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## Section 1: 10-K (FORM 10-K)

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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, 2003

OR

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

Commission File Number 1-7626

# Sensient Technologies Corporation

WISCONSIN  
(State of Incorporation)

39-0561070  
(IRS Employer Identification Number)

777 EAST WISCONSIN AVENUE  
MILWAUKEE, WISCONSIN 53202-5304  
(414) 271-6755  
(Address of Principal Executive Offices)

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

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Common Stock, \$0.10 par value	New York Stock Exchange, Inc.

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 such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for at least the past 90 days. Yes  No

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

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes  No

The aggregate market value of the voting Common Stock held by non-affiliates of the Registrant as of June 30, 2003 was \$1,079,695,923. For purposes of this computation only, the Registrant's directors and executive officers were considered to be affiliates of the Registrant. Such characterization shall not be construed to be an admission or determination for any other purpose that such persons are affiliates of the Registrant.

There were 47,742,027 shares of Common Stock outstanding as of March 1, 2004.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of: (1) the Company's Annual Report to Shareholders for the fiscal year ended December 31, 2003 (see Parts I, II and IV of this Form 10-K), and (2) the Company's Notice of Annual Meeting and Proxy Statement of the Company dated March 15, 2004 (see Part III of this Form 10-K).

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**FORWARD-LOOKING STATEMENTS**

This document contains forward-looking statements that reflect management's current assumptions and estimates of future economic circumstances, industry conditions, Company performance and financial results. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for such forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors that could cause actual events to differ materially from those expressed in those statements. A variety of factors could cause the Company's actual results and experience to differ materially from the anticipated results. These factors and assumptions include the pace and nature of new product introductions by the Company's customers; results of newly acquired businesses; the Company's ability to successfully implement its growth strategies; the outcome of the Company's various productivity-improvement and cost-reduction efforts; changes in costs of raw materials, including energy; industry and economic factors related to the Company's domestic and international business; growth in markets for products in which the Company competes; industry acceptance of price increases; currency exchange rate fluctuations; and the matters discussed below under Part II, including the critical accounting policies described therein. The Company does not undertake to publicly update or revise its forward-looking statements even if experience or future changes make it clear that any projected results expressed or implied therein will not be realized.

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## PART I

### Item 1. Business

#### General

Sensient Technologies Corporation (the “Company”) was incorporated in 1882 in Wisconsin. Its principal executive offices are located at 777 East Wisconsin Avenue, Suite 1100, Milwaukee, Wisconsin 53202-5304, telephone (414) 271-6755.

The Company is subject to the informational and reporting requirements of the Securities Exchange Act of 1934, as amended (the “Act”), and, in accordance with the Act, has filed annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission (the “Commission”). These reports and other information may be read and copied at the public reference facilities of the Commission at its principal offices at 450 Fifth Street, N.W., Washington, D.C. 20549, and can also be accessed from the web site maintained by the Commission at <http://www.sec.gov>. The public may obtain information on operations of the public reference room by calling the Commission at (800) SEC-0330.

The Company’s common stock is listed on the New York Stock Exchange under the ticker symbol “SXT.” Information about the Company may be obtained at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

The Company can also be reached at its web site at [www.sensient-tech.com](http://www.sensient-tech.com). The Company’s web address is provided as an inactive textual reference only, and the contents of this web site are not incorporated in or otherwise to be regarded as part of this annual report. The Company makes available free of charge on its web site its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Act as soon as reasonably practicable after such documents are electronically filed with or furnished to the Commission. Charters for the Audit, Compensation and Development, and Nominating and Corporate Governance Committees of the Company’s board of directors, as well as the Company’s Code of Conduct, Standards of Conduct for International Employees, Code of Ethics for Senior Financial Officers, and Corporate Governance Guidelines are also available on the Company’s website, and are available in print to any shareholder upon request.

#### Description of Business

Sensient Technologies Corporation is a global manufacturer and marketer of colors, flavors and fragrances. Sensient employs advanced technologies at facilities around the world to develop specialty chemicals for inkjet inks, display imaging systems and other applications. The Company’s customers include major international manufacturers representing some of the world’s best-known brands. The Company aims to continue to deliver strong results by developing high-performance products, accessing new markets and enhancing operations.

The Company’s principal products include:

- flavors, flavor enhancers and bionutrients;
- fragrances and aroma chemicals;
- dehydrated vegetables and other food ingredients;
- natural and synthetic food colors;
- cosmetic and pharmaceutical additives;
- inkjet inks, technical colors, and specialty dyes and pigments; and
- chemicals for laser printing and flat screen displays.

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In August of 2003, the Company acquired Formulabs Iberica S.A., a manufacturer and marketer of specialty inks, primarily for inkjet applications, for \$13.0 million in cash. In March of 2003, the Company acquired certain assets of Kyowa Koryo Kagaku Kabushiki Kaisha, a former Japanese flavor producer, for \$4.1 million, net of cash acquired. The Company has not completed the purchase price allocations related to these acquisitions.

On April 24, 2003, the Company announced an increase in its annual cash dividend on its common stock from 56 cents per share to 60 cents per share, commencing with the dividend paid on June 2, 2003.

The Company's operations, except for the Asia Pacific Group, are managed on a products and services basis. The Company's two reportable segments are the Flavors & Fragrances Group and the Color Group. Financial information regarding the Company's two reportable segments is incorporated by reference to the information set forth on pages 36 through 38 of the Company's 2003 Annual Report to Shareholders under the heading "Segment and Geographic Information."

### **Flavors & Fragrances Group**

The Company is a global developer, manufacturer and supplier of flavor and fragrance systems for the food, beverage, pharmaceutical, personal care and household products industries. The Company's flavor formulations are used in many of the world's best-known consumer products.

The Flavors & Fragrances Group produces flavor and fragrance products that impart a desired taste, texture, aroma and/or other characteristic to a broad range of consumer and other products. This Group includes the Company's dehydrated flavors business, which produces ingredients for food processors.

The Flavors & Fragrances Group operates principally through the Company's subsidiaries, Sensient Flavors Inc. and Sensient Dehydrated Flavors Company. The Group's principal manufacturing plants are located in California, Illinois, Indiana, Michigan, Wisconsin, Belgium, Canada, France, Germany, Italy, Mexico, the Netherlands, Spain and the United Kingdom.

Strategic acquisitions have expanded the Company's flavors and fragrances product lines and processing capabilities. In March 2002, the Company acquired the flavors and essential oil operations of C. Melchers GmbH & Company, a supplier of flavors for coffees and teas, as well as essential oils, aroma chemicals and other formulations for flavor, cosmetic and fragrance applications. In May 1998, the acquisition of substantially all of the assets of the beverage business of German flavor manufacturer Sundi GmbH, with its emphasis on all-natural flavor ingredients, provided the Company with a point of entry into Germany, Europe's largest flavor market. In April 1998, the Company acquired DC Flavours Ltd., which further expanded the Company's savory and flavor technology and worldwide market presence. In January 1998, the Company acquired Arancia Ingredientes Especiales, S.A. de C.V., a manufacturer of savory flavors and other food ingredients, improving access to the rapidly growing Latin American savory flavor market.

During 1998, the Company integrated its bioproducts business (which was formerly operated as a separate division) into its Flavors & Fragrances Group. The bioproducts business serves the food, animal feed processing, and bionutrient industries with a broad line of natural extracts and specialty flavors. The Company produces various specialty extracts from yeast, vegetable proteins, meat, milk protein and other natural products which are used primarily as savory flavors, texture modifiers and enhancers in processed foods. The nutritional and functional properties of these extracts also make them useful in enzyme and pharmaceutical production.

During 2000, the Company integrated its former Dehydrated Products Division into the Flavors & Fragrances Group. Operating through its Sensient Dehydrated Flavors business, the Company believes it is the second largest producer of dehydrated onion and garlic products in the United States. The Company is also one of the largest producers and distributors of chili powder, paprika, chili pepper and dehydrated vegetables such as parsley, celery and spinach. Domestically, the Company sells dehydrated products to food manufacturers for use as ingredients and also for repackaging under private labels for sale to the retail market and to the food service industry. In addition, Sensient Dehydrated Flavors is one of the leading dehydrators of specialty vegetables in

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Europe. Advanced dehydration technologies utilized by Sensient Dehydrated Flavors permit faster and more effective rehydration of ingredients used in many of today's popular convenience foods.

### **Color Group**

The Company is a developer, manufacturer and supplier of colors for businesses worldwide. The Company provides natural and synthetic color systems for use in pharmaceuticals, foods and beverages; colors and other ingredients for cosmetics and pharmaceuticals; and technical colors for industrial applications and digital imaging.

