method. We did not present the two-class method since the difference between basic and diluted net income per share for both common shareholders and PRS shareholders was approximately \$0.01 per share for each year and the number of PRS outstanding as of December 31, 2010, 2009 and 2008 was immaterial (approximately 0.6% of the total number of common shares outstanding). Net income allocated to such PRS during 2010, 2009 and 2008 was approximately \$1.7 million, \$1.3 million and \$1.4 million, respectively. Diluted shares and net income per share for the year ended December 31, 2008 have been adjusted to reflect authoritative guidance adopted in 2009.

Stock-Based Compensation We have stock-based compensation plans which are described more fully in Note 11 to the Consolidated Financial Statements. We follow the provisions under Accounting Standards Codification 718 "Compensation — Stock Compensation" ("ASC 718") which requires measurement of compensation cost of all share-based awards at fair value on the date of grant and recognition of compensation expense over the service periods for awards expected to vest. All share-based awards granted subsequent to January 1, 2006 are based on the grant date fair value estimated in accordance with the provisions of ASC 718. The cost of such share-based awards is principally recognized on a straight-line attribution basis over their respective vesting periods, net of estimated forfeitures.

New Accounting Standards

In January 2010, the Financial Accounting Standards Board ("FASB") issued authoritative guidance revising certain disclosure requirements concerning fair value measurements. The guidance requires an entity to disclose separately significant transfers into and out of Levels 1 and 2 of the fair value hierarchy and to disclose the reasons for such transfers. It also requires the presentation of purchases, sales, issuances and settlements within Level 3 on a gross basis rather than a net basis. These new disclosure requirements were effective for our first quarter of 2010, except for the additional disclosure of Level 3 activity, which is effective for fiscal years beginning after December 15, 2010. We did not have any such transfers into and out of Levels 1 and 2 during the year ended December 31, 2010.

Reclassifications and Revisions Certain reclassifications have been made to the prior years' financial statements to conform to the 2010 presentation. In addition, as a result of the adoption of authoritative guidance in 2009 related to the "noncontrolling interests", we reclassified Noncontrolling interest of \$7.5 million from Other liabilities to a separate component of Shareholders' Equity in the Consolidated Balance Sheet. The Company also revised its method of reporting R&D credits to be properly reflected as a reduction in R&D expense versus a reduction in income tax expense. The revision impacted the first nine months of 2009 and the year ended December 31, 2008. The revisions had no impact on net income in any period. The associated amount for 2008 was \$3.4 million.

Reclassifications, including their impact, on the Consolidated Statement of Income for the years ended December 31, 2009 and December 31, 2008 were as follows: Cost of goods sold increased \$0.9 million and decreased \$0.3 million, respectively; R&D decreased \$9.1 million and \$12.4 million, respectively; and Selling and administrative increased \$8.2 million and \$12.7 million, respectively.

NOTE 2. RESTRUCTURING AND OTHER CHARGES

Restructuring and other charges primarily consist of separation costs for employees including severance, outplacement and other benefit costs.

The Company recorded a net pre-tax charge of \$4.1 million during the second quarter ended June 30, 2009. This amount includes \$6.6 million for severance and related costs associated with the elimination of approximately 70 positions globally, less a \$2.5 million reduction to previously recorded provisions. The reduction in prior reserves was attributable to lower estimated benefit costs on severance paid as well as fewer position eliminations requiring severance.

During September 2009, as part of the rationalization of our European fragrance manufacturing footprint, the Company announced that it had initiated a collective consultation process with employees regarding the closure of its Fragrances compounding facility in Drogheda, Ireland, as well as the partial closure of its Fragrance Ingredients plant in Haverhill, UK. The Company has completed both consultation processes and has communicated its intent to proceed with the closures. The Company completed the negotiations with the Haverhill employee representatives during the fourth quarter of 2009.

The Company has completed its negotiations with the Drogheda, Ireland employee representatives regarding separation benefits related to the closure of the Company's compounding facility at that location during the third quarter 2010. Based upon the period-end estimates regarding the separation agreements, the Company increased its provision for severance costs by approximately \$4 million in 2010. The balance of the restructuring charges in 2010 was mainly due to accelerated depreciation and other restructuring related costs pertaining to the rationalization of our Fragrance and Ingredients operations in Europe. The Company ceased its operations at the Drogheda plant as of September 30, 2010. The Company is currently working with the Trustees of the pension plan regarding various aspects associated with the funding requirements for the plan, which it expects to conclude in the first quarter of 2011.

We expect to incur total costs related to this restructuring plan of approximately \$34 million, consisting primarily of \$18 million of employee termination costs, \$12 million in plant shutdown and business transition costs and \$4 million in accelerated depreciation of related fixed assets. The increase from our prior estimate reflects projected higher inventory write-offs and transition costs associated with a more complex operating environment, due to higher activity levels, and potential incremental pension settlement costs.

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Including the third quarter of 2009, we have recorded total expenses of \$30.8 million relating to this plan, of which \$24.5 million was recorded to restructuring and other charges and \$6.3 million recorded to costs of sales and research, selling and administrative expenses.

Movements in related accruals during 2008, 2009 and 2010 are as follows:

<i>(In Millions)</i>	Employee-Related	Asset-Related and Other	Total
Balance January 1, 2008	\$ 3	\$ —	\$ 3
Additional charges, net of reversal	18	—	18
Payments and other	(6)	—	(6)
Balance December 31, 2008	15	—	15
Additional charges, net of reversal	17	1	18
Payments and other	(13)	—	(13)
Non-cash charges	—	(1)	(1)
Balance December 31, 2009	19	—	19
Additional charges, net of reversal	4	6	10
Payments and other	(19)	(1)	(20)
Non-cash charges	—	(5)	(5)
Balance December 31, 2010	<u>\$ 4</u>	<u>\$ —</u>	<u>\$ 4</u>

The remaining employee-related liabilities are expected to be utilized by 2011 as obligations are satisfied.

NOTE 3. PROPERTY, PLANT AND EQUIPMENT, NET

Asset Type (DOLLARS IN THOUSANDS)	December 31,	
	2010	2009
Land	\$ 26,450	\$ 28,223
Buildings and Improvements	286,780	271,970
Machinery and Equipment	694,842	688,007
Information Technology	231,934	225,079
CIP	104,877	52,606
	1,344,883	1,265,885
Accumulated Depreciation	(806,765)	(764,592)
	<u>\$ 538,118</u>	<u>\$ 501,293</u>

NOTE 4. GOODWILL AND OTHER INTANGIBLE ASSETS, NET

Goodwill by operating segment for both 2010 and 2009 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,	
	2010	2009
Gross carrying value ⁽¹⁾	\$ 165,406	\$ 165,406
Accumulated amortization	116,572	110,458
Total	<u>\$ 48,834</u>	<u>\$ 54,948</u>

(1) Includes patents, trademarks and other intellectual property, valued at acquisition, primarily through independent appraisals.

Amortization expense for the years ended December 31, 2010, 2009 and 2008 was \$6 million. Estimated annual amortization is \$6 million from years 2011 through 2013 and \$5 million for 2014 and 2015.

NOTE 5. OTHER ASSETS

Other assets consist of the following amounts:

(DOLLARS IN THOUSANDS)	December 31,	
	2010	2009
Pension assets	\$ 66,274	\$ 61,881
Other	105,652	103,284
Total	<u>\$ 171,926</u>	<u>\$ 165,165</u>

NOTE 6. OTHER CURRENT LIABILITIES

Other current liabilities consist of the following amounts:

(DOLLARS IN THOUSANDS)	December 31,	
	2010	2009
Accrued payrolls and bonuses	\$ 95,135	\$ 49,022
Workers compensation and general liability	20,061	21,111
Interest payable	17,550	17,993
Other	168,519	119,821
Total	<u>\$ 301,265</u>	<u>\$ 207,947</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 ASC 840, "Leases" and the gains realized have been deferred and are being credited to income over the initial lease term. Such deferred gains totaled \$54 million and \$59 million at December 31, 2010 and 2009, respectively, of which \$51 million and \$55 million, respectively, are reflected in the accompanying Consolidated 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	2010	2009
Bank borrowings and overdrafts	0.42%		\$ 11,625	\$ 76,780
Current portion of long-term debt	5.39%		122,274	—
Total current debt			<u>133,899</u>	<u>76,780</u>
Senior Notes — 2007	6.40%	2017-27	500,000	500,000
Senior Notes — 2006	6.10%	2013-16	225,000	325,000
Bank borrowings	0.38%	2012	49,771	75,182
Japanese Yen notes			—	19,614
Deferred realized gains on interest rate swaps			12,897	14,953
Total long-term debt			<u>787,668</u>	<u>934,749</u>
Total debt			<u>\$ 921,567</u>	<u>\$ 1,011,529</u>

Commercial paper issued by us generally has terms of 30 days or less. However, there were no outstanding commercial paper borrowings at December 31, 2010 or 2009.

In November 2008, we entered into a credit agreement denominated in Japanese Yen in the original principal amount of ¥13.3 billion due on November 21, 2011 ("Japanese Yen Loan — 2008"). We used the proceeds of this loan to repay our then existing 2.400% (Japanese Yen) Guaranteed Senior Notes, Series A, which matured on such date. In December 2009 we prepaid, without penalties, the remaining outstanding balance (approximately \$151 million) of our Japanese Yen Loan — 2008.

In 2005, IFF, 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 InterBank Offer Rate) (or in relation to any Euro-denominated loans, EURIBOR, European InterBank Offer Rate) plus a margin, currently 25 basis points, linked to our credit rating. We pay a commitment fee on the aggregate unused commitments; such fee is not material. As permitted by the Facility, in 2007, the termination dates were extended 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 adjusted 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 the portion we expect to have outstanding longer than 12 months as long-term debt. At December 31, 2010, approximately \$50 million of bank borrowings on the Tranche B was classified as long-term debt, and the remaining \$11 million was classified as current portion of long-term debt.

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Short-term bank borrowings and overdrafts, primarily consisting of current borrowings under the Facility in addition to bank loans in the form of overdrafts, were outstanding in several countries and averaged \$47 million in 2010 and 2009. The highest levels were \$81 million in 2010, \$116 million in 2009, and \$52 million in 2008. The 2010 weighted average interest rate of these bank loans, based on balances outstanding at the end of each month, was 0.5% and the average rate on balances outstanding at December 31, 2010 was 0.4%. These rates compare with 2.7% and 1.4%, respectively, in 2009, and 4.8% and 6.0%, respectively, in 2008.

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. In July 2009 we repaid \$50 million in principal in the first series under the Senior Notes — 2006 that became due. The Series B Note is classified in Current portion of long-term debt in our Consolidated Balance Sheet as of December 31, 2010.

Maturities on debt outstanding at December 31, 2010 are: 2011, \$134 million; 2012, \$50 million; 2013, \$100 million; 2016 and thereafter, \$625 million. There is no debt maturing in 2014 and 2015.

The estimated fair value at December 31, 2010 of our Senior Notes — 2007 and Senior Notes - 2006 was approximately \$585 million and \$357 million, respectively. The fair value of our Senior Notes was calculated using discounted cash flows applying current interest rates and current credit spreads based on our own credit risk. The estimated fair value of the remainder of our long-term debt at December 31, 2010 approximated the carrying 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 TIBOR rate plus a markup. These swaps were designated as qualified fair value hedges. Prior to 2006 we amended the swaps and the counterparty paid us amounts aggregating \$4 million, including accrued interest. Such gains have been deferred and are being amortized over the remaining term of the debt. In November 2008, the portion of these swaps related to the ¥13.3 billion Yen notes refinanced expired.

In March 2008, we realized an \$18 million gain on the termination of an interest rate swap, which has been deferred and is being amortized as a reduction to interest expense over the remaining term of the related debt. The balance of this deferred gain was \$13 million at December 31, 2010.

During the third quarter of 2010, we entered into two new interest rate swap agreements effectively converting the fixed rate on a portion of our long-term borrowings to a variable short-term rate based on the LIBOR plus an interest mark-up.

NOTE 9. INCOME TAXES

Earnings before income taxes consisted of the following:

(DOLLARS IN THOUSANDS)	2010	2009	2008
U.S. loss before taxes	\$ (82,112)	\$ (80,345)	\$ (90,819)
Foreign income before taxes	441,705	356,894	374,741
Total income before taxes	<u>\$ 359,593</u>	<u>\$ 276,549</u>	<u>\$ 283,922</u>

The income tax provision consisted of the following:

(DOLLARS IN THOUSANDS)	2010	2009	2008
Current			
Federal	\$ 5,379	\$ 3,829	\$ (8,363)
State and local	507	413	(94)
Foreign	103,451	94,135	55,490
	<u>109,337</u>	<u>98,377</u>	<u>47,033</u>
Deferred			
Federal	(21,865)	(13,817)	1,634
State and local	2,310	6,845	(1,766)
Foreign	6,254	(10,382)	7,393
	<u>(13,301)</u>	<u>(17,354)</u>	<u>7,261</u>
Total income taxes	<u>\$ 96,036</u>	<u>\$ 81,023</u>	<u>\$ 54,294</u>

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

	2010	2009	2008
Statutory tax rate	35.0%	35.0%	35.0%
Difference in effective tax rate on foreign earnings and remittances	(8.1)	(8.0)	(15.0)
State and local taxes	0.6	1.7	(0.7)
Other, net	(0.8)	0.6 ⁽¹⁾	(0.2)
Effective tax rate	<u>26.7%</u>	<u>29.3%</u>	<u>19.1%</u>

- (1) The 2009 results include \$6 million of tax expense due to the recognition of out-of-period tax adjustments arising from periods 2006 and prior. The Company did not adjust the prior periods as it concluded that such adjustments were not material to the prior periods' consolidated financial statements.