The Company believes that it is one of the world's largest producers of synthetic and natural colors, and that it is the world's leading manufacturer of certified food colors. The Company sells its synthetic and natural colors to domestic and international producers of beverages, bakery products, processed foods, confections, pet foods, cosmetics and pharmaceuticals. The Company also makes inkjet inks and other high purity organic dyes used in a wide variety of non-food applications.

The Color Group operates principally through the Company's subsidiary Sensient Colors Inc., which has its principal manufacturing plants in Missouri, California, New Jersey, Ohio, Canada, Mexico, France, Germany, Hungary, Italy, Spain, Switzerland and the United Kingdom.

The Color Group operates under the following trade names:

- Sensient Food Colors (food and beverage colors);
- Sensient Pharmaceutical Technologies (pharmaceutical colors and coatings);
- Sensient Imaging Technologies (inkjet inks and specialty dyes and chemicals used for display imaging and specialized printing applications);
- Sensient Paper Colors (paper dyes and colorants);
- Sensient Industrial Colors (technical colors used for various industrial applications, such as plastics, leather, wood stains and antifreeze); and
- Sensient Cosmetic Technologies (cosmetic colors and ingredients, a business which is currently known as LCW).

The Company believes that its advanced process technology, state-of-the-art laboratory facilities and equipment, and a complete range of synthetic and natural color products constitute the basis for its market leadership position.

Strategic acquisitions continue to enhance product and process technology synergies, as well as increasing the Color Group's international presence. As noted above, in August of 2003, the Company acquired Formulabs Iberica S.A., a manufacturer and marketer of specialty inks, primarily for inkjet applications, for \$13.0 million. The Company has not completed the purchase price allocation related to this acquisition. In September 2002, the Company acquired the business of Cardre Inc., which expanded the Company's technology and product offerings in cosmetic color systems. The acquisitions of ECS Specialty Inks and Dyes in March 2002 and SynTec GmbH in January 2002 have provided a strategic base for the Company's growing technical colors business in Europe. Based on the financial performance of certain of these businesses since their acquisition, the Company paid \$2.2 million in 2003 and may be required to pay up to 1.8 million euros (approximately \$2.3 million) of additional cash consideration in 2004.

In December 2001, the Company acquired the industrial dye business of Crompton Colors Incorporated, and in so doing expanded its industrial and paper colors businesses. In November 2001, the Company acquired Kimberly-Clark Printing Technology (also known as Formulabs), a manufacturer of specialty inks for inkjet inks and industrial applications.

In January 2000, the Company expanded its European color business by acquiring Dr. Marcus GmbH, a leading manufacturer of natural colors located near Hamburg, Germany. Also during that month, the Company

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completed the acquisition of Monarch Food Colors, a manufacturer of colors for the food, pharmaceutical and cosmetic industries located in High Ridge, Missouri.

In August 1999, the Company acquired certain assets of Nino Fornaciari fu Riccardo SNC, an Italian producer of natural colors for the food and beverage industries. This acquisition, together with the purchase of Italian natural color producer Reggiana Antociani S.R.L. in September 1998, strengthened the Company's offerings in natural colors.

In April 1999, the Company acquired Pointing Holdings Limited, a manufacturer of food colors located in the United Kingdom. The Pointing international color business significantly strengthened the Company's worldwide color capabilities. In February 1999, the Company grew its cosmetics business through the purchase of Les Colorants Wackherr, a Paris, France-based producer of colors for major cosmetics houses throughout Europe, Asia and North America. Also during that month, the Company further developed its natural colors offerings by acquiring certain assets of Quimica Universal, a Peruvian producer of carminic acid and annatto, natural colors used in food and other applications.

The Company became a supplier of inkjet inks for the inkjet printer market with the acquisition of Tricon Colors in 1997. Also in 1997, the Company strengthened its presence in Latin America by acquiring certain assets of the food color business of Pyosa, S.A. de C.V., located in Monterrey, Mexico.

### **Asia Pacific Group**

The Asia Pacific Group focuses on marketing the Company's diverse product line in the Pacific Rim under one name. Through its Asia Pacific Group, the Company offers a full range of products from its Flavors & Fragrances Group and Color Group, as well as products developed by regional technical teams to appeal to local preferences. Sales, marketing and technical functions are managed through the Asia Pacific Group's headquarters in Singapore. Manufacturing operations are located in Australia, China, Japan, New Zealand and the Philippines.

As noted above, in March of 2003, the Company acquired certain assets of Kyowa Koryo Kagaku Kabushiki Kaisha, a former Japanese flavor producer, for \$4.1 million, net of cash acquired. The Company has not completed the purchase price allocation related to this acquisition. Also in 2003, the Company opened a sales office in Seoul, South Korea, and an office for research and development, as well as sales, in Jakarta, Indonesia. In 2001, the Asia Pacific Group incorporated Sensient India Private Limited and opened a new sales office in Mumbai, India. Additional sales offices are located in Australia, China, Hong Kong, Japan and Thailand.

### **Research and Development/Quality Assurance**

The development of specialized products and services is a complex technical process calling upon the combined knowledge and talents of the Company's research, development and quality assurance personnel. The Company believes that its competitive advantage lies in its ability to work with its customers to develop and deliver high-performance products that address the distinct needs of those customers.

The Company's research, development and quality assurance personnel make significant contributions toward improving existing products and developing new products tailored to customer needs, while providing on-going technical support and know-how to the Company's manufacturing activities. As of December 31, 2003, the Company employed approximately 440 people in research, development and quality assurance.

Expenditures for research and development related to continuing operations in calendar year 2003 were \$22.9 million, compared with \$21.2 million in the year ended December 31, 2002 and \$16.7 million in the year ended December 31, 2001. As part of its commitment to quality as a competitive advantage, the Company has undertaken efforts to achieve certification under the requirements established by the International Organization for Standardization in Geneva, Switzerland, through its ISO 9000 series of quality standards. Sites currently certified include Flavors & Fragrances Group plants in the United States, Spain, Italy, Mexico, Belgium, Germany, the United Kingdom, Canada, the Netherlands and France, and Color Group plants in the United States, Mexico and the United Kingdom.

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## Products and Application Activities

The Company's strategic focus is on the manufacture and marketing of high-performance components that bring life to products. Accordingly, the Company devotes considerable attention and resources to the development of product applications and processing improvements to support its customers' numerous new and reformulated products. Many of the proprietary processes and formulae developed by the Company are maintained as trade secrets and under confidentiality agreements with customers.

Lower calorie ingredients and sweeteners for dairy, food and beverage applications are subjects of development activity for the Flavors & Fragrances Group. Formulations for functional and textured beverages and flavors for snack and main meal items offer opportunities as well. Development of savory flavors accelerated with the integration of the Company's BioProducts Division in 1998 and the Dehydrated Products Division in 2000. The development of yeast derivatives and other specialty ingredients also provides growth opportunities in bionutrients and biotechnology markets, such as pharmaceuticals, vitamins, vaccines and bioremediation.

The natural food color market is an important target for the Color Group. The acquisitions of Reggiana, Forniciari and Dr. Marcus (as previously discussed) have provided new technologies in the extraction and purification of natural colors and have enabled rapid growth in the beverage, dairy and snack food segments. Recent expansion of the Color Group's purification technology will also open further opportunities in the inkjet ink market.

The Color Group also manufactures technical colors for industrial applications, specialty chemicals for digital imaging, and photographic chemicals. Through Sensient Imaging Technologies GmbH, the Color Group has expertise in the specialty chemicals used for organic light-emitting diodes (OLEDs).

## Raw Materials

The Company uses a wide range of raw materials in producing its products. Chemicals used to produce certified colors are obtained from several domestic and foreign suppliers. Raw materials for natural colors, such as carmine, beta-carotene, annatto and turmeric, are purchased from overseas and U.S. sources. In the production of flavors and fragrances, the principal raw materials include essential oils, aroma chemicals, botanicals, fruits and juices, and are primarily obtained from local vendors. Flavor enhancers and secondary flavors are produced from yeast and vegetable materials such as corn and soybeans. Chili peppers, onion, garlic and other vegetables are acquired under annual contracts with numerous growers in the western United States and Europe.

The Company believes that alternate sources of materials are available to enable it to maintain its competitive position in the event of an interruption in the supply of raw materials from a single supplier.

## Competition

All Company products are sold in highly competitive markets. While no single factor is determinative, the Company's competitive position is based principally on process and applications expertise, quality, technological advances resulting from its research and development, and customer service and support. Because of its highly differentiated products, the Company competes with only a few companies across multiple product lines, and is more likely to encounter competition specific to an individual product.

- *Flavors and Fragrances.* Competition to supply the flavors and fragrances industries has taken on an increasingly global nature. Most of the Company's customers do not buy their entire flavor and/or fragrance products from a single supplier and the Company does not compete with a single supplier in all product categories. Competition for the supply of flavors and fragrances is based on the development of customized ingredients for new and reformulated customer products, as well as on quality, customer service and price. Competition to supply dehydrated vegetable products is present through several large and small domestic competitors, as well as competitors in other countries. Competition for the supply of dehydrated vegetables is based principally on product quality, customer service and price.

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- *Color.* Competition in the color market is diverse, with the majority of the Company's competitors specializing in either synthetic dyes or natural colors. The Company believes that it gains a competitive advantage as the only major basic manufacturer of a full range of color products, including synthetic dyes and pigments as well as natural colors. Competition in the supply of inkjet inks is based principally upon price, quality and service, as well as product development and technical capabilities. The Company competes against a number of large and small suppliers of inkjet inks and believes it gains an advantage as a low-cost, high-quality supplier.
  - *Asia Pacific.* Because of the broad array of products available to customers of the Asia Pacific Group, the Company is able to offer a wider product base than many of its competitors. Competition is based upon reliability in product quality, service and price as well as technical support available to customers.

### **Foreign Operations**

The information appearing under the heading "Geographic Information" in Note 12 to the Consolidated Financial Statements of the Company, which appears on page 38 of the 2003 Annual Report to Shareholders, is incorporated herein by reference.

### **Patents, Formulae and Trademarks**

The Company owns or controls many patents, formulae and trademarks related to its businesses. The businesses are not materially dependent upon patent or trademark protection; however, trademarks, patents and formulae are important for the continued consistent growth of the Company.

### **Employees**

As of December 31, 2003, the Company employed 3,707 persons worldwide.

### **Regulation**

Compliance with government provisions regulating discharges into the environment, or otherwise relating to the protection of the environment, did not have a material adverse effect on the Company's operations for the year covered by this report. Compliance is not expected to have a material adverse effect in the succeeding two years as well. The production, packaging, labeling and distribution of certain of the products of the Company are subject to the regulations of various federal, state and local governmental agencies, in particular the U.S. Food & Drug Administration.



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**Item 2. Properties**

The following table sets forth information as to the principal properties of the Company and its subsidiaries. All properties are owned except as otherwise indicated below. All facilities are considered to be in good condition and suitable for the Company's requirements.

<u>LOCATION</u>	<u>GROUP/DIVISION</u>	<u>FUNCTION</u>
<b>UNITED STATES</b>		
California		
Escondido	Color	Sales and R&D/inkjet products and specialty inks
Greenfield	Flavors & Fragrances	Production/dehydrated flavors
Livingston (2)	Flavors & Fragrances	Production and R&D/dehydrated flavors
Turlock	Flavors & Fragrances	Production, R&D and sales/dehydrated flavors
Illinois		
Amboy	Flavors & Fragrances	Production/ingredients and flavors
Indiana		
Indianapolis (2)	Flavors & Fragrances	Production, sales and R&D/flavors
Michigan		
Harbor Beach	Flavors & Fragrances	Production/flavors and flavor enhancers
Missouri		
St. Louis (2)*	Color	Production, R&D and sales/natural and synthetic colors
New Jersey		
Elmwood Park	Color	Production and sales/colors, dyes and inkjet products
South Plainfield (3) **	Color	Production, R&D and sales/cosmetic and pharmaceutical colors and ingredients
North Carolina		
Charlotte*	Color	Sales/technical dyes for nonfood applications
Wisconsin		
Juneau	Flavors & Fragrances	Production/flavor enhancers and extracts
Milwaukee*	Headquarters	Administrative offices

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## INTERNATIONAL

### Argentina

Buenos Aires\* Color Sales/natural and synthetic colors

### Australia

Keysborough Asia Pacific Production, R&D and sales/colors and flavors  
Sydney\* Asia Pacific Sales

### Belgium

Brussels\* Flavors & Fragrances Production and sales/natural health ingredients  
Heverlee Flavors & Fragrances Production and sales/ingredients and flavors

### Brazil

São Paulo\* Color Production and sales/natural and synthetic colors

### Canada

Cornwall, Ontario Flavors & Fragrances Production/Flavor enhancers and extracts  
Delta, British Columbia Flavors & Fragrances Production/ingredients and flavors  
Kingston, Ontario Color Production and sales/natural and synthetic colors  
Mississauga, Ontario Flavors & Fragrances R&D and sales/flavors  
Rexdale, Ontario (2)\* Flavors & Fragrances Production/ingredients and flavors  
Tara, Ontario Flavors & Fragrances Production/ingredients and flavors

### China

Beijing\* Asia Pacific Sales/colors and flavors  
Guangzhou\* Asia Pacific Production, R&D and sales/colors and flavors  
Hong Kong\* Asia Pacific Sales/colors and flavors  
Qingdao\* Asia Pacific Production/dehydrated flavors  
Shanghai\* Asia Pacific R&D and sales/colors and flavors

### Czech Republic

Prague\* Color Sales/natural and synthetic colors

### England

Kings Lynn (2)\* Color Production, R&D and sales/synthetic and natural colors and dyes  
Milton Keynes Flavors & Fragrances Production and sales/flavors and extracts

### France

Marchais Flavors & Fragrances Production/dehydrated flavors  
Saint-Denis\* Color Sales/colors  
Saint Ouen Color Production, R&D and sales/cosmetic colors and ingredients  
L'Aumone\*  
Strasbourg Flavors & Fragrances Production and sales/Flavor enhancers and extracts  
Paris\* Flavors & Fragrances R&D and sales/fragrances

INTERNATIONAL  
(Continued)

Germany		
Bremen (3)*	Flavors & Fragrances	Production and sales/flavors, flavored products and essential oils
Geesthacht	Color	Production, R&D and sales/natural and synthetic colors
Wolfen	Color	Production, R&D and sales/specialty dyes and chemicals
Hungary		
Budapest	Color	Production/natural and synthetic colors
India		
Mumbai*	Asia Pacific	R&D and sales/colors and flavors
Indonesia		
Jakarta*	Asia Pacific	R&D and sales/fragrances and cosmetic colors
Italy		
Milan	Flavors & Fragrances	Production, R&D and sales/flavors
Reggio Emilia (2)	Color	Production and sales/natural colors
Japan		
Osaka*	Asia Pacific	Sales/colors and flavors
Ibaraki	Asia Pacific	Production colors and flavors
Tokyo*	Asia Pacific	R&D and sales/colors and flavors
Korea		
Seoul*	Asia Pacific	Sales/flavors, colors and display-imaging chemicals
Mexico		
Celaya	Flavors & Fragrances	Production and sales/flavor enhancers and extracts
Lerma	Color	Production, R&D and sales/synthetic and natural colors
Tijuana*	Color	Production/inkjet inks and specialty inks
Tlalnepantla (2)*	Flavors & Fragrances	Production, R&D, distribution and sales/ingredients, flavors and fragrances
The Netherlands		
Amersfoort*	Color	Sales/natural and synthetic colors
Elburg	Flavors & Fragrances	Production/dehydrated flavors
Naarden	Flavors & Fragrances	Sales/dehydrated and other flavors
New Zealand		
Auckland	Asia Pacific	Production, R&D and sales/flavors
Philippines		
Manila*	Asia Pacific	Production, R&D and sales/flavors, fragrances cosmetic ingredients and color blending
Poland		
Warszawa*	Color	Sales/natural and synthetic colors

**INTERNATIONAL**  
(Continued)

Romania			
Morazia*	Color		Sales/natural and synthetic colors
Serbia			
Zenta	Color		Sales/food colors
Singapore			
Singapore*	Asia Pacific		R&D and sales/colors and flavors
South Africa			
Johannesburg*	Color		Production and sales/natural and synthetic colors
Spain			
Barcelona	Color		Production, sales and R&D/inkjet products and specialty inks
Barcelona*	Flavors & Fragrances		Sales/flavors
Granada	Flavors & Fragrances		Production, R&D and sales/fragrances and aromatic chemicals
Sweden			
Kristianstad*	Flavors & Fragrances		Sales/flavors
Switzerland			
Morges*	Color		Production, R&D and sales/ technical colors
Thailand			
Bangkok*	Asia Pacific		R&D and sales/colors and flavors
Wales			
Ceredigion	Flavors & Fragrances		Production, R&D and sales/flavors and flavor enhancers

( ) Indicates number of properties at the locations, if more than one.

\* Indicates one leased property at the location.

\*\* Indicates two leased properties at the location.

**Item 3. Legal Proceedings**

The Company is a party to various legal proceedings related to its business. The Company believes that adverse decisions in these proceedings would not, individually or in the aggregate, subject the Company to damages of a material amount.

**Item 4. Submission of Matters to a Vote of Security Holders**

There were no matters submitted to a vote of security holders during the fourth quarter of the year ended December 31, 2003.