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 2010 and 2009 effective tax rates were also favorably impacted by the reversals of previously established tax accruals of \$6 million and \$2 million, respectively.

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

(DOLLARS IN THOUSANDS)	December 31,	
	2010	2009
ASSETS		
Employee and retiree benefits	\$ 126,009	\$ 116,471
Credit and net operating loss carryforwards	190,690	209,161
Property, plant and equipment	4,152	2,559
Trademarks and other	96,373	29,508
Amortizable R&D expenses	22,278	—
Other, net	27,690	16,302
Gross deferred tax assets	467,192	374,001
Valuation allowance	(288,182)	(212,705)
Total deferred tax assets	179,010	161,296
LIABILITIES		
Trademarks and other	—	—
Total net deferred tax assets	\$ 179,010	\$ 161,296

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

(DOLLARS IN THOUSANDS)	2010	2009	2008
Balance of unrecognized tax benefits at beginning of year	\$ 64,673	\$ 57,616	\$ 80,645
Gross amount of increases in unrecognized tax benefits as a result of positions taken during a prior year	2	—	4,265
Gross amount of decreases in unrecognized tax benefits as a result of positions taken during a prior year	—	(26)	(2,200)
Gross amount of increases in unrecognized tax benefits as a result of positions taken during the current year	4,706	8,827	8,394
The amounts of decreases in unrecognized benefits relating to settlements with taxing authorities	(4,945)	(509)	(31,877)
Reduction in unrecognized tax benefits due to the lapse of applicable statute of limitation	(508)	(1,235)	(1,611)
Balance of unrecognized tax benefits at end of year	\$ 63,928	\$ 64,673	\$ 57,616

At December 31, 2010, 2009 and 2008, there are \$64 million, \$65 million and \$57 million, respectively, of unrecognized tax benefits that if recognized, would affect the annual effective tax rate.

We have consistently recognized interest and penalties related to unrecognized tax benefits as a component of income tax expense. For the years ended December 31, 2010, 2009 and 2008 we recognized (reversed) \$1 million, \$2 million and \$(1) million, respectively in interest and penalties. At December 31, 2010, 2009 and 2008, we had accrued \$11 million, \$10 million and \$8 million, respectively, of interest and penalties classified as Other liabilities.

Net operating loss carryforwards were \$168 million and \$173 million at December 31, 2010 and 2009, respectively. If unused, \$4 million will expire between 2011 and 2030. The remainder, totaling \$164 million, may be carried forward indefinitely. Tax credit carryforwards were \$23 million and \$36 million at December 31, 2010 and December 31, 2009, respectively. If unused, the credit carryforwards will expire between 2011 and 2030.

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The U.S. consolidated group consistently generates taxable income after the inclusion of foreign dividends. As such, the Company is not in a federal net operating loss position. This tax posture is such that IFF and its U.S. subsidiaries will realize tax benefits from the reversal of temporary differences and the utilization of its federal tax credits before the expiration of the applicable carryforward periods.

The majority of states where IFF and subsidiaries file income tax returns allow a 100% foreign dividend exclusion, effectively converting the domestic companies' reversing temporary differences into net operating losses. As there is significant doubt with respect to realizability of these net operating losses, we have established a full valuation allowance against these deferred tax assets. There are also states that adopt a different approach with respect to the foreign dividend exclusion, providing limitations on foreign dividend deductibility. In these jurisdictions, IFF realizes tax benefits from reversing temporary differences, and no valuation allowance is necessary.

The Company has not factored any future trends, other than inflation, in its taxable income projections. The corresponding taxable income is sufficient to realize \$11 million in deferred tax assets as of December 31, 2010.

Of the \$191 million deferred tax asset for net operating loss carryforwards and credits at December 31, 2010, we consider it unlikely that a portion of the tax benefit will be realized. Accordingly, a valuation allowance of \$160 million of net operating loss carryforwards and \$8 million of tax credits has been established against these deferred tax assets, respectively. In addition, due to realizability concerns, we established a valuation allowance against certain other net deferred tax assets of \$120 million.

Tax benefits credited to Shareholders' equity totaled \$3 million and less than \$1 million for 2010 and 2009, 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 \$799 million of undistributed earnings of foreign subsidiaries. We intend to reinvest these earnings indefinitely in our foreign subsidiaries.

The Company has several tax audits and/or litigation in process and of these, the most significant is related to uncertain tax positions within our European operations. While the Company believes its position in regard to these matters is in accordance with applicable legislation, the local tax authority is challenging the Company's position. The Company has recorded a liability for unrecognized tax benefits based on management's best estimate of the potential outcomes of these cases. There could be future events or changes in facts or circumstances that could require us to further increase our liability for unrecognized tax benefits and/or possibly have a material impact on our financial condition, reported results or liquidity.

In addition, we have several other tax audits in process and have open tax years with various taxing jurisdictions that range primarily from 2002 to 2009. 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 impact on our financial position, reported results or liquidity.

NOTE 10. SHAREHOLDERS' EQUITY

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. The Rights Agreement expired in March 2010.

Dividends declared per share were \$1.04, \$1.00 and \$0.96 in 2010, 2009 and 2008, respectively.

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 is solely time based; the vesting period is primarily three years from date of grant. For a small group of employees, primarily overseas, we granted stock options prior to 2008.

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The cost of all employee share based awards are principally recognized 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 2010, 2009 and 2008 was \$22 million (\$14 net of tax), \$20 million (\$13 net of tax) and \$17 million (\$11 net of tax), respectively.

The shareholders of the Company approved the Company's 2010 Stock Award and Incentive Plan (the "2010 Plan") at the Annual Meeting of Shareholders held on April 27, 2010. The 2010 Plan was approved by the Company's Board of Directors (the "Board") on February 2, 2010, subject to shareholder approval. The 2010 Plan replaces the Company's 2000 Stock Award and Incentive Plan and the 2000 Supplemental Stock Award Plan (the "2000 Plans") and will provide the source for future deferrals of cash into deferred stock under the Company's Deferred Compensation Plan (with the Deferred Compensation Plan being deemed a subplan under the 2010 Plan for the sole purpose of funding deferrals under the IFF Share Fund).

Under the 2010 Plan, a total of 2,749,669 shares are authorized for issuance, including 749,669 shares remaining available under a previous plan that were rolled into the 2010 Plan. At December 31, 2010, 2,997,442 shares were subject to outstanding awards and 2,309,171 shares remained available for future awards under all of the Company's equity award plans, including the 2010 Plan (excluding shares not yet issued under open cycles of the Company's Long-Term Incentive Plan).

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 IFF stock 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. Cycle VI concluded at the end of 2008 and an aggregate 116,247 shares of common stock were issued in February 2009.

Beginning with the LTIP 2007-2009 cycle and thereafter, the targeted payout is 50% cash and 50% IFF stock 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 at the beginning of the cycle. For those shares whose payout is based on shareholder return as a percentile of the S&P 500, compensation expense is recognized using a graded-vesting attribution method, while compensation expense for the remainder of the performance shares (e.g., EPS targets) is recognized on a straight-line basis over the vesting period based on the probable outcome of the performance condition. The 2007-2009 cycle (Cycle VII) concluded at the end of 2009 and an aggregate 53,378 shares of our common stock were issued in February 2010.

On February 1, 2010, the Compensation Committee of the Company's Board of Directors approved a one-year supplemental performance metric for the Company's LTIP 2008-2010 cycle (Cycle VIII) which is based on improvement in operating profit margin measured over the fiscal year 2010 period as compared to 2009. The 2008-2010 cycle concluded at the end of 2010 and an aggregate 81,943 shares of our common stock will be issued in March 2011.

In 2006, our Board approved the Equity Choice Program (the "Program") for senior management. This program continues under our 2010 SAIP. 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) Stock settled appreciation rights ("SSAR's"), (2) RSU's or (3) Purchase restricted stock ("PRS").

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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 granted become exercisable on the third anniversary of the grant date and have a maximum term of seven years. We awarded 196,652, 236,986 and 299,307 SSAR's during 2010, 2009 and 2008, respectively. No stock options were granted in 2010, 2009 and 2008.

We use the Binomial lattice-pricing as our valuation model for estimating the fair value of options granted. 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 2010, 2009 and 2008 were:

	2010	2009	2008
Weighted average fair value of SSAR's granted during the period	\$ 10.41	\$ 7.08	\$ 9.93
Assumptions:			
Risk-free interest rate	2.2%	2.5%	3.2%
Expected volatility	29.8%	30.9%	25.7%
Expected dividend yield	2.2%	3.2%	2.2%
Expected life, in years	5	5	5
Termination rate	1.09%	0.91%	0.46%
Exercise multiple	1.38	1.46	1.52

Stock option and SSAR activity was as follows:

(SHARE AMOUNTS IN THOUSANDS)	Shares Subject to Options/SSAR's	Weighted Average Exercise Price	Options/ SSAR's Exercisable
Balance at December 31, 2009	2,228	\$ 35.27	1,763
Granted	197	44.92	
Exercised	(939)	33.82	
Cancelled	(46)	37.11	
Balance at December 31, 2010	<u>1,440</u>	<u>\$ 37.46</u>	<u>883</u>

The weighted average exercise price of our options and SSAR's exercisable at December 31, 2010, 2009 and 2008 were \$36.14, \$34.20, and \$33.48, respectively. The following tables summarize information concerning currently outstanding and exercisable options and SSAR's.

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Stock options and SSAR's outstanding at December 31, 2010 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)
\$26-\$30	410	3.7	\$ 29.77	
\$31-\$35	344	2.3	33.31	
\$36-\$40	130	4.0	37.01	
\$41-\$45	397	5.4	43.54	
\$46-\$55	159	5.4	51.47	
	<u>1,440</u>		<u>\$ 37.46</u>	<u>\$ 26,104</u>

Stock options and SSAR's exercisable as of December 31, 2010 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)
\$26-\$30	257	1.8	\$ 29.35	
\$31-\$35	344	2.3	33.31	
\$36-\$40	95	3.4	37.36	
\$41-\$45	28	4.1	42.12	
\$46-\$55	159	5.4	51.47	
	<u>883</u>		<u>\$ 36.14</u>	<u>\$ 17,162</u>

The total intrinsic value of options exercised during 2010, 2009 and 2008 totaled \$14 million, \$1 million and \$2 million, respectively.

As of December 31, 2010, there was \$2.1 million of total unrecognized compensation cost related to non-vested stock options and SSAR awards granted; such cost is expected to be recognized over a weighted average period of 1.8 years.

Restricted Stock Units

We have granted RSU's to eligible employees and directors. Such RSU's are subject to forfeiture if certain employment conditions are not met. RSU's principally vest 100% at the end of three years and contain no performance criteria provisions. An RSU's fair value is calculated based on the market price of our stock at date of grant, with an adjustment to reflect the fact that such awards do not participate in dividend rights. The aggregate fair value is amortized to expense ratably over the vesting period.

RSU activity was as follows:

(SHARE AMOUNTS IN THOUSANDS)	Number of Shares	Weighted-Average Grant Date Fair Value Per Share
Balance at December 31, 2009	978	\$ 37.42
Granted	305	48.09
Vested	(209)	48.41
Forfeited	(45)	37.44
Balance at December 31, 2010	<u>1,029</u>	<u>\$ 40.29</u>

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The total fair value of RSU's which vested during the year ended December 31, 2010 was \$9.9 million.

As of December 31, 2010, there was \$15.8 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 1.7 years.

Purchased Restricted Stock

PRS provides for eligible employees to purchase restricted shares of IFF stock at 50% of the fair market value on the grant date of the award. The shares generally 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 213,714 shares of PRS in 2010 for an aggregate purchase price of \$4.8 million covering 106,857 purchased shares, 218,134 shares of PRS in 2009 for \$3 million covering 109,067 purchased shares and 102,812 shares in 2008 for \$2 million covering 51,406 purchased shares.

PRS activity was as follows:

(SHARE AMOUNTS IN THOUSANDS)	Number of Shares	Weighted-Average Grant Date Fair Value Per Share
Balance at December 31, 2009	498	\$ 15.44
Granted	214	22.54
Vested	(181)	25.89
Forfeited	(6)	15.24
Balance at December 31, 2010	<u>525</u>	<u>\$ 19.32</u>

The total fair value of PRS's which vested during the year ended December 31, 2010 was \$3.8 million.

As of December 31, 2010, there was \$3.7 million of total unrecognized compensation cost related to non-vested PRS awards granted under the equity incentive plans; such cost is expected to be recognized over a weighted average period of 1.7 years.

NOTE 12. SEGMENT INFORMATION

We are organized 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 Fragrance 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 and natural 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.

We evaluate the performance of business units based on operating profit before interest expense, other expense (income), 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. The increase in Global expenses is mainly due to higher incentive compensation of \$22 million with the balance mainly related to litigation related provisions and costs. The year ended December 31, 2009 Global expenses included \$6.4 million principally of employee separation costs partially offset by \$0.4 million net reversal related to restructuring costs. In the year ended December 31, 2008, Global expenses included approximately \$2 million of implementation costs related to the global shared service project, \$3 million for employee separation costs and \$10 million of restructuring costs offset by a \$3 million benefit from an insurance recovery related to a prior year product contamination matter. Unallocated assets are principally cash and cash equivalents and other corporate and headquarters-related assets.