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## Executive Officers of the Registrant

The executive officers of the Company and their ages as of March 1, 2004 are as follows:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Kenneth P. Manning	62	Chairman, President and Chief Executive Officer
Richard Carney	53	Vice President - Administration
John L. Hammond	57	Vice President, Secretary and General Counsel
Richard F. Hobbs	56	Vice President, Chief Financial Officer and Treasurer
Richard J. Malin	37	Assistant Treasurer
Charles A. Nicolais	43	President - Color Group
Ralph G. Pickles	57	President - Flavors & Fragrances Group
Stephen J. Rolfs	39	Vice President, Controller and Chief Accounting Officer
Dr. Ho-Seung Yang	56	Vice President – Marketing & Technology

The Company has employed all of the individuals named above, except Mr. Nicolais, for at least the past five years. Mr. Nicolais was elected President – Color Group on February 9, 2004. Prior to joining the Company, Mr. Nicolais was employed by Air Products and Chemicals Inc. of Allentown, Pennsylvania. He served as that organization’s Global Business Director – Epoxy Products and Industrial Coating Resins from 2000 to 2003 and as its Global Business Manager – Amines and Derivatives from 1998 to 2000.

## PART II

### Item 5. Market for the Registrant’s Common Equity and Related Stockholder Matters

The only market in which the common stock of the Company is traded is the New York Stock Exchange. The range of the high and low sales prices as quoted in the New York Stock Exchange - Composite Transaction tape for the common stock of the Company and the amount of dividends declared for the fiscal years 2002 and 2003 appearing under “Common Stock Prices and Dividends” on page 41 of the 2003 Annual Report to Shareholders are incorporated by reference. In 2003, common stock dividends were paid on a quarterly basis, and it is expected that quarterly dividends will continue to be paid in the future.

On February 10, 2000, the Board of Directors established a share repurchase program that authorized the Company to repurchase up to five million shares of the Company’s common stock, all of which have been repurchased. On April 27, 2001, the Board of Directors authorized the repurchase of an additional five million shares. As of March 10, 2004, 702,400 shares had been repurchased under the latter authorization.

On July 17, 2003, the Board of Directors authorized the redemption of all the rights issued pursuant to the Company’s Shareholder Rights Plan. Under the rights plan, one right was attached to each outstanding share of the Company’s common stock. The rights were redeemed at a price of \$0.01 per right. The redemption price was paid on September 3, 2003, in cash, to shareholders of record on August 25, 2003, along with the regular quarterly dividend payment.

The number of shareholders of record on March 10, 2004 was 4,124.

On April 24, 2003, the Company announced an increase in its annual cash dividend on its common stock from 56 cents per share to 60 cents per share, commencing with the dividend paid on June 2, 2003.

Information regarding the Company’s equity compensation plans appears in Item 12 of Part III of this annual report.

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**Item 6. Selected Financial Data**

The selected financial data required by this item is incorporated by reference from the “Five Year Review” and the notes thereto on pages 42 and 43 of the 2003 Annual Report to Shareholders.

**Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations**

The information required by this item is set forth under “Management’s Analysis of Operations and Financial Condition” on pages 15 through 21 of the 2003 Annual Report to Shareholders and is incorporated by reference.

**Item 7A. Quantitative and Qualitative Disclosures about Market Risk**

The information required by this item is set forth under “Market Risk Factors” on pages 19 and 20 of the 2003 Annual Report to Shareholders and is incorporated by reference.

**Item 8. Financial Statements and Supplementary Data**

The financial statements and supplementary data required by this item are set forth on pages 22 through 40 of the 2003 Annual Report to Shareholders and are incorporated by reference.

**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

None.

**Item 9A. Controls and Procedures**

The Company maintains a system of disclosure controls and procedures that is designed to ensure that all information required to be disclosed by the Company is accumulated and communicated to management in a timely manner. Management has reviewed this system of disclosure controls and procedures as of the end of the period covered by this report, under the supervision of and with the participation of the Company’s Chairman, President and Chief Executive Officer and its Vice President, Chief Financial Officer and Treasurer. Based on that review, the Chairman, President and Chief Executive Officer and the Vice President, Chief Financial Officer and Treasurer have concluded that the current system of controls and procedures is effective.

The Company maintains a system of internal controls over financial reporting. Since the date of management’s most recent evaluation, there have been no changes that materially affected, or are reasonably likely to materially affect, the Company’s internal controls over financial reporting, except for the booking in the Company’s Flavor business unit in Mexico (“Flavor-Mexico”) in March 2003 of sales which did not occur until April and May 2003 and except for fraudulent transactions in Flavor-Mexico which involved the improper recording of approximately \$760,000 in sales in 2002 which did not occur until 2003 and subsequent falsification of records and other actions by local management to conceal their misconduct. Following an investigation conducted by the Audit Committee, with the assistance of outside counsel and a forensic accounting firm, and management, the Company terminated the general manager of the business unit and other responsible individuals.

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## PART III

### **Item 10. Directors and Executive Officers of the Registrant**

Information regarding directors and officers appearing under “Election of Directors” and “Section 16(a) Beneficial Ownership Reporting Compliance” on pages three through six and page 21, respectively, of the Proxy Statement for the Annual Meeting of Shareholders of the Company dated March 15, 2004 (“Proxy Statement”), is incorporated by reference. Additional information regarding executive officers appears at the end of Part I above, and information regarding codes of conduct and ethics for officers appears at the beginning of Part I above.

### **Item 11. Executive Compensation**

Information relating to compensation of directors and officers is incorporated by reference from “Director Compensation and Benefits” on pages nine and ten of the Proxy Statement and “Executive Compensation” on pages 16 through 18 of the Proxy Statement. Information relating to the Compensation and Development Committee of the Company’s Board of Directors is incorporated by reference from the third paragraph on page seven of the Proxy Statement under the heading “Committees of the Board of Directors.”

### **Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

The discussion of security ownership of certain beneficial owners and management and related stockholder matters appearing under “Principal Shareholders” on pages 12 and 13 of the Proxy Statement is incorporated by reference. The discussion appearing under “Equity Compensation Plan Information” on page 18 and 19 of the Proxy Statement is incorporated by reference.

### **Item 13. Certain Relationships and Related Transactions**

There are no family relationships between any of the directors or director nominees and the officers of the Company, nor any arrangement or understanding between any director or officer or any other person pursuant to which any of the nominees has been nominated. No director, nominee for director or officer had any material interest, direct or indirect, in any business transaction of the Company or any subsidiary during the period January 1, 2003 through December 31, 2003, or in any such proposed transaction, except as described under “Certain Relationships and Related Transactions” on page 20 of the Proxy Statement, which is incorporated by reference herein. In the ordinary course of business, the Company may engage in business transactions with companies whose officers or directors are also directors of the Company. These transactions are routine in nature and are conducted on an arm’s-length basis. The terms of any such transactions are comparable at all times to those obtainable in business transactions with unrelated persons.

### **Item 14. Principal Accountant Fees and Services**

The disclosure regarding principal accountant fees and services appearing under “Audit Committee Report” on pages ten and eleven of the Proxy Statement is incorporated by reference.

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**PART IV**

**Item 15. Exhibits, Financial Statement Schedules and Reports on Form 8-K**

(a) Documents filed:

- 1 and 2: Financial Statements and Financial Statement Schedules. See below for "List of Financial Statements and Financial Statement Schedules."
- 3: See Exhibit Index following this report. With the exceptions of Exhibits 4.2 and 4.3, no other instruments defining the rights of holders of long-term debt of the Company and its consolidated subsidiaries are filed herewith because no other debt instrument authorizes securities exceeding 10% of the total consolidated assets of the Company. The Company agrees to furnish a copy of any such instrument to the Securities and Exchange Commission upon request.
- (b) A report on Form 8-K was filed on October 23, 2003 to disclose earnings for the quarter ended September 30, 2003. A report on Form 8-K was filed on December 29, 2003 to disclose a workforce reduction and the elimination of certain payments for post-retirement medical benefits. No other reports on Form 8-K were filed during the fourth quarter of 2003.

**List of Financial Statements and Financial Statement Schedules**

	<b>Page Reference in 2003 Annual Report To Shareholders</b>
	<hr/>
<b>1. Financial Statements</b>	
The following consolidated financial statements of Sensient Technologies Corporation and subsidiaries are incorporated by reference from the Annual Report to Shareholders for the year ended December 31, 2003:	
Independent Auditors' Report	40
Consolidated Balance Sheets - December 31, 2003 and 2002	23
Consolidated Statements of Earnings - Years ended December 31, 2003, 2002 and 2001	22
Consolidated Statements of Shareholders' Equity - Years ended December 31, 2003, 2002 and 2001	24-25
Consolidated Statements of Cash Flows - Years ended December 31, 2003, 2002 and 2001	26
Notes to Consolidated Financial Statements	27-39
	<hr/>
	<b>Page Reference in Form 10-K</b>
<b>2. Financial Statement Schedules</b>	
Independent Auditors' Report	17
Schedule II - Valuation and Qualifying Accounts and Reserves	18

All other schedules are omitted because they are inapplicable, not required by the instructions or the information is included in the consolidated financial statements or notes thereto.



## Independent Auditors' Report

To the Shareholders and Board of Directors  
of Sensient Technologies Corporation:

We have audited the consolidated financial statements of Sensient Technologies Corporation and subsidiaries (the "Company") as of December 31, 2003 and 2002, and for each of the three years in the period ended December 31, 2003, and have issued our report thereon dated February 12, 2004, which report expresses an unqualified opinion and includes an explanatory paragraph as to the adoption in 2002 of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets." Such financial statements and report are included in your 2003 Annual Report to Shareholders and are incorporated herein by reference. Our audits also included the consolidated financial statement schedule of Sensient Technologies Corporation, listed in Item 15. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, such consolidated financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

DELOITTE & TOUCHE LLP  
Milwaukee, Wisconsin  
February 12, 2004

## Schedule II

### Valuation and Qualifying Accounts (in thousands); Years Ended December 31, 2003, 2002, 2001

<u>Valuation Accounts Deducted in the Balance Sheet From the Assets To Which They Apply</u>	<u>Balance at Beginning of Period</u>	<u>Additions Charged to Costs and Expenses</u>	<u>Additions Recorded During Acquisitions</u>	<u>Deductions (A)</u>	<u>Balance At End of Period</u>
2001					
Allowance for losses: Trade accounts receivable	\$ 2,848	\$ 782	\$ 1,049	\$ 619	\$ 4,060
2002					
Allowance for losses: Trade accounts receivable	\$ 4,060	\$ 1,294	\$ 252	\$ 721	\$ 4,885
2003					
Allowance for losses: Trade accounts receivable	\$ 4,885	\$ 2,044	\$ 131	\$ 2,217	\$ 4,843

(A) Accounts written off, net of recoveries.

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**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**SENSIENT TECHNOLOGIES CORPORATION**

/s/ JOHN L. HAMMOND

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**John L. Hammond**  
Vice President, Secretary & General Counsel

Dated: March 15, 2004

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below as of March 15, 2004, by the following persons on behalf of the Registrant and in the capacities indicated.

/s/ KENNETH P. MANNING

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**Kenneth P. Manning**  
Chairman of the Board, President and Chief Executive Officer

/s/ RICHARD F. HOBBS

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**Richard F. Hobbs**  
Vice President, Chief Financial Officer and Treasurer

/s/ MICHAEL E. BATTEN

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**Michael E. Batten**  
Director

/s/ JOHN F. BERGSTROM

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**John F. Bergstrom**  
Director

/s/ HANK BROWN

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**Hank Brown**  
Director

/s/ FERGUS M. CLYDESDALE

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**Fergus M. Clydesdale**  
Director

/s/ JAMES A.D. CROFT

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**James A.D. Croft**  
Director

/s/ ALBERTO FERNANDEZ

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**Alberto Fernandez**  
Director

/s/ WILLIAM V. HICKEY

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**William V. Hickey**  
Director

/s/ ESSIE WHITELAW

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**Essie Whitelaw**  
Director

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**SENSIENT TECHNOLOGIES CORPORATION**  
**EXHIBIT INDEX**  
**2003 ANNUAL REPORT ON FORM 10-K**

<u>Exhibit Number</u>	<u>Description</u>	<u>Incorporated by Reference From</u>	<u>Filed Herewith</u>
3.1	Amended and Restated Articles of Incorporation adopted January 21, 1999 as amended as of April 26, 2001	Exhibit 3.1 to Quarterly Report on Form 10-Q for the quarter ended March 31, 2001 (Commission File No. 1-7626)	
3.2	Amended and Restated By-Laws of Sensient Technologies Corporation as amended as of March 4, 2004		X
4.2	Indenture dated as of November 9, 1998 between Registrant and The First National Bank of Chicago, as Trustee	Exhibit 4.1 to Registration Statement on Form S-3 dated November 9, 1998 (Commission File No. 333-67015)	
4.3	Note Purchase Agreement dated as of November 29, 2001, between the Registrant and Various Lenders	Exhibit 4.3 to Annual Report on Form 10-K for the fiscal year ended December 31, 2001 (Commission File No. 1-7626)	
10	Material Contracts		
10.1	Management Contracts or Compensatory Plans		
10.1(a)	Executive Employment Contract between Registrant and Kenneth P. Manning dated November 11, 1999	Exhibit 10.2(a) to Annual Report on Form 10-K for the fiscal year ended September 30, 1999 (Commission File No. 1-7626)	

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**SENSIENT TECHNOLOGIES CORPORATION**  
**EXHIBIT INDEX**  
**2003 ANNUAL REPORT ON FORM 10-K**

<u>Exhibit Number</u>	<u>Description</u>	<u>Incorporated by Reference From</u>	<u>Filed Herewith</u>
10.1(b)	Form of Amended and Restated Change of Control Employment and Severance Agreement for Executive Officers	Exhibit 10.1(b) to Annual Report on Form 10-K for the fiscal year ended December 31, 2001 (Commission File No. 1-7626)	
10.1(c)	Sensient Technologies Corporation 2002 Non-Employee Directors Stock Plan	Exhibit 10.1(w) to Annual Report on Form 10-K for the fiscal year ended December 31, 2001 (Commission File No. 1-7626)	
10.1(d)	Universal Foods Corporation 1990 Employee Stock Plan, as amended September 10, 1998	Exhibit 10.2(d) to Annual Report on Form 10-K for the fiscal year ended September 30, 1998 (Commission File No. 1-7626)	
10.1(d)(1)	Amendment of 1990 Employee Stock Plan dated as of November 6, 2000	Exhibit 10.1(d)(1) to Annual Report on Form 10-K for the fiscal year ended December 31, 2000 (Commission File No. 1-7626)	
10.1(e)	Universal Foods Corporation 1994 Employee Stock Plan, as amended September 10, 1998	Exhibit 10.2(f) Annual Report on Form 10-K for the fiscal year ended September 30, 1998 (Commission File No. 1-7626)	
10.1(e)(1)	Amendment of 1994 Employee Stock Plan dated as of November 6, 2000	Exhibit 10.1(e)(1) to Annual Report on Form 10-K for the fiscal year ended December 31, 2000 (Commission File No. 1-7626)	
10.1(f)	Universal Foods Corporation 1998 Stock Option Plan, as amended September 10, 1998	Exhibit 10.2(h) to Annual Report on Form 10-K for the fiscal year ended September 30, 1998 (Commission File No. 1-7626)	
10.1(f)(1)	Amendment of 1998 Stock Option Plan dated as of November 6, 2000	Exhibit 10.1(f)(1) to Annual Report on Form 10-K for the fiscal year ended December 31, 2000 (Commission File No. 1-7626)	
10.1(g)	1999 Non-Employee Director Stock Option Plan	Appendix A to Definitive Proxy Statement filed on Schedule 14A on December 17, 1999. (Commission File No. 1-7626)	

**SENSIENT TECHNOLOGIES CORPORATION**  
**EXHIBIT INDEX**  
**2003 ANNUAL REPORT ON FORM 10-K**

<u>Exhibit Number</u>	<u>Description</u>	<u>Incorporated by Reference From</u>	<u>Filed Herewith</u>
10.1(g)(1)	Amendment of 1999 Non-Employee Director Stock Option Plan dated as of November 6, 2000	Exhibit 10.1(g)(1) to Annual Report on Form 10-K for the fiscal year ended December 31, 2000 (Commission File No. 1-7626)	
10.1(h)	Sensient Technologies Corporation 2002 Stock Option Plan	Appendix B to Definitive Proxy Statement filed on Schedule 14A on March 22, 2002	
10.1(i)	Amended and Restated Directors Deferred Compensation Plan	Appendix B to Definitive Proxy Statement filed on Schedule 14A on December 17, 1999 (Commission File No. 1-7626)	
10.1(i)(1)	Amendment No. 1 to the Directors Deferred Compensation Plan dated December 12, 2000	Exhibit 10.1(h)(1) to Annual Report on Form 10-K for the fiscal year ended December 31, 2000 (Commission File No. 1-7626)	
10.1(i)(2)	Amendment No. 2 to the Directors Deferred Compensation Plan, dated July 17, 2003	Exhibit 10.1 to Quarterly Report on Form 10-Q for the quarter ended June 30, 2003 (Commission File No. 1-7626)	
10.1(j)	Amended and Restated Management Income Deferral Plan, dated December 31, 2002	Exhibit 10.1(j) to Annual Report on Form 10-K for the fiscal year ended December 31, 2002 (Commission File No. 1-7626)	
10.1(k)	Amended and Restated Executive Income Deferral Plan, dated December 31, 2002	Exhibit 10.1(k) to Annual Report on Form 10-K for the fiscal year ended December 31, 2002 (Commission File No. 1-7626)	
10.1(l)	Amended and Restated Sensient Technologies Corporation Rabbi Trust "A" Agreement dated March 1, 2002 between the Registrant and Marshall & Ilsley Trust Company	Exhibit 10.1(k) to Annual Report on Form 10-K for the fiscal year ended December 31, 2001	
10.1(m)	Trust Agreement, including Changes upon Appointment of Successor Trustee dated as of February 1, 1998 between Registrant and Firststar Bank, Milwaukee, N.A. ("Rabbi Trust B")	Exhibit 10.2(p) to Annual Report on Form 10-K for the fiscal year ended September 30, 1998 (Commission File No. 1-7626)	
10.1(n)(1)	Amendment No. 1 to Rabbi Trust B dated January 1, 2000 between Registrant and Marshall & Ilsley Trust Company	Exhibit 10.1(m)(1) to Annual Report on Form 10-K for the fiscal year ended December 31, 2000 (Commission File No. 1-7626)	