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Our reportable segment information follows:

(DOLLARS IN THOUSANDS)	Year Ended December 31,		
	2010	2009	2008
Net sales			
Flavors	\$ 1,203,274	\$ 1,081,488	\$ 1,092,544
Fragrances	1,419,588	1,244,670	1,296,828
Consolidated	<u>\$ 2,622,862</u>	<u>\$ 2,326,158</u>	<u>\$ 2,389,372</u>

(DOLLARS IN THOUSANDS)	Year Ended December 31,		
	2010	2009	2008
Operating income (expense)			
Flavors	\$ 242,528	\$ 208,329	\$ 197,838
Fragrances	234,889	170,515	202,081
Global expenses	(61,056)	(38,556)	(44,786)
Consolidated operating income	<u>\$ 416,361</u>	<u>\$ 340,288</u>	<u>\$ 355,133</u>
Interest expense	(48,709)	(61,818)	(74,008)
Miscellaneous other (expense) income, net	(8,059)	(1,921)	2,797
Income before taxes	<u>\$ 359,593</u>	<u>\$ 276,549</u>	<u>\$ 283,922</u>

(DOLLARS IN THOUSANDS)	December 31,	
	2010	2009
Segment assets		
Flavors	\$ 1,273,126	\$ 1,154,489
Fragrances	1,449,001	1,359,031
Global assets	150,328	131,254
Consolidated	<u>\$ 2,872,455</u>	<u>\$ 2,644,774</u>

Total long-lived assets consist of net property, plant and equipment and amounted to \$538 million and \$501 million at December 31, 2010 and 2009, respectively. Of this total \$158 million was located in the United States at December 31, 2010 and 2009 and \$82 million and \$73 million were located in the Netherlands at December 31, 2010 and 2009, respectively.

(DOLLARS IN THOUSANDS)	Capital Expenditures			Depreciation and Amortization		
	2010	2009	2008	2010	2009	2008
Flavors	\$ 46,776	\$ 23,463	\$ 31,858	\$ 31,634	\$ 29,874	\$ 29,816
Fragrances	53,969	40,122	50,523	45,713	46,410	44,203
Unallocated assets	5,556	3,234	3,014	1,895	2,241	1,967
Consolidated	<u>\$ 106,301</u>	<u>\$ 66,819</u>	<u>\$ 85,395</u>	<u>\$ 79,242</u>	<u>\$ 78,525</u>	<u>\$ 75,986</u>

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(DOLLARS IN MILLIONS)	Net Sales		
	2010	2009	2008
Geographic areas			
EAME (1)	\$ 897	\$ 808	\$ 907
Greater Asia	677	575	547
North America	651	600	601
Latin America	398	343	334
Total	<u>\$ 2,623</u>	<u>\$ 2,326</u>	<u>\$ 2,389</u>

(1) Europe, Africa and Middle East

Net sales are attributed to individual regions based upon the destination of product delivery. Net sales related to the U.S. for the years ended December 31, 2010, 2009 and 2008 were \$618 million, \$568 million and \$571 million, respectively. Net sales attributed to all foreign countries in total for the years ended December 31, 2010, 2009 and 2008 were \$2,005 million, \$1,758 million and \$1,818 million, respectively. No non-U.S. country had net sales in any period presented greater than 7% of total consolidated net sales.

NOTE 13. POSTRETIREMENT BENEFITS

We 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 general corporate assets.

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' compensation.

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.

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

(DOLLARS IN THOUSANDS)	U.S. Plans			Non-U.S. Plans		
	2010	2009	2008	2010	2009	2008
Components of net periodic benefit cost						
Service cost for benefits earned	\$ 3,781	\$ 4,080	\$ 4,569	\$ 9,804	\$ 8,678	\$ 10,266
Interest cost on projected benefit obligation	24,191	23,685	23,883	32,954	30,978	36,270
Expected return on plan assets	(24,146)	(24,616)	(25,101)	(41,569)	(40,589)	(51,256)
Net amortization and deferrals	7,441	6,413	4,618	5,214	3,004	3,020
Settlement and curtailment	—	—	—	182	440	—
Special termination benefits	—	—	—	178	—	—
Expense	11,267	9,562	7,969	6,763	2,511	(1,700)
Defined contribution and other retirement plans	7,169	6,255	6,220	4,459	4,135	4,367
Total pension expense	<u>\$ 18,436</u>	<u>\$ 15,817</u>	<u>\$ 14,189</u>	<u>\$ 11,222</u>	<u>\$ 6,646</u>	<u>\$ 2,667</u>
Changes in plan assets and benefit obligations recognized in OCI						
Net actuarial (gain) loss	\$ 10,891			\$ 5,026		
Actuarial loss	(6,951)			(5,254)		
Prior service cost	(490)			(142)		
Currency translation adjustment	—			(5,191)		
Total recognized in OCI (before tax effects)	<u>\$ 3,450</u>			<u>\$ (5,561)</u>		

(DOLLARS IN THOUSANDS)	Postretirement Benefits		
	2010	2009	2008
Components of net periodic benefit cost			
Service cost for benefits earned	\$ 1,378	\$ 1,644	\$ 2,694
Interest cost on projected benefit obligation	6,468	6,166	7,079
Net amortization and deferrals	(2,232)	(2,012)	(723)
Expense	<u>\$ 5,614</u>	<u>\$ 5,798</u>	<u>\$ 9,050</u>
Changes in plan assets and benefit obligations recognized in OCI			
Net actuarial (gain) loss	\$ (5,426)		
Actuarial loss	(2,487)		
Prior service credit	4,719		
Total recognized in OCI (before tax effects)	<u>\$ (3,194)</u>		

The amounts expected to be recognized in net periodic cost in 2011 are:

(DOLLARS IN THOUSANDS)	U.S. Plans	Non-U.S. Plans	Postretirement Benefits
Loss recognition	\$ 10,773	\$ 5,084	\$ 2,032
Prior service cost recognition	515	143	(4,719)

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Weighted-average actuarial assumption used to determine expense	U.S. Plans			Non-U.S. Plans		
	2010	2009	2008	2010	2009	2008
Discount rate	6.10%	6.00%	6.10%	5.66%	6.11%	5.78%
Expected return on plan assets	8.25%	8.25%	8.25%	6.63%	6.76%	7.02%
Rate of compensation increase	3.25%	3.50%	4.00%	3.00%	2.56%	2.98%

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	
	2010	2009	2010	2009	2010	2009
Benefit obligation at beginning of year	\$ 406,901	\$ 404,902	\$ 621,259	\$ 499,004	\$ 110,512	\$ 106,166
Service cost for benefits earned	3,781	4,080	9,804	8,678	1,378	1,644
Interest cost on projected benefit obligation	24,191	23,685	32,954	30,978	6,468	6,166
Actuarial (gain) loss	28,018	(4,316)	16,432	79,704	(5,426)	1,170
Adjustments for expense/tax contained in service cost	—	—	(2,153)	(1,694)	—	—
Plan participants' contributions	—	—	2,256	2,120	944	927
Benefits paid	(22,245)	(21,450)	(26,549)	(24,761)	(5,166)	(5,561)
Curtailments / settlements	—	—	(3,325)	(1,537)	—	—
Special termination benefits	—	—	178	—	—	—
Translation adjustments	—	—	(25,804)	28,767	—	—
Benefit obligation at end of year	\$ 440,646	\$ 406,901	\$ 625,052	\$ 621,259	\$ 108,710	\$ 110,512
Fair value of plan assets at beginning of year	\$ 304,890	\$ 248,151	\$ 660,176	\$ 574,886		
Actual return on plan assets	41,273	42,174	48,553	60,992		
Employer contributions	23,166	36,015	17,827	15,848		
Participants' contributions	—	—	2,256	2,120		
Benefits paid	(22,245)	(21,450)	(26,549)	(24,761)		
Settlements	—	—	(1,056)	(1,537)		
Translation adjustments	—	—	(29,648)	32,628		
Fair value of plan assets at end of year	\$ 347,084	\$ 304,890	\$ 671,559	\$ 660,176		
Funded status at end of year	\$ (93,562)	\$ (102,011)	\$ 46,507	\$ 38,917		

(DOLLARS IN THOUSANDS)	U.S. Plans		Non-U.S. Plans	
	2010	2009	2010	2009
Amounts recognized in the balance sheet:				
Non-current assets	\$ —	\$ —	\$ 66,274	\$ 61,881
Current liabilities	(3,291)	(3,175)	(608)	(636)
Non-current liabilities	(90,271)	(98,836)	(19,159)	(22,328)
Net amount recognized	\$ (93,562)	\$ (102,011)	\$ 46,507	\$ 38,917

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(DOLLARS IN THOUSANDS)	U.S. Plans		Non-U.S. Plans		Postretirement Benefits	
	2010	2009	2010	2009	2010	2009
Amounts Recognized in AOCI consist of:						
Net actuarial loss	\$ 129,916	\$ 125,975	\$ 155,305	\$ 160,738	\$ 30,217	\$ 38,130
Prior service cost (credit)	2,045	2,536	17	145	(29,159)	(33,878)
Total AOCI (before tax effects)	<u>\$ 131,961</u>	<u>\$ 128,511</u>	<u>\$ 155,322</u>	<u>\$ 160,883</u>	<u>\$ 1,058</u>	<u>\$ 4,252</u>

(DOLLARS IN THOUSANDS)	U.S. Plans		Non-U.S. Plans	
	2010	2009	2010	2009
Accumulated Benefit Obligation — end of year	<u>\$ 435,123</u>	<u>\$ 402,130</u>	<u>\$ 598,025</u>	<u>\$ 589,317</u>

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

Projected benefit obligation	\$ 440,646	\$ 406,901	\$ 23,840	\$ 46,943
Accumulated benefit obligation	435,123	402,130	21,852	41,636
Fair value of plan assets	347,084	304,890	4,073	23,979

Weighted-average assumptions used to determine obligations at December 31

Discount rate	5.60%	6.10%	5.37%	5.66%
Rate of compensation increase	3.25%	3.25%	2.66%	3.00%

Percentage of assets invested in:	U.S. Plans		Non-U.S. Plans	
	2010	2009	2010	2009
Equities	64%	60%	31%	30%
Fixed income	36%	40%	54%	56%
Property	n/a	n/a	11%	12%
Other investments	n/a	n/a	4%	2%

(DOLLARS IN THOUSANDS)	U.S. Plans	Non-U.S. Plans	Postretirement Benefits
Estimated Future Benefit Payments			
2011	\$ 23,460	\$ 24,773	\$ 5,982
2012	25,086	27,450	6,269
2013	26,153	27,600	6,713
2014	27,407	27,533	7,133
2015	28,484	28,459	7,434
2016-2020	158,946	157,386	41,213

Contributions

Required Company Contributions in the Following Year (2011)	<u>\$ 3,381</u>	<u>\$ 22,168</u>	<u>\$ 5,982</u>
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We consider a number of factors in determining and selecting assumptions for the overall expected long-term rate of return on plan assets. We consider the historical long-term return experience of our assets, the current and expected allocation of our plan assets and expected long-term rates of return. We derive these expected long-term rates of return with the assistance of our investment advisors. We base our expected allocation of plan assets on a diversified portfolio consisting of domestic and international equity securities, fixed income, real estate and alternative asset classes. The asset allocation is monitored on an ongoing basis.

We consider a variety of factors in determining and selecting our assumptions for the discount rate at December 31. For the U.S. plans, the discount rate was based on the internal rate of return for a portfolio of Moody's Aaa, Aa and Merrill Lynch AAA-AA 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.

With respect to the U.S. plans, the expected return on plan assets was determined based on an asset allocation model using the current target allocation, real rates of return by asset class and an anticipated inflation rate. The target asset allocation consists of approximately: 60%-65% in equity securities and 35%-40% in fixed income securities. The inflation rate assumed in the model was 2.5%. The plan has achieved a compounded annual rate of return of approximately 8% over the previous 20 years. At December 31, 2010, the actual asset allocation was: 64% in equity securities; 35% in fixed income securities; and 1% in cash. At December 31, 2009, the actual asset allocation was: 67% in equity securities; 30% in fixed income securities; and 3% in cash.

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 target asset allocation, for the non-U.S. plans, consists of approximately: 55%-60% in fixed income securities; 30%-35% in equity securities; 5%-10% in real estate; and up to 5% in cash. At December 31, 2010, the actual asset allocation was: 55% in fixed income investments; 30% in equity investments; 11% in real estate investments; and 4% in cash. At December 31, 2009, the actual asset allocation was: 57% in fixed income investments; 30% in equity investments; 11% in real estate investments; and 2% in cash.

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The following tables present our plan assets for the U.S. and non-U.S. plans using the fair value hierarchy as of December 31, 2010 and 2009. Our plans' assets were accounted for at fair value and are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and their placement within the fair value hierarchy levels. For more information on a description of the fair value hierarchy, see Note 14.