**SENSIENT TECHNOLOGIES CORPORATION**  
**EXHIBIT INDEX**  
**2003 ANNUAL REPORT ON FORM 10-K**

<u>Exhibit Number</u>	<u>Description</u>	<u>Incorporated by Reference From</u>	<u>Filed Herewith</u>
10.1(n)(2)	Changes upon Appointment of Successor Trustee for Rabbi Trust B dated as of January 1, 2000	Exhibit 10.1(m)(2) to Annual Report on Form 10-K for the fiscal year ended December 31, 2000 (Commission File No. 1-7626)	
10.1(o)	Trust Agreement, including Changes upon Appointment of Successor Trustee, dated as of February 1, 1998 between Registrant and Firstar Bank, Milwaukee N.A. (“Rabbi Trust C”)	Exhibit 10.2(q) to Annual Report on Form 10-K for the fiscal year ended September 30, 1998 (Commission File No. 1-7626)	
10.1(o)(1)	Amendment No. 1 to Rabbi Trust C dated as of January 1, 2001 between Registrant and Marshall & Ilsley Trust Company	Exhibit 10.1(n)(1) to Annual Report on Form 10-K for the fiscal year ended December 31, 2000 (Commission File No. 1-7626)	
10.1(o)(2)	Changes upon Appointment of Successor Trustee for Rabbi Trust C dated as of January 1, 2001	Exhibit 10.1(n)(2) to Annual Report on Form 10-K for the fiscal year ended December 31, 2000 (Commission File No. 1-7626)	
10.1(p)	Incentive Compensation Plan for Elected Corporate Officers	Appendix C to Definitive Proxy Statement filed on Schedule 14A on December 17, 1999 (Commission File No. 1-7626)	
10.1(p)(1)	Amendment No. 1 to the Incentive Compensation Plan for Elected Corporate Officers dated December 12, 2000	Exhibit 10.1(o)(1) to Annual Report on Form 10-K for the fiscal year ended December 31, 2000 (Commission File No. 1-7626)	
10.1(q)	Form of Management Incentive Plan for Group and Division Presidents	Exhibit 10.2 (s) to Annual Report on Form 10-K for the fiscal year ended September 30, 1998 (Commission File No. 1-7626)	
10.1(q)(1)	Amendment No. 1 to the Management Incentive Plan for Group and Division Presidents dated December 12, 2000	Exhibit 10.1(p)(1) to Annual Report on Form 10-K for the fiscal year ended December 31, 2000 (Commission File No. 1-7626)	
10.1(r)	Form of Management Incentive Plan for Corporate Management	Exhibit 10.2(t) to Annual Report on Form 10-K for the fiscal year ended September 30, 1998 (Commission File No. 1-7626)	

**SENSIENT TECHNOLOGIES CORPORATION**  
**EXHIBIT INDEX**  
**2003 ANNUAL REPORT ON FORM 10-K**

<u>Exhibit Number</u>	<u>Description</u>	<u>Incorporated by Reference From</u>	<u>Filed Herewith</u>
10.1(r)(1)	Amendment No. 1 to Management Incentive Plan for Corporate Management dated December 12, 2000	Exhibit 10.1(q)(1) to Annual Report on Form 10-K for the fiscal year ended December 31, 2000 (Commission File No. 1-7626)	
10.1(s)	Form of Management Incentive Plan for Group and Division Management	Exhibit 10.2(u) to Annual Report on Form 10-K for the fiscal year ended September 30, 1998 (Commission File No. 1-7626)	
10.1(s)(1)	Amendment No. 1 to Management Incentive Plan for Group and Division Management dated December 12, 2000	Exhibit 10.1(r)(1) to Annual Report on Form 10-K for the fiscal year ended December 31, 2000 (Commission File No. 1-7626)	
10.1(t)	Form of Agreement for Executive Officers (Supplemental Executive Retirement Plan A)	Exhibit 10.1(s) to Annual Report on Form 10-K for the fiscal year ended December 31, 2001 (Commission File No. 1-7626)	
10.1(u)	Form of Agreement for Executive Officers (Supplemental Executive Retirement Plan B)	Exhibit 10.1(t) to Annual Report on Form 10-K for the fiscal year ended December 31, 2001 (Commission File No. 1-7626)	
10.1(v)	Universal Foods Corporation Supplemental Benefit Plan, including Amendment No. 1 thereto dated September 10, 1998	Exhibit 10.2(w) to Annual Report on Form 10-K for the fiscal year ended September 30, 1998 (Commission File No. 1-7626)	
10.1(v)(1)	Amendment No. 2 to Supplemental Benefit Plan dated December 12, 2000	Exhibit 10.1(u)(1) to Annual Report on Form 10-K for the fiscal year ended December 31, 2000 (Commission File No. 1-7626)	
10.1(w)	Universal Foods Corporation Transition Retirement Plan, including Amendment No. 1 thereto, dated September 10, 1998	Exhibit 10.2(x) to Annual Report on Form 10-K for the fiscal year ended September 30, 1998 (Commission File No. 1-7626)	
10.1(w)(1)	Amendment No. 2 to the Transition Retirement Plan dated December 12, 2000	Exhibit 10.1(v)(1) to Annual Report on Form 10-K for the fiscal year ended December 31, 2000 (Commission File No. 1-7626)	
10.1(w)(2)	Amendment No. 3 to the Transition Retirement Plan dated August 16, 2002	Exhibit 10.1(w)(2) to Annual Report on Form 10-K for the fiscal year ended December 31, 2002 (Commission File No. 1-7626)	

**SENSIENT TECHNOLOGIES CORPORATION**  
**EXHIBIT INDEX**  
**2003 ANNUAL REPORT ON FORM 10-K**

<u>Exhibit Number</u>	<u>Description</u>	<u>Incorporated by Reference From</u>	<u>Filed Herewith</u>
10.1(w)(3)	Amendment No. 4 to the Transition Retirement Plan dated December 26, 2002	Exhibit 10.1(w)(3) to Annual Report on Form 10-K for the fiscal year ended December 31, 2002 (Commission File No. 1-7626)	
13.1	Portions of Annual Report to Shareholders for the year ending December 31, 2003 that are incorporated by reference		X
14	Code of Ethics for Senior Financial Officers		X
21	Subsidiaries of the Registrant		X
23	Consent of Deloitte & Touche LLP		X
31	Certifications of Sensient's Chairman, President and Chief Executive Officer and Vice President, Chief Financial Officer and Treasurer pursuant to Rule 13a-14 (a) of the Exchange Act		X
32	Certifications of Sensient's Chairman, President and Chief Executive Officer and Vice President, Chief Financial Officer and Treasurer, pursuant to 18 United States Code § 1350		X
99.1	Notice of Annual Meeting and Proxy Statement dated March 15, 2004. Except to the extent specifically incorporated by reference herein, the Proxy Statement shall not be deemed to be filed with the Securities and Exchange Commission as part of this Annual Report on Form 10-K.	Filed on Schedule 14A dated March 15, 2004 (Commission File No. 1-7626).	

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## **Section 2: EX-3.2 (AMENDED & RESTATED BY-LAWS OF SENSIENT)**

**Exhibit 3.2**

**SENSIENT TECHNOLOGIES CORPORATION**  
**AMENDED AND RESTATED BY-LAWS**

### **1. OFFICES**

1.1 **Business Offices.** The principal office of the corporation in the State of Wisconsin shall be located in the City of Milwaukee, County of Milwaukee. The corporation may have such other offices, either within or without the State of Wisconsin, as the Board of Directors may designate or as the business of the corporation may require from time to time.