(DOLLARS IN THOUSANDS)	U.S. Plans for the year ended December 31, 2010			
	Level 1	Level 2	Level 3	Total
<i>Cash Equivalents</i>	\$ —	\$ 3,642	\$ —	\$ 3,642
<i>Equity Securities</i>				
U.S. Common Stock	38,890	—	—	38,890
Balanced Funds	—	7,693	—	7,693
Pooled Funds	—	175,898	—	175,898
<i>Fixed Income Securities</i>				
Government & Government Agency Bonds	—	58,814	—	58,814
Corporate Bonds	—	52,794	—	52,794
Municipal Bonds	—	5,605	—	5,605
Mortgage Backed Securities	—	995	—	995
Asset Backed Securities	—	987	—	987
Total	<u>\$ 38,890</u>	<u>\$ 306,428</u>	<u>\$ —</u>	<u>\$ 345,318</u>
Receivables				\$ 1,766
Total				<u>\$ 347,084</u>

(DOLLARS IN THOUSANDS)	U.S. Plans for the year ended December 31, 2009			
	Level 1	Level 2	Level 3	Total
<i>Cash Equivalents</i>	\$ —	\$ 7,908	\$ —	\$ 7,908
<i>Equity Securities</i>				
IFF Common Stock	12,095	—	—	12,095
U.S. Common Stock	13,850	—	—	13,850
Non-U.S. Common Stock	1,160	—	—	1,160
Mutual Funds	43,024	—	—	43,024
Pooled Funds	—	136,943	—	136,943
<i>Fixed Income Securities</i>				
Government & Government Agency Bonds	—	40,032	—	40,032
Corporate Bonds	—	46,139	—	46,139
Municipal Bonds	—	1,760	—	1,760
Asset Backed Securities	—	573	—	573
Total	<u>\$ 70,129</u>	<u>\$ 233,355</u>	<u>\$ —</u>	<u>\$ 303,484</u>
Receivables				\$ 1,406
Total				<u>\$ 304,890</u>

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(DOLLARS IN THOUSANDS)	Non-U.S. Plans for the year ended December 31, 2010			
	Level 1	Level 2	Level 3	Total
Cash	\$ 24,345	\$ —	\$ —	\$ 24,345
Equity Securities				
U.S. Large Cap	26,404	—	—	26,404
Non-U.S. Large Cap	150,103	—	—	150,103
Non-U.S. Mid Cap	6,040	—	—	6,040
Non-U.S. Small Cap	2,223	—	—	2,223
Emerging Markets	15,182	—	—	15,182
Fixed Income Securities				
U.S. Treasuries/Government Bonds	104	—	—	104
U.S. Corporate Bonds	—	8,286	—	8,286
Non-U.S. Treasuries/Government Bonds	170,188	—	—	170,188
Non-U.S. Corporate Bonds	72,957	87,731	—	160,688
Non-U.S. Mortgage-Backed Securities	—	—	—	—
Non-U.S. Asset-Backed Securities	—	8,280	—	8,280
Non-U.S. Other Fixed Income	—	23,559	—	23,559
Alternative Types of Investments				
Insurance Contracts	—	316	—	316
Derivative Financial Instruments	—	3,086	—	3,086
Private Equity	—	—	1	1
Real Estate				
Non-U.S. Real Estate	—	71,537	1,217	72,754
Total	<u>\$ 467,546</u>	<u>\$ 202,795</u>	<u>\$ 1,218</u>	<u>\$ 671,559</u>

(DOLLARS IN THOUSANDS)	Non-U.S. Plans for the year ended December 31, 2009			
	Level 1	Level 2	Level 3	Total
Cash	\$ 13,134	\$ —	\$ —	\$ 13,134
Equity Securities				
U.S. Large Cap	26,938	—	—	26,938
Non-U.S. Large Cap	138,491	—	—	138,491
Non-U.S. Mid Cap	7,660	—	—	7,660
Non-U.S. Small Cap	1,622	—	—	1,622
Emerging Markets	9,786	—	—	9,786
Pooled Funds	12,934	—	—	12,934
Fixed Income Securities				
U.S. Treasuries/Government Bonds	86	—	—	86
Non-U.S. Treasuries/Government Bonds	153,892	—	—	153,892
Non-U.S. Corporate Bonds	79,659	93,671	—	173,330
Non-U.S. Mortgage-Backed Securities	8,540	—	—	8,540
Non-U.S. Asset-Backed Securities	5,693	8,674	—	14,367
Non-U.S. Other Fixed Income	4,270	20,569	—	24,839
Alternative Types of Investments				
Insurance Contracts	—	322	—	322
Private Equity Funds	—	—	2	2
Real Estate				
Non-U.S. Real Estate	1,202	72,655	376	74,233
Total	<u>\$ 463,907</u>	<u>\$ 195,891</u>	<u>\$ 378</u>	<u>\$ 660,176</u>

Cash and cash equivalents are primarily held in registered money market funds which are valued using a market approach based on the quoted market prices of identical instruments. Other cash and cash equivalents are valued daily by the fund using a market approach with inputs that include quoted market prices for similar instruments.

Equity securities are primarily valued using a market approach based on the quoted market prices of identical instruments. Pooled funds are typically common or collective trusts valued at their net asset values (NAVs) that are calculated by the investment manager of the fund.

Fixed income securities are primarily valued using a market approach with inputs that include broker quotes and benchmark yields.

Derivative instruments are valued by the custodian using closing market swap curves and market derived inputs.

Real estate values are primarily reported by the fund manager and are based on valuation of the underlying investments, which include inputs such as cost, discounted future cash flows, independent appraisals and market comparable data.

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The following table presents a reconciliation of Level 3 non-U.S. plan assets held during the year ended December 31, 2010.

(DOLLARS IN THOUSANDS)	Non-U.S. Plans		
	Real Estate	Private Equity	Total
Beginning balance as of December 31, 2009	\$ 376	\$ 2	\$ 378
Actual return on plan assets:			
Relating to assets still held at the reporting date	841	(1)	840
Ending balance as of December 31, 2010	<u>\$ 1,217</u>	<u>\$ 1</u>	<u>\$ 1,218</u>

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

	Expense		Liability	
	2010	2009	2010	2009
Discount rate	6.10%	6.00%	5.50%	6.10%
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	2016	2014	2016	2016

Sensitivity of Disclosures to Changes in Selected Assumptions

(DOLLARS IN THOUSANDS)	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	\$ 10,523	\$ 10,302	\$ 657	\$ 739
Non-U.S. Pension Plans	\$ 26,309	\$ 22,996	\$ 2,077	\$ 1,675
Postretirement Benefit Plan	N/A	\$ 2,938	\$ 112	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 \$6.4 million and \$0.4 million, respectively; a 1% decrease in the rate would decrease the obligation and expense by approximately \$6.1 million and \$0.4 million, respectively.

We contributed \$20 million and \$18 million to our qualified U.S. pension plans and non-U.S. pension plans in 2010. We made \$3 million in benefit payments with respect to our non-qualified U.S. pension plan. In addition, \$5 million of contributions were made with respect to our other postretirement plans.

NOTE 14. FINANCIAL INSTRUMENTS

Fair Value

Accounting guidance on fair value measurements specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our market assumptions. These two types of inputs create the following fair value hierarchy:

- Level 1—Quoted prices for *identical* instruments in active markets.
- Level 2—Quoted prices for *similar* instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
- Level 3—Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

This hierarchy requires us to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value.

When available, we generally use quoted market prices to determine fair value, and classify such items in Level 1. We determine the fair value of structured liabilities (where performance is linked to structured interest rates, inflation or currency risks) using the London InterBank Offer Rate ("LIBOR") swap curve and forward interest and exchange rates at period end. Such instruments are classified as Level 2 based on the observability of significant inputs to the model. We do not have any instruments classified as Level 3.

The market valuation adjustments include a bilateral or "own" credit risk adjustment applied to reflect our own credit risk when valuing all liabilities measured at fair value, in accordance with the requirements under the accounting guidance. The methodology is consistent with that applied in generating counterparty credit risk adjustments, but incorporates our own credit risk as observed in the credit default swap market. As for counterparty credit risk, our own credit risk adjustments include the impact of credit risk mitigants. The estimated change in the fair value of these liabilities due to such changes in our own credit risk (or instrument-specific credit risk) was immaterial as of December 31, 2010.

Derivatives

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

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 which has been designated as a cash flow hedge.

In 2005, we entered into an interest rate swap agreement effectively converting the fixed rate on our long-term Japanese Yen borrowings to a variable short-term rate based on the Tokyo InterBank Offering Rate ("TIBOR") plus an interest markup. This swap was designated as a fair value hedge. Any amounts recognized in interest expense for the periods presented have been immaterial.

In February 2009, we paid \$16 million to close out the \$300 million U.S. Dollar ("USD") LIBOR to European InterBank Offer Rate ("EURIBOR") interest rate swap. As this swap was designated as a net investment hedge, \$12 million of the loss was deferred in AOCI where it will remain until the Euro net investment is divested and \$4 million was included as a component of interest expense during the year ended December 31, 2009.

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In May 2009 we entered into a forward currency contract which qualified as a net investment hedge, in order to protect a portion of our net European investment from foreign currency risk. We recognized a \$1.6 million loss during the year ended December 31, 2009, which was deferred as a component of AOCI. The ineffective portion of this net investment hedge was not material. This forward currency contract matured before the end of the second quarter of 2009. Upon its maturity, we entered into an intercompany loan payable in the amount of 40 million Euros in order to protect a portion of our net European investment from foreign currency risk. This intercompany loan was designated as a net investment hedge and experienced no ineffectiveness while outstanding. We recognized a \$3.1 million loss during the year ended December 31, 2009, which was deferred as a component of AOCI.

During the year ended December 31, 2010, we entered into multiple forward currency contracts which qualified as net investment hedges, in order to mitigate a portion of our net European investments from foreign currency risk. The effective portions of net investment hedges are recorded in Other comprehensive income ("OCI") as a component of "Foreign currency translation adjustments" in the accompanying Consolidated Statement of Income. Realized gains/(losses) are deferred in AOCI where they will remain until the net investments in our European subsidiaries are divested. Six of these forward currency contracts matured during the year ended December 31, 2010. The remaining outstanding foreign currency forward contracts have remaining maturities of less than one year. Beginning in December 2010, the Company no longer designates these contracts as net investment hedges. Changes due to differences in the exchange rates for these contracts were recorded in earnings effective December 2010.

Beginning in the second quarter of 2010 and for the duration of the remaining year, we entered into several forward currency contracts which qualified as cash flow hedges. The objective of these hedges is to protect against the currency risk associated with forecasted US Dollar (USD) denominated raw material purchases made by Euro (EUR) functional entities which result from changes in the EUR/USD exchange rate. The effective portions of cash flow hedges are recorded in OCI as a component of "Gains (losses) on derivatives qualifying as hedges" in the accompanying Consolidated Statement of Income. Realized gains/(losses) remain in AOCI until the hedged item is recognized in earnings.

During the third quarter of 2010, we entered into two interest rate swap agreements effectively converting the fixed rate on a portion of our long-term borrowings to a variable short-term rate based on the LIBOR plus an interest mark-up. These swaps are designated as fair value hedges. Any amounts recognized in interest expense have been immaterial for the year ended December 31, 2010.

The following table shows the notional amount of the Company's derivatives designated as hedging instruments outstanding as of December 31, 2010 and December 31, 2009 (in thousands):

	For the years ended December 31,	
	2010	2009
Forward currency contracts	\$ 141,050	\$ 50,000
Interest rate swaps	\$ 116,209	\$ 16,209

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The following tables show the Company's derivative instruments measured at fair value (Level 2 of the fair value hierarchy) as reflected in the Consolidated Balance Sheets as of December 31, 2010 and December 31, 2009 (in thousands):

	December 31, 2010		
	Fair Value of Derivatives Designated as Hedging Instruments	Fair Value of Derivatives Not Designated as Hedging Instruments	Total Fair Value
Derivative assets (a)			
Foreign currency contracts	\$ 2,984	\$ 1,491	\$ 4,475
Interest rate swaps	112	—	112
	<u>\$ 3,096</u>	<u>\$ 1,491</u>	<u>\$ 4,587</u>
Derivative liabilities (b)			
Foreign currency contracts	\$ 7,086	\$ 9,276	\$ 16,362
Interest rate swaps	348	—	348
	<u>\$ 7,434</u>	<u>\$ 9,276</u>	<u>\$ 16,710</u>

	December 31, 2009		
	Fair Value of Derivatives Designated as Hedging Instruments	Fair Value of Derivatives Not Designated as Hedging Instruments	Total Fair Value
Derivative assets (a)			
Foreign currency contracts	\$ —	\$ 174	\$ 174
Interest rate swap	166	—	166
	<u>\$ 166</u>	<u>\$ 174</u>	<u>\$ 340</u>
Derivative liabilities (b)			
Foreign currency contracts	\$ 4,467	\$ 906	\$ 5,373

- (a) Derivative assets are recorded to Prepaid expenses and other current assets in the Consolidated Balance Sheet.
(b) All derivative liabilities are recorded as Other current liabilities in the Consolidated Balance Sheet.

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The following table shows the effect of the Company's derivative instruments which were not designated as hedging instruments in the Consolidated Statements of Income for the years ended December 31, 2010 and December 31, 2009 (in thousands):

Derivatives Not Designated as Hedging Instruments under ASC 815	Amount of Gain or (Loss) Recognized in Income on Derivative For the years ended December 31,		Location of Gain or (Loss) Recognized in Income on Derivative
	2010	2009	
Foreign currency contract	\$ 8,233	\$ (1,991)	Other expense (income), net

Most of these net gains (losses) offset any recognized gains (losses) arising from the revaluation of the related intercompany loans during the same respective periods.

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The following table shows the effect of the Company's derivative instruments designated as cash flow and net investment hedging instruments in the Consolidated Statements of Income for the years ended December 31, 2010 and December 31, 2009 (in thousands):

	Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion)		Location of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	
	For the years ended December 31,			For the years ended December 31,	
	2010	2009		2010	2009
Derivatives in Cash Flow Hedging Relationships:					
Cross currency swap (1)	\$ (539)	\$ 1,072	Other expense (income), net	\$ (1,593)	\$ (862)
Forward currency contract	\$ (894)	\$ —	Cost of goods sold	\$ (216)	\$ —
Derivatives in Net Investment Hedging Relationships:					
Forward currency contract	\$ (3,788)	\$ —	N/A	\$ —	\$ —
Total	<u>\$ (5,221)</u>	<u>\$ 1,072</u>		<u>\$ (1,809)</u>	<u>\$ (862)</u>

(1) Ten year swap executed in 2003.

No ineffectiveness was experienced in the above noted cash flow hedges during the year ended December 31, 2010. The ineffective portion of the net investment hedges was not material for the year ended December 31, 2010.

The Company expects approximately \$2.0 million (net of tax), of derivative losses included in AOCI at December 31, 2010, based on current market rates, will be reclassified into earnings within the next 12 months. The majority of this amount will vary due to fluctuations in foreign currency exchange rates.

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 \$25 million in 2011, \$23 million in 2012, \$21 million in 2013, \$19 million in 2014, \$18 million in 2015 and from 2016 and thereafter through 2030, the aggregate lease obligations are \$164 million. The corresponding rental expense amounted to \$29 million, \$30 million and \$28 million in 2010, 2009 and 2008, respectively. None of our leases contain step rent provisions or escalation clauses and they do not require capital improvement funding.

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At December 31, 2010, we had outstanding bank guarantees and undrawn letters of credit from financial institutions. These relate to normal business operations principally as a result of commercial and governmental requirements.

The Company accrues for contingencies related to litigation in accordance with ASC 450-20, "Loss Contingencies", which requires the Company to assess contingencies to determine the degree of probability and range of possible loss. A loss contingency is accrued in the Company's consolidated financial statements if it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Because litigation is inherently unpredictable and unfavorable resolutions could occur, assessing contingencies is highly sensitive and requires judgments about future events. The Company regularly reviews contingencies to determine the adequacy of accruals. The amount of ultimate loss may differ from these estimates and further events may require the Company to increase the amounts it has accrued on any matter. It is possible that cash flows or results of operations could be materially affected in any particular period by the unfavorable resolution of one or more of these contingencies.

Popcorn Flavor Litigation

We are party to a number of lawsuits and claims related primarily to flavoring supplied by us and by other third party suppliers, in most instances to manufacturers of butter flavored popcorn. A total of 16 actions involving 269 claimants are currently pending against us and other flavor suppliers and related companies based on similar claims of alleged respiratory illness. In certain cases, plaintiffs are unable to demonstrate that they have suffered a compensable loss as a result of such exposure, or that injuries incurred in fact resulted from exposure to our flavor products. In most of the complaints, the damages sought by the plaintiffs are not alleged at the pleading stage and may not be specified until a much later time in the proceeding, if at all. During 2010, there have been seven new actions filed involving 66 claimants and five actions involving 16 claimants have been settled for a net out-of-pocket amount which is not material to us after giving effect to insurance recovery, and three other cases have been consolidated with other pending cases. In addition, 57 claimants were voluntarily dismissed from continuing cases based on a determination that their claims lacked merit.

On a quarterly basis, 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 insurance policies with respect to all these matters. The liabilities are recorded at management's best estimate of the outcome of the lawsuits and claims, taking into consideration the facts and circumstances of the individual matters as well as past experience on similar matters. Amounts accrued are also based upon our historical experience with these claims, including claims which have been closed with no liability as well as claims settled to date. Settled claims, since the inception of the flavor-related claims, have not been material to us in any reporting period after giving effect to insurance recovery. At each balance sheet date, the key issues that management assesses are whether it is probable that a loss as to asserted or unasserted claims has been incurred and if so, whether the amount of loss can be reasonably estimated.

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 our 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 operations 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.

We periodically assess our insurance coverage for all known claims, taking into account aggregate coverages by occurrence, limits of coverage, self-insured retentions and deductibles, historical claims experience and claims experience with insurers.

We record 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.

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Patent Claims

A complaint, captioned *V. Mane Fils S.A. v. International Flavors and Fragrances, Inc.* was filed in U.S. District Court for the District of New Jersey in May 2006, and alleges that the Company has and continues to infringe U.S. Patent Nos. 5,725,856 and 5,843,466, relating to a flavor ingredient that may provide a cooling effect. The Company answered the complaint by denying liability, asserting that both patents are invalid and various other defenses. In June 2008, plaintiff amended its complaint to add claims for violations of the Lanham Act, tortious interference and unfair competition. The Company answered the amended complaint by denying all liability. In connection with the patent claims, the plaintiff seeks monetary damages, damages for alleged willful infringement, injunctive relief and fees, costs and interest. In connection with the additional claims, plaintiff also seeks monetary damages, punitive damages and fees and costs. In May 2010, following reexamination of the patents in question by the U.S. Patent Office, all of the patent claims, initially rejected in the reexamination proceeding, were reallocated. The Company and the plaintiff have each filed motions for summary judgment with respect to various claims. No trial date has been scheduled. The Company denies the allegations and will defend its position in Court.

We analyze our liability on a regular basis and accrue for litigation loss contingencies when they are probable and estimable. During the second quarter 2010, we recorded a provision related to this case which is reflected in Other liabilities. Based on present information, the Company believes that its ultimate liability, if any, arising from this proceeding would not have a material adverse effect on its financial position or liquidity; however, due to the unpredictability regarding the litigation process, such claims, if ultimately resolved against us, could potentially have a material adverse effect on our cash flows or results of operations in a particular period. An adverse outcome could also potentially affect our ability to sell one or more flavor products to the extent the Court ultimately issued an injunction related to the patents. The Company disputes the allegations of wrongdoing, believes it has meritorious defenses and is vigorously defending all claims.

Environmental

Over the past approximately 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 ten 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, 2010, 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.

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(a)(3) EXHIBITS

Number

- 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 the Registrant, incorporated by reference to Exhibit 3.2 to Registrant's Report on Form 8-K filed on February 7, 2011.
- 4.1 Shareholder 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 Certificate 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 to 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.
- 4.7 Credit Agreement dated as of November 18, 2008 among International Flavors & Fragrances (Japan) Ltd., as Borrower, International Flavors & Fragrances Inc., as Guarantor, and The Bank of Tokyo-Mitsubishi UFJ, Ltd., as Lender, incorporated by reference to Exhibit 10.1 to Registrant's Report on Form 8-K filed on November 21, 2008.

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- *10.1 Separation Agreement between International Flavors & Fragrances Inc. and Robert M. Amen dated October 14, 2009, incorporated by reference to Registrant's Report on Form 8-K filed on October 19, 2009.
- *10.2 Letter Agreement between International Flavors & Fragrances Inc. and Douglas D. Tough, dated September 8, 2009, incorporated by reference to Exhibit 10.1 to the Registrant's Report on Form 8-K filed on September 14, 2009.
- *10.3 Compensation arrangements of Kevin Berryman, effective as of May 15, 2009, incorporated by reference to the Registrant's report on Form 8-K filed on April 16, 2009.
- *10.4 Compensation arrangements of Richard A. O'Leary, effective as of April 28, 2009, incorporated by reference to the Registrant's report on Form 8-K filed on May 1, 2009.
- *10.5 Compensation arrangements of Nicolas A. Mirzayantz and Beth E. Ford incorporated by reference to Exhibit 10.1 to Registrant's Report on form 10-Q filed on May 6, 2010.
- *10.6 Supplemental Retirement Plan, adopted by the Registrant's Board of Directors on October 29, 1986 as amended and restated through October 9, 2007, incorporated by reference to Exhibit 10.5 to Registrant's Report on Form 10-K filed on February 27, 2008.
- *10.7 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, incorporated by reference to Exhibit 10.6 to Registrant's Report on Form 10-K filed on February 27, 2008.
- *10.8 2010 Stock Award and Incentive Plan as amended.
- *10.9 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, incorporated by reference to Exhibit 10.7 to Registrant's Report on Form 10-K filed on February 27, 2008.
- *10.10 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.
- *10.11 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 (SEC file number reference 001-04858).
- *10.12 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.
- *10.13 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, as further amended by a one-year supplemental performance metric incorporated by reference to Registrant's Report on Form 8-K filed on February 5, 2010.
- *10.14 Performance Criteria for the 2009-2011 cycle under the Company's Long Term Incentive Plan, incorporated by reference to Registrant's Report on Form 10-Q filed on May 6, 2010.
- *10.15 Performance Criteria for the 2010-2012 cycle under the Company's Long Term Incentive Plan, incorporated by reference to Registrant's Report on Form 10-Q filed on May 6, 2010.
- *10.16 Performance Criteria for the 2011-2013 cycle under the Company's Long Term Incentive Plan, incorporated by reference to Registrant's Report on Form 10-Q filed on May 6, 2010.
- *10.17 Performance Criteria for the Registrant's Annual Incentive Plan for 2010, incorporated by reference to Exhibit 10.1 to Registrant's Report on form 10-Q filed on May 6, 2010.

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- *10.18 Performance Criteria for the Registrant's Equity Choice Program relating to Senior Executives incorporated by reference to Exhibit 10.1 to Registrant's Report on form 10-Q filed on May 6, 2010.
- *10.19 Form of Non-Employee Director's Restricted Stock Units 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.
- *10.20 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.
- *10.21 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.
- *10.22 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.
- *10.23 Non-Employee Director Compensation Arrangements, adopted by the Company's Board of Directors on March 6, 2007, incorporated by reference to Registrant's Report on Form 8-K filed on March 12, 2007.
- *10.24 Form of Restricted Stock Units Agreement under International Flavors & Fragrances Inc. 2000 Stock Award and Incentive Plan incorporated by reference to Registrant's Report on 10-Q filed on August 5, 2009.
- *10.25 Form of Purchased Restricted Stock Agreement under International Flavors & Fragrances Inc. 2000 Stock Award and Incentive Plan incorporated by reference to Registrant's Report on 10-Q filed on August 5, 2009.
- *10.26 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 (SEC file number reference 001-04858).
- *10.27 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 (SEC file number reference 001-04858).
- *10.28 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 (SEC file number reference 001-04858).
- *10.29 Restated and Amended Executive Separation Policy as amended through and including December 14, 2010.
- *10.30 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.

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- *10.31 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.
- *10.32 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.
- *10.33 Deferred Compensation Plan adopted by Registrant's Board of Directors on December 12, 2000 as amended and restated through February 2, 2010.
- *10.34 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.
- *10.35 Amendment dated August 2, 2005 to the Trust Agreement dated October 4, 2000 among Registrant, Wachovia Bank, N.A. (formerly First Union National Bank) and Buck Consultants LLC (formerly Buck Consultants Inc.), incorporated by reference to Exhibit 10.1 to Registrant's Report on Form 10-Q filed on August 5, 2005 (SEC file number reference 001-04858).
- *10.36 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.
- *10.37 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 (SEC file number reference 001-04858).
- *10.38(a) Director Charitable Contribution Program, adopted by the Board of Directors on December 8, 2009, incorporated by reference to Exhibit 10.38 to Registrant's Report on Form 10-K filed on February 25, 2010.
- *10.38(b) Summary of director charitable contribution arrangement between the Registrant and Arthur C. Martinez incorporated by reference to Exhibit 10.33(b) to Registrant's Report on Form 10-K filed on February 27, 2008.
- *10.39 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).
- 10.40 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 (SEC file number reference 001-04858).
- 10.41 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 Registrant's Report on Form 10-Q filed on October 31, 2007.

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- 10.42 Amendment dated September 27, 2007 (and confirmed on November 6, 2007) to the Multi-currency Revolving Credit Facility Agreement dated November 23, 2005, extending the Termination Date for an additional period of 365 days until 2012, incorporated by reference to Exhibit 10.40 to Registrant's Report on Form 10-Q filed on February 27, 2008.
- 10.43 Confirmation, dated September 14, 2007, between International Flavors & Fragrances Inc. and Morgan Stanley & Co. Incorporated, incorporated by reference to Exhibit 10.1 to Registrant's Form 8-K filed with the SEC on September 18, 2007.
- 10.44 Confirmation, dated September 14, 2007, between International Flavors & Fragrances Inc. and Morgan Stanley & Co. Incorporated, incorporated by reference to Exhibit 10.2 to Registrant's Form 8-K filed with the SEC on September 18, 2007.
- 21 List of Principal Subsidiaries.
- 23 Consent of PricewaterhouseCoopers LLP.
- 31.1 Certification of Douglas D. Tough pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Kevin C. Berryman pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32 Certification of Douglas D. Tough and Kevin C. Berryman 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/ Kevin C. Berryman
Kevin C. Berryman
Executive Vice President and
Chief Financial Officer

Dated: February 24, 2011

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on February 24, 2011 by the following persons on behalf of the Registrant and in the capacities and on the date indicated:

Principal Executive Officer:

/s/ Douglas D. Tough
Douglas D. Tough
Chairman of the Board and
Chief Executive Officer

Principal Financial and Accounting Officer:

/s/ Kevin C. Berryman
Kevin C. Berryman
Executive Vice President
and Chief Financial Officer

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Directors:

/s/ Margaret Hayes Adame
MARGARET HAYES ADAME

/s/ Marcello V. Bottoli
MARCELLO V. BOTTOLI

/s/ Linda B. Buck
LINDA B. BUCK

/s/ J. Michael Cook
J. MICHAEL COOK

/s/ Roger W. Ferguson, JR.
ROGER W. FERGUSON, JR.