1.2 **Registered Office.** The registered office of the corporation required by the Wisconsin Business Corporation Law to be maintained in the State of Wisconsin may be, but need not be, identical with the principal office in the State of Wisconsin, and the address of the registered office may be changed from time to time by the Board of Directors.

### **2. SHAREHOLDERS**

2.1 **Annual Meeting.** The date of the annual meeting of shareholders shall be set by the Board of Directors each year for the third Thursday after the first Friday of April, or on such other day as may be designated by the Board of Directors, upon the recommendation of the Nominating and Corporate Governance Committee, for the purpose of electing directors and transacting such other business as may come before the meeting; provided, however, that any such other date shall be not later than June 1. In fixing a meeting date for any annual meeting of shareholders, the Board of Directors may consider such factors as it deems relevant within the good faith exercise of its business judgment.

2.2 **Purposes of Annual Meeting.** At an annual meeting of shareholders (an "Annual Meeting"), only business properly brought before the meeting as provided in this Section may be transacted. To be properly brought before an Annual Meeting, business must be (i) brought before the meeting by or at the direction of the Board of Directors, or (ii) otherwise properly brought before the meeting by a shareholder of record where the shareholder has complied with the requirements of this Section. To bring business before an Annual Meeting, a shareholder must have given written notice thereof, either by personal delivery or by United States certified mail, postage prepaid, to the Secretary of the corporation, that is



received by the Secretary not less than fifty (50) days in advance of the third Thursday after the first Friday in the month of April next following the last Annual Meeting held; provided that if the Annual Meeting of shareholders is held earlier than the third Thursday after the first Friday in the month of April, such notice must be given on or before the later of (x) the date fifty (50) days prior to the earlier date of the Annual Meeting and (y) the date ten (10) business days after the first public disclosure, which may include any public filing with the Securities and Exchange Commission or a press release to Dow Jones & Company or any similar service, of the earlier date of the Annual Meeting. Any such notice shall set forth the following as to each matter the shareholder proposes to bring before the Annual Meeting: (A) a brief description of the business desired to be brought before the meeting and the reasons for conducting such business at the meeting and, if such business includes a proposal to amend the Amended and Restated Articles of Incorporation or By-laws of the corporation, the language of the proposed amendment; (B) the name and address, as they appear on the corporation's books, of the shareholder proposing such business

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and the beneficial owner or owners, if any, on whose behalf the business is proposed; (C) the class and number of shares of the corporation which are beneficially owned by such shareholder and beneficial owner or owners; (D) a representation that the shareholder is a holder of record of stock of the corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such business; and (E) any material interest of the shareholder and beneficial owner or owners in such business and such persons' reasons for conducting such business at the meeting. If the chairman of the shareholders meeting shall determine that business was not properly brought before the meeting and in accordance with the provisions of the By-laws, he or she shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted. Notwithstanding the foregoing provisions of this Section, a shareholder shall also comply with all applicable requirements of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder with respect to the matters set forth in this Section.

### 2.3 Special Meetings.

(a) A special meeting of the shareholders of the corporation (a "Special Meeting") may be called only by (i) the Chairman of the Board, (ii) the Chief Executive Officer, or (iii) the Board of Directors, and shall be called by the Chairman of the Board or the Chief Executive Officer upon the written demand, in accordance with this Section 2.3, of the holders of record of shares representing at least 10% of all the votes entitled to be cast on any issue proposed to be considered at the Special Meeting. Only such business shall be conducted at a Special Meeting as shall have been described in the notice of meeting sent to shareholders pursuant to Section 2.5 of these By-laws.

(b) To enable the corporation to determine the shareholders entitled to demand a Special Meeting, the Board of Directors may fix a record date to determine the shareholders entitled to make such a demand (the "Demand Record Date"). The Demand Record Date shall not precede the date upon which the resolution fixing the Demand Record Date is adopted by the Board of Directors and shall not be more than ten (10) days after the date upon which the resolution fixing the Demand Record Date is adopted by the Board of Directors. Any shareholder of record seeking to have shareholders demand a Special Meeting shall, by written notice to the Secretary of the corporation, request the Board of Directors to fix a Demand Record Date. The Board of Directors shall promptly, but in all events within ten (10) days after the date on which a valid request to fix a Demand Record Date is received, adopt a resolution fixing the Demand Record Date and shall make a public announcement of such Demand Record Date. If no Demand Record Date has been fixed by the Board of Directors within ten (10) days after the date on which such request is received by the Secretary, the Demand Record Date shall be the tenth (10th) day after the first date on which a valid written request to set a Demand Record Date is received by the Secretary. To be valid, such written request shall set forth the purpose or purposes for which the Special Meeting is to be held, shall be signed by one or more shareholders of record (or their duly authorized proxies or other representatives), shall bear the date of signature of each such shareholder (or proxy or other representative) and shall set forth all information about each such shareholder and about the beneficial owner or owners, if any, on whose behalf the request is made that would be required to be set forth in a shareholder's notice described in Sections 2.2 and 3.9 of these By-laws.

(c) For a shareholder or shareholders to demand a Special Meeting, a written demand or demands for a Special Meeting by the holders of record as of the Demand Record

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Date of shares representing at least ten percent (10%) of all the votes entitled to be cast on each issue proposed to be considered at the Special Meeting must be delivered to the corporation. To be valid, each written demand by a shareholder for a Special Meeting shall set forth the specific purpose or purposes for which the Special Meeting is to be held (which purpose or purposes shall be limited to the purpose or purposes set forth in the written request to set a Demand Record Date received by the corporation pursuant to paragraph (b) of this Section 2.3), shall be signed by one or more persons who as of the Demand Record Date are shareholders of record (or their duly authorized proxies or other representatives), shall bear the date of signature of each such shareholder (or proxy or other representative), shall set forth the name and address, as they appear in the corporation's books, of each shareholder signing such demand and the class or series and number of shares of the corporation which are owned of record and beneficially by each such shareholder, shall be sent to the Secretary by hand or by certified or registered mail, return receipt requested, and shall be received by the Secretary within seventy (70) days after the Demand Record Date.

(d) The corporation shall not be required to call a Special Meeting upon shareholder demand unless, in addition to the documents required by paragraph (c) of this Section 2.3, the Secretary receives a written agreement signed by each Soliciting Shareholder (as defined herein), pursuant to which each Soliciting Shareholder, jointly and severally, agrees to pay the corporation's costs of holding the Special Meeting, including the costs of preparing and mailing proxy materials for the corporation's own solicitation, provided that if each of the resolutions introduced by any Soliciting Shareholder at such meeting is adopted, and each of the individuals nominated by or on behalf of any Soliciting Shareholder for election as director at such meeting is elected, then the Soliciting Shareholders shall not be required to pay such costs. For purposes of this paragraph (d) the following terms shall have the meanings set forth below:

- (i) "Affiliate" shall have the meaning assigned to such term in Rule 12b-2 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act").
- (ii) "Participant" shall have the meaning assigned to such term in Rule 14a-11 promulgated under the Exchange Act.
- (iii) "Person" shall mean any individual, firm, corporation, partnership, joint venture, association, trust, unincorporated organization or other entity.
- (iv) "Proxy" shall have the meaning assigned to such term in Rule 14a-1 promulgated under the Exchange Act.
- (v) "Solicitation" shall have the meaning assigned to such term in Rule 14a-11 promulgated under the Exchange Act.
- (vi) "Soliciting Shareholder" shall mean, with respect to any Special Meeting demanded by a shareholder or shareholders, any of the following Persons:
  - (A) if the number of shareholders signing the demand or demands of meeting delivered to the corporation pursuant to paragraph

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- (c) of this Section 2.3 is ten (10) or fewer, each shareholder signing any such demand;
- (B) if the number of shareholders signing the demand or demands of meeting delivered to the corporation pursuant to paragraph (c) of this Section 2.3 is more than ten (10), each Person who either (I) was a Participant in any Solicitation of such demand or demands or (II) at the time of the delivery to the corporation of the documents described in paragraph (c) of this Section 2.3, had engaged or intended to engage in any Solicitation of Proxies for use at such Special Meeting (other than a Solicitation of Proxies on behalf of the corporation); or
- (C) any Affiliate of a Soliciting Shareholder, if a majority of the directors of the corporation then in office determine, reasonably and in good faith, that such Affiliate should be required to sign the written notice described in paragraph (c) of this Section 2.3 and/or the written agreement described in this paragraph (d) in order to prevent the purposes of this Section 2.3 from being evaded.