/s/ Peter A. Georgescu
PETER A. GEORGESCU

/s/ Alexandra A. Herzan
ALEXANDRA A. HERZAN

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

/s/ Katherine M. Hudson
KATHERINE M. HUDSON

/s/ Arthur C. Martinez
ARTHUR C. MARTINEZ

/s/ Douglas D. Tough
DOUGLAS D. TOUGH

Schedule

INTERNATIONAL FLAVORS & FRAGRANCES INC. AND SUBSIDIARIES
SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
(IN THOUSANDS)

	For the Year Ended December 31, 2010				
	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	\$ 10,263	\$ (1,352)	\$ 2,716	\$ 129	\$ 6,324
Valuation allowance on credit and operating loss carryforwards and certain net deferred tax assets	212,705	91,632	—	(16,155)	288,182
	<u>\$ 222,968</u>	<u>\$ 90,280</u>	<u>\$ 2,716</u>	<u>\$ (16,026)</u>	<u>\$ 294,506</u>

	For the Year Ended December 31, 2009				
	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	\$ 11,156	\$ 2,928	\$ 4,853	\$ 1,032	\$ 10,263
Valuation allowance on credit and operating loss carryforwards and certain net deferred tax assets	178,921	31,651	—	2,133	212,705
	<u>\$ 190,077</u>	<u>\$ 34,579</u>	<u>\$ 4,853</u>	<u>\$ 3,165</u>	<u>\$ 222,968</u>

	For the Year Ended December 31, 2008				
	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	\$ 11,694	\$ 4,630	\$ 3,932	\$ (1,236)	\$ 11,156
Valuation allowance on credit and operating loss carryforwards	171,600	12,750	—	(5,429)	178,921
	<u>\$ 183,294</u>	<u>\$ 17,380</u>	<u>\$ 3,932</u>	<u>\$ (6,665)</u>	<u>\$ 190,077</u>

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**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 May 3, 2011 at 10:00 a.m., EDT.

IFF will be furnishing proxy materials to shareholders on the internet, rather than mailing printed copies of those materials to each shareholder. A Notice of Internet Availability of Proxy Materials will be mailed to each shareholder on or about March 16, 2011, which will provide instructions as to how shareholders may access and review the proxy materials for the 2011 Annual Meeting on the website referred to in the Notice or, alternatively, how to request a printed copy of the proxy materials be sent to them by mail.

TRANSFER AGENT AND REGISTRAR

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INTERNATIONAL FLAVORS & FRAGRANCES INC.**2010 Stock Award and Incentive Plan****As Amended and Restated December 14, 2010**

1. **Purpose.** The purpose of this 2010 Stock Award and Incentive Plan (the "Plan") is to aid International Flavors & Fragrances Inc., a New York corporation (the "Company," which term shall include successors and assigns), 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 strengthen the Company's capability to develop and direct a competent management team, to provide for equitable and competitive compensation opportunities, to authorize incentive awards that appropriately reward achievement of Company and business-unit goals and recognize individual contributions without promoting excessive risk, and to 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) "Annual Limit" shall have the meaning as defined in Section 5(b).

(c) "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.

(d) "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 in the event of the death of the Participant.

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

(f) "Change in Control" and related terms have the meaning as defined in Section 9.

(g) "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.

(h) "Committee" means the Compensation Committee of the Board (or a successor to such committee designated by the Board), the composition and governance of which is established in the Committee's Charter as approved from time to time by the Board and subject to other corporate governance documents of the Company. No action of the Committee under the Plan shall be void or deemed to be without authority due to the failure of any member, at the time the action was taken, to meet any qualification standard set forth in the Committee Charter or this Plan. The 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.

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

(j) "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.

(k) "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.

(l) "Effective Date" means the effective date specified in Section 11(q).

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

(n) "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.

(o) "Fair Market Value" means the fair market value of Stock, Awards or other property as determined in good faith by the Committee or under the following procedure or a substitute procedure as may be approved from time to time 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).

(p) "409A Award" means an Award that constitutes a deferral of compensation under Code Section 409A and regulations thereunder, but excluding any Award that 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.

(q) "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.

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

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

(t) "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.

(u) "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.

(v) "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).

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

(x) "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.

(y) "Stock" means the Company's Common Stock, par value 12½ ¢ per share, -and any other equity securities of the Company that may be substituted or resubstituted for Stock pursuant to Section 11(c).

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

(aa) "2000 Plan" means the 2000 Stock Award and Incentive Plan.

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 granted or 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 (including Stock deliverable in connection with the Award), 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, any grant of an Award to a non-employee director shall be approved, or granted in accordance with a policy approved, by the Board; provided, however, that the Committee shall recommend (or jointly approve) such awards or policies to the Board, and the Committee retains the full independent authority conferred under the Plan with respect to other aspects of non-employee director awards.

(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. The Committee otherwise may act through a subcommittee or with members of the Committee abstaining or recusing themselves to ensure compliance with regulatory requirements or to promote effective governance as determined by the Committee. Such action, authorized by such a subcommittee or by the Committee upon the abstention or recusal of any member, 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 but not limited to 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 and other applicable laws and regulations.

(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 2,000,000 shares plus the number of remaining shares reserved for equity awards under the Company's 2000 Plan which have not been issued and delivered under the 2000 Plan, including such 2000 Plan shares (and 2000 Supplemental Stock Award 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 2,000,000. 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 in accordance with this Section 4(b). Shares shall be counted against those reserved to the extent such shares have been delivered and are no longer subject to a risk of forfeiture. Accordingly, (i) to the extent that an Award under the Plan or an award under the 2000 Plan or 2000 Supplemental Stock Award Plan, in whole or in part, is canceled, expired, forfeited, settled in cash, settled by delivery of fewer shares than the number underlying the Award or award, or otherwise terminated without delivery of shares to the Participant, the shares retained by or returned to the Company will not be deemed to have been delivered under the Plan and will be deemed to remain or to become available under this Plan; and (ii) shares that are withheld from such an Award or award or separately surrendered by the Participant in payment of the exercise price or taxes relating to such an Award or award shall be deemed to constitute shares not delivered and will be deemed to remain or to become available under the Plan. The Committee may determine that Awards may be outstanding that relate to more shares than the aggregate remaining available under the Plan so long as Awards will not in fact result in delivery and vesting of shares in excess of the number then available under the Plan.

In addition, in the case of any Award granted in assumption of or substitution for an award of a company or business acquired by the Company or a subsidiary or affiliate, shares delivered or deliverable in connection with such assumed or substitute Award shall not be counted against the number of shares reserved under the Plan (such assumed or substitute Awards may be administered under the Plan, however). 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. To the extent that the 2000 Plan authorizes grants relating to shares remaining available and shares recaptured under the 1997 Employee Stock Option Plan, such shares will be deemed to be available under the 2000 Plan and, therefore, available under this Plan to the extent provided in this Section 4.

5. Eligibility; Per-Person Award Limitations.

(a) *Eligibility.* Awards may be granted under the Plan only to Eligible Persons. For purposes of the Plan, an "Eligible Person" means (i) an employee of the Company or any subsidiary or affiliate, including any executive officer, (ii) a non-employee director of the Company, (iii) a consultant or other person who provides substantial services to the Company or a subsidiary or affiliate, and (iv) any person who has been offered employment by the Company or a subsidiary or affiliate, provided that such prospective employee may not receive any payment or exercise any right relating to an Award until such person has commenced such employment. 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. Holders of awards granted by a company or business acquired by the Company or a subsidiary or affiliate (including a business combination) are eligible for Awards granted in assumption of or in substitution for such outstanding awards.

(b) *Per-Person Award Limits.* 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 the Plan relating to up to his or her Annual Limit. A Participant's Annual Limit, in any year during any part of which the Participant is then eligible under the Plan, shall equal 1 million shares plus the amount of the Participant's unused Annual Limit relating to stock-denominated Awards as of the close of the previous year, subject to adjustment as provided in Section 11(c). In the case of cash-denominated Awards or other Awards which are not valued in a way in which the limitation set forth in the preceding sentence would operate as an effective limitation satisfying applicable law (including Treasury Regulation 1.162-27(e)(4)), an Eligible Person may not be granted Awards authorizing the earning during any calendar year of an amount that exceeds the Eligible Person's Annual Limit, which for this purpose shall equal \$5 million plus the amount of the Eligible Person's unused cash Annual Limit as of the close of the previous year (this limitation is separate and not affected by the number of Awards granted during such calendar year subject to the limitation in the preceding sentence). For this purpose, (i) "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, (ii) 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 (at the maximum designated amount for such Awards), regardless of whether such amount or shares are in fact earned or paid, and (iii) the Annual Limit 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.

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). Notwithstanding the foregoing, any Award resulting from an assumption or granted in substitution for an outstanding award granted by a company or business acquired by the Company or a subsidiary or affiliate (including a business combination) shall satisfy this Section 6(b)(i) if the assumption or substitution preserves without enlarging the in-the-money value of the original award at the date of the acquisition. No adjustment will be made for a dividend or other right for which the record date is prior to the date on which the stock is issued, except as provided in Section 11(c) of the Plan.

(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.

(c) *Stock Appreciation Rights*. The Committee is authorized to grant SARs 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 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. Deferred Stock subject to a risk of forfeiture may be called "restricted stock units" or otherwise designated by the Committee.

(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. Dividend Equivalents shall not be granted in connection with Options and SARs in respect of any period prior to the exercise of the Option or SAR.

(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 reserve the right to exercise its discretion to reduce or increase the amounts payable under any Award subject to performance conditions, provided, however, (i) the reservation of discretion shall be limited as specified 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); and (ii), in the case of any Performance Award denominated in shares at the grant date (i.e., an Award which constitutes a share-based payment arrangement under award under Financial Accounting Standards Board (FASB) Accounting Standards Codification 718 ("ASC 718"), no discretion to reduce or increase the amounts payable (except as provided under Section 11(c)) shall be reserved unless such reservation of discretion is expressly stated by the Committee at the time it acts to authorize or approve the grant of such Performance Award.

(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 Treasury 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 or revenues;
- (2) earnings measures, including 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 measures, including 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) net economic profit (operating earnings minus a charge for capital) or economic value created;
- (7) operating margin or profit margin;
- (8) shareholder value creation measures, including stock price or total shareholder return;
- (9) dividend payout levels, including 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, total market capitalization, agency ratings of financial strength, completion of capital and borrowing transactions, business retention, new product development, 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(b).

(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)(iii). 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. Subject to Section 7(a), 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 (if any) 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.

(c) *Annual Incentive Awards Granted to 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 applicable deadline specified in Section 7(b)(iii), the Committee shall determine the Covered Employees who will potentially receive Annual Incentive Awards, the amount(s) potentially payable thereunder, and the performance period in which such amount(s) may be earned. The amount(s) potentially payable as Annual Incentive Awards 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) in the given performance period, as specified by the Committee. The Committee may designate an Annual Incentive Award pool as the means by which Annual Incentive Awards will be measured, which pool shall conform to the provisions of Section 7(b)(iv). In such case, 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.

(ii) *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. Subject to Section 7(a), 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 or fair 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 Sections 11(k) and 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 Sections 11(k) and 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. In the case of any 409A Award that is vested and no longer subject to a risk of forfeiture (within the meaning of Code Section 83), such Award will be distributed to the Participant upon application of the Participant, if the Participant has had an unforeseeable emergency within the meaning of Code Sections 409A(a)(2)(A)(vi) and 409A(a)(2)(B)(ii), in accordance with Section 409A(a)(2)(B)(ii).

(d) *No Personal Loans or Reloads.* No term of an Award shall provide for a personal loan to a Participant, including for payment of the exercise price of an Option or withholding taxes relating to any Award. No term of an Award shall provide for automatic "reload" grants of additional Awards upon exercise of an Option or SAR or otherwise as a term of an Award.

(e) *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 apply to 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 Sections 11(k) and 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.*

(i) In the case of Awards granted before December 14, 2010, 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 or, subject to Section 11(e), the Executive Separation Policy or a successor policy thereto (the "ESP") in which a Participant participates or other agreement between the Company and the Participant governing the Award:

(A) All deferral of settlement, forfeiture conditions and other restrictions applicable to Awards 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 valid 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, 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); and

(B) 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 applicable period provided under the Award agreement (i.e., provisions terminating the Award at specified times following termination of employment will continue to apply) and subject 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.

(ii) In the case of Awards granted on or after December 14, 2010, in the event that the Participant's employment is terminated by the Company or a subsidiary not for cause within two years after 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 or, subject to Section 11(e), the ESP if the Participant is a participant in the ESP or other agreement between the Company and the Participant governing the Award. For purposes of this Section 9(a)(ii), "cause" has the meaning 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 under the ESP at the time of grant of the Award:

(A) All deferral of settlement, forfeiture conditions and other restrictions applicable to Awards shall lapse and such Awards shall be fully payable as of the time of such termination without regard to deferral and vesting conditions, except to the extent of any waiver by the Participant or other valid express election to defer beyond such termination and subject to applicable restrictions set forth in Section 11(a); provided, however, that, in the case of a 409A Award, the end of any deferral period and settlement of the Award shall be subject to the terms of Section 11(k); and

(B) 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 such termination and shall remain exercisable and vested for the applicable period provided under the Award agreement (i.e., provisions terminating the Award at specified times following termination of employment will continue to apply) and subject 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.

(iii) In the case of an Option granted at any time, the Committee may, in its discretion and the provisions of (i) and (ii) above notwithstanding, determine to extend to a Participant who holds the Option the right to elect, in lieu of acquiring the shares of Stock covered by such Option, to receive in cash the excess of the Fair Market Value per share at the date the Company and the Participant have mutually agreed to the surrender of the Award, multiplied by the number of shares of Stock covered by such Award, such surrender to occur simultaneously with the Change in Control or at a date specified by the Committee relating to the Change in Control; 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.

(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. For any portion of a Performance Award deemed earned in such case, the provisions of Section 9(a) will apply unless otherwise provided in such Award document or, subject to Section 11(e), the ESP or other agreement between the Company and the Participant governing the Award.

(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 "50% Beneficial Owner." For purposes of this provision, a "50% 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 50% or more of the combined voting power of the Company's then-outstanding voting securities; provided, however, that the term "50% Beneficial Owner" shall not include any person who shall become the beneficial owner of 50% 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 50% Beneficial Owner in accordance with this Section 9(c)(i);

(ii) Individuals who on January 1, 2010 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 January 1, 2010 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 50% 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.

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.

(e) *Clawback and Recoupment Provisions Required by Law.* Subject to Section 11(e), any clawback or recoupment provisions required under the Dodd-Frank Wall Street Reform and Consumer Protection Act shall apply to Awards under the Plan.

(f) *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 and subject to Section 11(k), 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.

(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)(H), 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(b), (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 Award (subject to Section 11(l)). In furtherance of the foregoing, a Participant shall have a legal right to an adjustment to an outstanding Award which constitutes a "share-based payment arrangement" in the event of an "equity restructuring," as such terms are defined under ASC 718, which adjustment shall preserve without enlarging the value of the Award to the Participant. 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 effectiveness 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 ISO 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 and Awards*. 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 the New York Stock Exchange or if such amendment would materially increase the number of shares reserved for issuance and delivery under the Plan, and the Board may otherwise, in its discretion, determine to submit other amendments to the Plan to shareholders for approval. The Committee is authorized to amend outstanding Awards, except as limited by the Plan. The Board and Committee may not amend outstanding Awards (including by means of an amendment to the Plan) without the consent of an affected Participant if such amendment would materially and adversely affect the rights of such Participant under any outstanding Award (for this purpose, actions that alter the timing of federal income taxation of a Participant will not be deemed material unless such action results in an income tax penalty materially adverse to the Participant, and any discretion reserved by the Board or Committee with respect to an Award is not limited by this provision). 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 would be then mandatory for a new Award of the same type under the Plan.

(f) *Right of Setoff*. The Company or any subsidiary or affiliate may, to the extent permitted by applicable law and subject to Section 11(k), 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, 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 Code 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 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 compensation and in lieu thereof receive an Award, or is permitted to elect to defer any payment under an Award, such election 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 (as from time to time may be amended), subject to any additional limitations as may be necessary for compliance with Code Section 409A;
- (B) **Changes in Distribution Terms.** The Committee may, in its discretion, require or permit on an elective basis a change in the distribution terms applicable to 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 Internal Revenue Service guidance under Code Section 409A;
- (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 "specified employee" under Treasury Regulation § 1.409A-1(i), settlement under this Section 11(k)(i)(C)(2) shall instead occur at the expiration of the six-month period following separation from service under Section 409A(a)(2)(B)(i). During such six-month delay period, no acceleration of settlement may occur, except (1) acceleration shall occur in the event of death of the Participant, (2) if the distribution date was specified as the earlier of separation from service or a fixed date and the fixed date falls within the delay period, the distribution shall be triggered by the fixed date, and (3) acceleration may be permitted otherwise if and to the extent permitted under Section 409A. In the case of installments, this delay shall not affect the timing of any installment otherwise payable after the six-month delay period. With respect to any 409A Award, a reference in any agreement or other governing document to a "termination of employment" which triggers a distribution shall be deemed to mean a "separation from service" within the meaning of Treasury Regulation § 1.409A-1(h).
 - (3) **Death.** The death of the Participant; provided, however, that unless a specific time otherwise is stated for payment of a 409A Award upon death, such payment shall occur in the calendar year in which falls the 30th day after death.
 - (4) **Disability.** The date the Participant has experienced a 409A Disability (as defined below).
 - (5) **409A Change in Control.** 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 accordance with 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 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 lapse of the substantial risk of forfeiture 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" shall be deemed to have occurred if, in connection with a Change in Control (as defined in Section 9(c)), 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) Time of Distribution. In the case of any distribution of a 409A Award, 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 within 60 days after the date at which the settlement of the Award is specified to occur. In the case of any distribution of a 409A Award during a specified period following a settlement date, the maximum period shall be 90 days, and the Participant shall have no influence (other than permitted deferral elections) on any determination as to the tax year in which the distribution will be made during any period in which a distribution may be made;
- (G) Determination of "Specified Employee." For purposes of a distribution under Section 11(k)(i)(C)(2), status of a Participant as a "specified employee" shall be determined annually under the Company's administrative procedure for such determination for purposes of all plans subject to Code Section 409A.
- (H) 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 creditors of the Participant's Beneficiary.
- (I) Limitation on Setoffs. If the Company has a right of setoff that could apply to a 409A Award, such right may only be exercised at the time the 409A Award would have been distributed to the Participant or his or her Beneficiary, and may be exercised only as a setoff against an obligation that arose not more than 30 days before and within the same year as the distribution date if application of such setoff right against an earlier obligation would not be permitted under Code Section 409A.
- (J) 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) *Separate Payments.* Unless otherwise specified in the applicable Award agreement, each vesting tranche of an Award shall be deemed to be a separate payment for purposes of Code Section 409A, and any portion of a vesting tranche that would vest on a pro rata basis in the event of a separation from service on December 31 of a given year, and the remaining portion of such vesting tranche that would not so vest, each shall be deemed to be a separate payment for purposes of Code Section 409A.
- (iii) *Distributions Upon Vesting.* In the case of any Non-409A Award providing for a distribution upon the lapse of a substantial risk of forfeiture, if the timing of such distribution (compliant with Section 409A) 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 substantial risk of forfeiture lapsed, and if a determination regarding the level of earning of an Award is to be made promptly following the end of a calendar-year performance year and constitutes the event upon which all substantial risk of forfeiture shall lapse, then the determination of the level of achievement of performance and the distribution shall be made between January 1 and March 15 of the year following the performance year. In all cases, the Participant shall have no influence on any determination as to the tax year in which the distribution will be made.

(iv) *Limitation on Adjustments.* Any adjustment under Section 11(c) shall be implemented in a way that complies with applicable requirements under Section 409A so that Non-409A Option/SARs do not, due to the adjustment, become 409A Awards, and otherwise so that no adverse consequences under Section 409A result to Participants. (v) *Release or Other Termination Agreement.* If the Company requires a Participant to execute a release, non-competition, or other agreement as a condition to receipt of a payment upon or following a termination of employment, the Company will supply to the Participant a form of such release or other document not later than the date of the Participant's termination of employment, which must be returned within the minimum time period required by law and must not be revoked by the Participant within the applicable time period (if any) for revocation in order for the Participant to satisfy any such condition. If any amount payable during a fixed period following termination of employment is subject to such a requirement and the fixed period would begin in one tax year and end in the next tax year, the Company, in determining the time of payment of any such amount, will not be influenced by the timing of any action of the Participant including execution of such a release or other document and expiration of any revocation period. In particular, the Company will be entitled in its discretion to deposit any such payment in escrow during either year comprising such fixed period, so that such deposited amount is constructively received and taxable income to the Participant upon deposit but with distribution from such escrow remaining subject to the Participant's execution and non-revocation of such release or other document.

(v) *Limit on Authority to Amend.* The authority to adopt amendments under Section 11(e) does not include authority to take action by amendment that would have the effect of causing Awards to fail to meet applicable requirements of Section 409A.

(vi) *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 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 ASC 718 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 or is subject to taxation by a non-U.S. jurisdiction in any manner deemed by the Committee to be necessary or appropriate in order that such Award shall conform to laws, regulations, sound business practices 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 or in any particular office or position, (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. Any Award shall not be deemed compensation for purposes of computing benefits under any retirement plan of the Company or any subsidiary or affiliate and shall not affect any benefits under any other benefit plan at any time in effect under which the availability or amount of benefits is related to the level of compensation (unless required by such other plan or arrangement with specific reference to Awards under this Plan).

(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; Effect on Other Plans.* The Plan shall become effective if, and at such time as, the shareholders of the Company have approved it by a majority of the votes cast at a meeting of shareholders by the holders of shares entitled to vote thereon, provided that the total vote cast on the proposal (both for and against) represents over 50% in interest of all securities entitled to vote on the proposal. The date of such shareholder approval shall be the Effective Date. Upon such approval of the Plan by the shareholders of the Company, no new awards shall be granted under the 2000 Plan and the 2000 Supplemental Stock Incentive Plan, but any outstanding awards under those preexisting plans shall continue in accordance with their terms (and any authority to amend those awards shall continue under those preexisting plans). Unless earlier terminated by action of the Board of Directors, the authority to make new grants under this Plan shall terminate on the date that is ten years after the latest date upon which shareholders of the Company have approved the Plan, and 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. This amendment and restatement of the Plan became effective on December 14, 2010.

INTERNATIONAL FLAVORS & FRAGRANCES INC.

Restated and Amended Executive Separation Policy Document (As Amended through and including December 14, 2010)

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 "50% Beneficial Owner." For purposes of this provision, a "50% 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 50% or more of the combined voting power of the Company's then-outstanding voting securities; provided, however, that the term "50% Beneficial Owner" shall not include any person who shall become the beneficial owner of 50% 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 50% Beneficial Owner in accordance with this Section;

(ii) Individuals who on January 1, 2010 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 January 1, 2010 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 50% 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 equity awards based on stock then held by the Employee, other than Designated Awards and limited stock appreciation rights relating thereto, provided that stock options, restricted stock and other equity awards granted on or after December 14, 2010 will not be governed by this Section 5(a), but instead will be governed by Section 5(b):

(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), other agreement governing such award, or other applicable terms of this Policy.

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

(b) *Treatment of Equity Awards Granted On or After December 14, 2010.* In the case of any stock options, restricted stock or other equity award granted on or after December 14, 2010:

(i) If such award was granted to an Employee who had already been designated as a participant under this Policy on December 14, 2010 and the Change in Control occurred before December 31, 2011, the award will be subject to acceleration in accordance with, and the other terms of, Section 5(a).

(ii) Any such award other than an award governed by Section 5(b)(i) will be governed by the applicable plan, award document(s), other agreement governing such award, or other applicable provision of this Policy.

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

6. Effect of Federal Excise Tax.

(a) *Pre-Amendment Employees and New Employees Generally.* This Section 6 specifies certain adjustments to payments to an Employee who 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 (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") if such Employee is 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 Tax"). If such Employee (an "Affected Employee") was designated as a Tier I or Tier II level participant under this Policy on or before March 8, 2010 and the Affected Employee has not been terminated for Cause (a "Pre-Amendment Employee"), the Company will pay to the Employee an additional amount (the "Gross-Up Payment") or reduce payments to the Pre-Amendment Employee if and to the extent so provided in Section 6(b). If an Affected Employee is not a Pre-Amendment Employee, the Company will reduce payments to such Affected Employee (a "New Employee") if and to the extent so provided in Section 6(c).

(b) *Gross-Up or Cut-Back for Pre-Amendment Employee.* In the case of a Pre-Amendment Employee, the Company will pay to the Pre-Amendment Employee a Gross-Up Payment in an amount 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 Tax 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 Tax on the 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 Excise Tax on the Employee. The "Safe Harbor Amount" shall mean one dollar less than 300% of the Affected Employee's "base amount" as determined in accordance with Section 280G(b)(3) of the Code.

(c) *Cut-Back for New Employee to Maximize Retained After-Tax Amounts.* In the case of a New Employee, the Company will reduce Severance Payments to the Reduced Amount (as defined below) if but only if reducing the Severance Payments would provide to the New Employee a greater net after-tax amount of Severance Payments than would be the case if no such reduction took place. The "Reduced Amount" shall be an amount expressed in present value which maximizes the aggregate present value of the Severance Payments without causing any Severance Payment to be subject to Excise Tax, determined in accordance with Section 280G(d)(4) of the Code. Any reduction in Severance Payments shall be implemented in accordance with Section 6(d).

(d) *Implementation Rules.* Any reduction in payments under Section 6(b) or 6(c) shall apply to cash payments and/or vesting of equity awards 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 (to be minimally reduced, for purposes of this provision) by the intrinsic value of the equity award at the date of such vesting. The Employee shall be advised of the determination as to which compensation will be reduced and the reasons therefor, and the Employee and his or her advisors will be entitled to present information that may be relevant to this determination. No reduction shall be applied to an amount that constitutes a deferral of compensation under Code Section 409A except for amounts that have become payable at the time of the reduction and as to which the reduction will not result in a non-reduction in a corresponding amount that is a deferral of compensation under Code Section 409A that is not currently payable.

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 a majority of the Affected Employees, 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 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 Pre-Amendment 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 with 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.

For purposes of determining reductions in compensation under Section 6(b) or 6(c), the Affected Employee shall be deemed (A) to pay federal income taxes at the applicable rates of federal income taxation for the calendar year in which the compensation would be payable; and (B) to pay any applicable state and local income taxes at the applicable rates of taxation for the calendar year in which the compensation would be payable, taking into account any effect on federal income taxes from payment of state and local income taxes. Compensation will be adjusted not later than the applicable deadline under Code Section 409A to provide for accurate payments under the cut-back provision of Section 6(b) and Section 6(c), but after any such deadline no further adjustment will be made if it would result in a tax penalty under Section 409A.

(e) *Other Terms Relating to Gross-Up Payment.* Subject to Section 10(a)(iii), the Gross-Up Payment provided for in Section 6(b) 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.

(f) *Internal Revenue Service Proceedings.* The Company shall have the right to control all proceedings with the Internal Revenue Service (or relating thereto) 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 or compensation reduced 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.

Any policy of the Company providing for forfeiture or recoupment of compensation, including Section 10 of the 2010 Stock Award and Incentive Plan and Section 10 of the 2000 Stock Award and Incentive Plan, shall apply by its terms and shall not be deemed limited in any way by this 7(d) or any other provision of this Policy. In addition, any clawback or recoupment provisions required under the Dodd-Frank Wall Street Reform and Consumer Protection Act shall apply to compensation payable under this Policy.

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.

(d) *Proration Calculations.* If a prorated portion of an AIP award, LTIP award or other performance-based award remains earnable following termination of employment, the proration calculation will apply to any designated target, threshold or maximum levels applicable to such award. Thus, the final award earned and paid out based on performance over the entire performance period (or target or other specified level of performance, if applicable) will equal the award that would have been earned and paid out at that level multiplied by the proration fraction. If any award is payable based on a proration calculation, the portion not earnable or not earned under such calculation will be forfeited.

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 therefor, 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 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, three or more of the 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, 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. To the extent any portion of the amount excludable under the "two-year/two-times" exclusion remains after application in accordance with the preceding sentence, such amount shall apply to the other installments in reverse order of the payment date of such installments (i.e., the latest installments that can be covered by the exclusion will be so covered, to the extent of the exclusion). Any payments not excluded from being deferrals of compensation subject to Section 409A shall be payable at the applicable payment date, subject to Section 6(c).

- (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 assuming Severance were instead payable due to a termination not for Cause prior to a Change in Control to the extent such 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 (subject to Section 10(b)(iv)). 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, subject to Section 10(b)(iv).
 - (iv) **Special Rule if Change in Control Is Not a 409A Change in Control.** If Severance is payable as a lump-sum governed by Section 10(b)(iii), and any separate payment corresponding to an installment payment that would have been payable upon a qualifying termination prior to a Change in Control constitutes a deferral of compensation under Code Section 409A, and the termination of employment triggering such payments is not a separation from service that occurred within two years following 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) (a "409A Change in Control"), then, notwithstanding Section 10(b)(iii), any payment of such amounts shall be made at the applicable date under Section 10(b)(ii) and Section 10(c).
- (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), except as otherwise permitted under Section 409A.
 - (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" or excluded from being a deferral of compensation 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 (prorated 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 period (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 is intended 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 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.
- (viii) **Limitation on Offsets.** If the Company has a right of offset that could apply to a payment that constitutes a deferral of compensation under Section 409A, such right may only be exercised at the time the payment would have been made to the Employee and may be exercised only as an offset against an obligation that arose within 30 days before and within the same year as the payment date if application of such offset right against an earlier obligation would not be permitted under Section 409A.
- (ix) **Release and Termination Agreement.** The Company will supply to an Employee a form of the release and termination agreement specified in Section 7(c) not later than the date of Employee's termination, which must be returned within the time period required by law and must not be revoked by Employee within the applicable time period (if any) in order for Employee to satisfy Section 7(c), such that it becomes legally effective. If any amount payable during a fixed period following Employee's termination is subject to the requirement or condition that Employee has executed and not revoked such agreement (including any case in which such fixed period would begin in one year and end in the next), the Company, in determining the time of payment of any such amount, will not be influenced by Employee or the timing of any action by Employee, including Employee's execution of such a release agreement and expiration of any revocation period. In particular, the Company retains discretion to deposit any payment hereunder in escrow at any time during such fixed period, so that such deposited amount is constructively received and taxable income to Employee upon deposit (it may be constructively received even in the absence of such deposit) but with distribution from such escrow remaining subject to Employee's execution and non-revocation of such release and termination agreement.

(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 90 day'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. An amendment and restatement of the Policy became effective as of December 11, 2007 and applies to executives hired after October 22, 2007. This amendment and restatement of the Policy is effective as of December 14, 2010 and shall apply in full to an Employee who first becomes designated as a participant under the Policy after that date, and shall apply as follows to an Employee who was already designated as a participant under the Policy at that date:

- (i) Until December 31, 2011, if a given provision of this Policy as in effect immediately prior to December 14, 2010 would be materially more favorable to the Employee than under this amendment and restatement of the Policy, then the Employee shall have the benefit of such provision (except an Employee who was first designated as a participant under the Policy after March 8, 2010 shall be subject to Section 6 of the amendment and restatement of the Policy effective December 14, 2010);
- (ii) If a Change in Control occurs between December 14, 2010 and December 31, 2011, and if a given provision of this Policy as in effect immediately prior to December 14, 2010 would provide the Employee with a right or benefit relating to a termination of employment more favorable to the Employee than under this amendment and restatement of the Policy, then the Employee shall have the benefit of such provision for a period of two years after the Change in Control, after which date this amendment and restatement of the Policy shall apply in full to the Employee; and
- (iii) If no Change in Control has occurred between December 14, 2010 and December 31, 2011, after December 31, 2011 this amendment and restatement of the Policy shall apply in full to the Employee.

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 earlier of 18 months (24 months for executives hired prior to October 22, 2007 and having continuous service) 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) (A) The Employee's restricted stock and stock unit grants, including vesting and settlement terms, shall be governed by the terms of the plan and award agreements in respect of such awards, and (B), unless otherwise provided in the applicable plan or agreement evidencing the affected award, a prorated portion of the Employee's LTIP awards will not be forfeited but will remain outstanding, based on the number of days during the performance period preceding Employee's termination (divided by the total number of days in the performance period), with such prorated portion to be earned and payable at such time as the LTIP awards for the applicable performance period otherwise become earned and payable based on actual performance, except that the Committee may, within 30 days after termination, instead make a good faith estimate of the actual performance achieved through the date of termination and rely on this estimate to determine the prorated portion payable in settlement of such LTIP award, in which case such payment will constitute full settlement of such LTIP award, with settlement to occur within 30 days after termination if the LTIP award did not constitute a deferral of compensation under Code Section 409A (the settlement date otherwise applicable under the award will apply if the award did constitute a deferral of compensation under Code Section 409A). Any portion of the Employee's LTIP awards in excess of such prorated portion will be forfeited.

(vi) For a period terminating on the earliest of 18 months (24 months for executives hired prior to October 22, 2007 and having continuous service) 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)(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 period on-going at the time of termination had Employee's employment continued through the end of such performance period, with such LTIP award prorated based on the number of days during the performance period preceding the Employee's termination (divided by the total number of days in the performance period). This amount will be payable at such time as the LTIP awards for the applicable performance period otherwise become payable, except the Committee may, within 30 days after termination, 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, with settlement to occur within 30 days after termination if the LTIP award did not constitute a deferral of compensation under Code Section 409A (the settlement date otherwise applicable under the award will apply if the award did constitute a deferral of compensation under Code Section 409A). The foregoing notwithstanding, the payment provided by this Section II(c)(v) will be in shares rather than in cash for any portion of the LTIP award that is intended to be classified as "equity" under FASB ASC Topic 718 if a right to receive cash for such portion of the LTIP award under this provision would cause such portion to instead be classified as a "liability" under ASC Topic 718.

(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 period on-going at the time of termination, determined as the target LTIP award for that performance period, with each LTIP award prorated based on the number of days during the performance period preceding the Employee's termination (divided by the total number of days in the performance period). 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)(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 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 period on-going at the time of termination, determined as the target LTIP award for that performance period, with each LTIP award prorated based on the number of days during the performance period preceding the Employee's termination (divided by the total number of days in the performance period), 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; Applicability of Cut-Back Provisions.* Tier I level participants who qualify as Pre-Amendment Employees as defined in Section 6(a) of the Policy shall be entitled to the Gross-Up Payment (or, in limited circumstances, the cut-back of compensation) if and to the extent so provided in Section 6(b) of the Policy. Tier I level participants who qualify as New Employees as defined in Section 6(a) of the Policy shall be subject to the reduction in compensation if and to the extent so provided in Section 6(c) 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 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 earlier of 12 months (18 months for executives hired prior to October 22, 2007 and having continuous service) 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) (A) The Employee's restricted stock and stock unit grants, including vesting and settlement terms, shall be governed by the terms of the plan and award agreements in respect of such awards, and (B), unless otherwise provided in the applicable plan or the agreement evidencing the affected award, a prorated portion of the Employee's LTIP awards will not be forfeited but will remain outstanding, based on the number of days during the performance period preceding Employee's termination (divided by the total number of days in the performance period), with such prorated portion to be earned and payable at such time as the LTIP awards for the applicable performance period otherwise become earned and payable based on actual performance, except that the Committee may, within 30 days after termination, instead make a good faith estimate of the actual performance achieved through the date of termination and rely on this estimate to determine the prorated portion payable in settlement of such LTIP award, in which case such payment will constitute full settlement of such LTIP award, with settlement to occur within 30 days after termination if the LTIP award did not constitute a deferral of compensation under Code Section 409A (the settlement date otherwise applicable under the award will apply if the award did constitute a deferral of compensation under Code Section 409A). Any portion of the Employee's LTIP awards in excess of such prorated portion will be forfeited.

(vi) For a period terminating on the earliest of 12 months (18 months for executives hired prior to October 22, 2007 and having continuous service) 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 period on-going at the time of termination had Employee's employment continued through the end of such performance period, with such LTIP award prorated based on the number of days during the performance period preceding the Employee's termination (divided by the total number of days in the performance period). This amount will be payable at such time as the LTIP awards for the applicable performance period otherwise become payable, except the Committee may, within 30 days after termination, 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, with settlement to occur within 30 days after termination if the LTIP award did not constitute a deferral of compensation under Code Section 409A (the settlement date otherwise applicable under the award will apply if the award did constitute a deferral of compensation under Code Section 409A). The foregoing notwithstanding, the payment provided by this Section II(c)(v) will be in shares rather than in cash for any portion of the LTIP award that is intended to be classified as "equity" under FASB ASC Topic 718 if a right to receive cash for such portion of the LTIP award under this provision would cause such portion to instead be classified as a "liability" under ASC Topic 718.

(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 period on-going at the time of termination, determined as the target LTIP award for that performance period, with each LTIP award prorated based on the number of days during the performance period preceding the Employee's termination (divided by the total number of days in the performance period). 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)(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, 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 period on-going at the time of termination, determined as the target LTIP award for that performance period, with each LTIP award prorated based on the number of days during the performance period preceding the Employee's termination (divided by the total number of days in the performance period), 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; Applicability of Cut-Back Provisions.* Tier II level participants who qualify as Pre-Amendment Employees as defined in Section 6(a) of the Policy shall be entitled to the Gross-Up Payment (or, in limited circumstances, the cut-back of compensation) if and to the extent so provided in Section 6(b) of the Policy. Tier II level participants who qualify as New Employees as defined in Section 6(a) of the Policy shall be subject to the reduction in compensation if and to the extent so provided in Section 6(c) 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.

[Tier III deleted but deletion not marked.]

INTERNATIONAL FLAVORS & FRAGRANCES INC.**DEFERRED COMPENSATION PLAN
As Amended and Restated February 2, 2010**

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 8, 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, (ii) at or after attaining age 55 with at least ten years of service to the Company and its subsidiaries and affiliates (including any service to predecessor companies acquired by the Company or its subsidiaries or affiliates) or (iii), 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. Elections to further defer 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 a 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 450,000 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 therefore.

(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 February 2, 2010.

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
International Flavors & Fragrances I.F.F. (Nederland) International 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 Fragancias Ltda.	Brazil
International Flavours & Fragrances (Australia) Pty. Ltd.	Australia
P.T. Essence Indonesia	Indonesia
International Flavors & Fragrances (Mexico), S. de R.L. 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

<u>NAME OF SUBSIDIARY</u>	<u>INCORPORATED IN</u>
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
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 (MARP) 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 Flavors & Fragrances (Greater Asia) Pte. Ltd.	Singapore
International Flavours & Fragrances (Thailand) Ltd.	Thailand
International Flavors & Fragrances (Korea) Inc.	Korea
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 EAME CV	Luxembourg
International Flavours & Fragrances (GB) Holdings Limited	England
IFF International Inc.	New York
IFF Financial Services	Ireland
International Flavors & Fragrances Gibraltar Holding (Luxembourg) SCS	Luxembourg

<u>NAME OF SUBSIDIARY</u>	<u>INCORPORATED IN</u>
IFF Capital Services	Ireland
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 Zimbabwe (Private) Limited	Zimbabwe
International Flavours & Fragrances (India) Limited (3)	India
Bush Boake Allen (Jamaica) Limited (4)	Jamaica
Bush Boake Allen Benelux B.V.	The Netherlands
International Flavors & Fragrances I.F.F. (Norden) AB	Sweden

NAME OF SUBSIDIARY	INCORPORATED IN
Asian Investments, Inc.	Delaware
Fragrance Holdings Private Limited	India
Essence Scientific Research Private Limited	India
Jamaica Extracts Limited (5)	Jamaica
Bush Boake Allen Barbados Inc.	Barbados
Bush Boake Allen Enterprises Ltd.	England
International Flavours & Fragrances (CIL) Limited	England
International Flavors & Fragrances I.F.F. (Middle East) FZE	Dubai (UAE)
IFF Worldwide (Gibraltar) Limited	Gibraltar
International Flavors & Fragrances Irish Acquisition Company Limited	Ireland

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1. 90% of the voting stock of International Flavors & Fragrances (Hangzhou) Co. Ltd., is owned, directly or indirectly, by the Company.
 2. 97.05% of the voting stock of IFF Aroma Esans Sanayi Ve Ticaret A.S. is owned, directly or indirectly by the Company.
 3. 93.36% of the voting stock of International Flavours & Fragrances (India) Limited is owned, directly or indirectly, by the Company.
 4. 70% of the voting stock of Bush Boake Allen (Jamaica) Limited is owned, directly or indirectly, by the Company.
 5. 58% of the voting stock of Jamaica Extracts Limited is owned, directly or indirectly, by the Company.

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, No. 33-54423 and No. 333-171297) of International Flavors & Fragrances Inc. of our report dated February 24, 2011 relating to the financial statements, financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Annual Report on Form 10-K.

/s/ PricewaterhouseCoopers LLP _____

New York, New York

February 24, 2011

**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, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Douglas D. Tough, as Chief Executive Officer of the Company, and Kevin C. Berryman, 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 24, 2011

By: /s/ Douglas D. Tough
Name: Douglas D. Tough
Title: Chairman of the Board and Chief Executive Officer

By: /s/ Kevin C. Berryman
Name: Kevin C. Berryman
Title: Executive Vice President and Chief Financial Officer