(e) Except as provided in the following sentence, any Special Meeting shall be held at such hour and day as may be designated by whichever of the Chairman of the Board, the Chief Executive Officer or the Board of Directors shall have called such meeting. In the case of any Special Meeting called by the Chairman of the Board or the Chief Executive Officer upon the demand of shareholders (a "Demand Special Meeting"), such meeting shall be held at such hour and day as may be designated by the Board of Directors; provided, however, that the date of any Demand Special Meeting shall be not more than seventy (70) days after the Meeting Record Date (as defined in Section 2.6); and provided further that in the event that the directors then in office fail to designate an hour and date for a Demand Special Meeting within ten (10) days after the date that valid written demands for such meeting by the holders of record as of the Demand Record Date of shares representing at least ten percent (10%) of all the votes entitled to be cast on each issue proposed to be considered at the special meeting are delivered to the corporation (the "Delivery Date"), then such meeting shall be held at 2:00 P.M. local time on the one hundredth (100th) day after the Delivery Date, or if such one hundredth (100th) day is not a Business Day (as defined below), on the first preceding Business Day. In fixing a meeting date for any Special Meeting, the Chairman of the Board, the Chief Executive Officer or the Board of Directors may consider such factors as he or it deems relevant within the good faith exercise of his or its business judgment, including, without limitation, the nature of the action proposed to be taken, the facts and circumstances surrounding any demand for such meeting, and any plan of the Board of Directors to call an Annual Meeting or a Special Meeting for the conduct of related business.

(f) The corporation may engage independent inspectors of elections to act as an agent of the corporation for the purpose of promptly performing a ministerial review of the validity of any purported written demand or demands for a Special Meeting received by the Secretary. For the purpose of permitting the inspectors to perform such review, no purported demand shall be deemed to have been delivered to the corporation until the earlier of (i) five (5) Business Days following receipt by the Secretary of such purported demand and (ii) such date as

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the independent inspectors certify to the corporation that the valid demands received by the Secretary represent at least ten percent (10%) of all the votes entitled to be cast on each issue proposed to be considered at the Special Meeting. Nothing contained in this paragraph shall in any way be construed to suggest or imply that the Board of Directors or any shareholder shall not be entitled to contest the validity of any demand, whether during or after such five (5) Business Day period, or to take any other action (including, without limitation, the commencement, prosecution or defense of any litigation with respect thereto).

(g) For purposes of these By-laws, "Business Day" shall mean any day other than a Saturday, a Sunday or a day on which banking institutions in the State of Wisconsin are authorized or obligated by law or executive order to close.

2.4 Place of Meeting. The Board of Directors, the Chairman of the Board or the Chief Executive Officer may designate any place, either within or without the State of Wisconsin, as the place of meeting for the Annual Meeting, any Special Meeting or any postponement thereof. If the Board of Directors, the Chairman of the Board or the Chief Executive Officer shall fail or neglect to make such designation, the Secretary shall designate the place of such meeting. If no designation is made, the place of meeting shall be the registered office of the corporation in the State of Wisconsin. Any adjourned meeting may be reconvened at any place designated by vote of the Board of Directors or by the Chairman of the Board or the Chief Executive Officer.

2.5 Notice of Meeting. The corporation shall send written or printed notice stating the place, day and hour of any Annual Meeting or Special Meeting not less than ten (10) days nor more than sixty (60) days before the date of such meeting either personally or by mail to each shareholder of record entitled to vote at such meeting and to other shareholders as may be required by law or by the Amended and Restated Articles of Incorporation. In the event of any Demand Special Meeting, such notice of meeting shall be sent not more than thirty (30) days after the Delivery Date. If mailed, such notice of meeting shall be addressed to the shareholder at the shareholder's address as it appears on the corporation's record of shareholders. Unless otherwise required by law or the Amended and Restated Articles of Incorporation, a notice of an Annual Meeting need not include a description of the purpose for which the meeting is called. In the case of any Special Meeting, (a) the notice of meeting shall describe any business that the Board of Directors shall have theretofore determined to bring before the meeting and (b) in the case of a Demand Special Meeting, the notice of meeting (i) shall describe any business set forth in the statement of purpose of the demands received by the corporation in accordance with Section 2.3 of these By-laws and (ii) shall contain all of the information required in the notice received by the corporation in accordance with Section 2.3(b) of these By-laws. A shareholder's attendance at a meeting, in person or by proxy, waives objection to the following: (A) lack of notice or defective notice of the meeting, unless the shareholder at the beginning of the meeting or promptly upon arrival objects to holding the meeting or transacting business at the meeting; and (B) consideration of a particular matter at the meeting that is not within the purpose described in the meeting notice, unless the shareholder objects to considering the matter when it is presented.

2.6 Fixing of Certain Record Dates.

(a) The Board of Directors may fix a future date not less than ten (10) days and not more than sixty (60) days prior to the date of any Annual Meeting or Special Meeting as the record date for the determination of shareholders entitled to notice of, or to vote at, such meeting

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(the "Meeting Record Date"). In the case of any Demand Special Meeting, (i) the Meeting Record Date shall be not later than the thirtieth (30th) day after the Delivery Date and (ii) if the Board of Directors fails to fix the Meeting Record Date within thirty (30) days after the Delivery Date, then the close of business on such thirtieth (30th) day shall be the Meeting Record Date. The shareholders of record on the Meeting Record Date shall be the shareholders entitled to notice of and to vote at the meeting. Except as may be otherwise provided by law, a determination of shareholders entitled to notice of or to vote at a meeting of shareholders is effective for any adjournment of such meeting unless the Board of Directors fixes a new Meeting Record Date, which it shall do if the meeting is postponed or adjourned to a date more than one hundred twenty (120) days after the date fixed for the original meeting.

(b) The Board of Directors may fix a future date as the record date for the determination of shareholders entitled to receive payment of any share dividend or distribution. If no record date is so fixed by the Board of Directors, the record date for determining shareholders entitled to a distribution (other than a distribution involving a purchase, redemption or other acquisition of the corporation's shares) or a share dividend is the date on which the Board of Directors authorized the distribution or share dividend, as the case may be.

**2.7 Voting Lists.** After a record date for a Special Meeting or Annual Meeting has been fixed, the corporation shall prepare a list of the names of all of the shareholders entitled to notice of the meeting. The list shall be arranged by class or series of shares, if any, and show the address of and number of shares held by each shareholder. Such list shall be available for inspection by any shareholder, beginning two business days after notice of the meeting is given for which the list was prepared and continuing to the date of the meeting, at the corporation's principal office or at a place identified in the meeting notice in the city where the meeting will be held. The corporation shall make the shareholders' list available at the meeting, and any shareholder or his or her agent or attorney may inspect the list at any time during the meeting or any adjournment thereof. Refusal or failure to prepare or make available the shareholders' list shall not affect the validity of any action taken at a meeting of shareholders.

**2.8 Quorum; Votes.** Shares entitled to vote as a separate voting group may take action on a matter at a meeting only if a quorum of those shares exists with respect to that matter. If the corporation has only one class of stock outstanding, such class shall constitute a separate voting group for purposes of this Section 2.8. Except as otherwise provided in the Amended and Restated Articles of Incorporation or the Wisconsin Business Corporation Law, a majority of the votes entitled to be cast on the matter shall constitute a quorum of the voting group for action on that matter. Once a share is represented for any purpose at a meeting, other than for the purpose of objecting to holding the meeting or transacting business at the meeting, it is considered present for purposes of determining whether a quorum exists for the remainder of the meeting and for any adjournment of that meeting unless a new record date is or must be set for the adjourned meeting. If a quorum exists, except in the case of the election of directors, action on a matter shall be approved if the votes cast within the voting group favoring the action exceed the votes cast opposing the action, unless the Amended and Restated Articles of Incorporation or the Wisconsin Business Corporation Law requires a greater number of affirmative votes. Unless otherwise provided in the Amended and Restated Articles of Incorporation, each director shall be elected by a plurality of the votes cast by the shares entitled to vote in the election of directors at a meeting at which a quorum is present.

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2.9 Proxies. At all meetings of shareholders, a shareholder entitled to vote may vote his or her shares in person or by proxy. A shareholder may appoint a proxy to vote or otherwise act for the shareholder by signing an appointment form, either personally or by his or her attorney-in-fact. An appointment of a proxy is effective when received by the Secretary or other officer or agent of the corporation authorized to tabulate votes. An appointment is valid for eleven months from the date of its signing unless a different period is expressly provided in the appointment form.

2.10 Voting of Shares. Each outstanding share, regardless of class, shall be entitled to one vote upon each matter submitted to a vote at a meeting of shareholders, except to the extent that the voting rights of the shares of any class or classes are enlarged, limited, or denied by the Amended and Restated Articles of Incorporation of the corporation or by the Wisconsin Business Corporation Law.

2.11 Subsidiary Shares. Shares held by another corporation, if a sufficient number of shares entitled to elect a majority of the directors of such other corporation is held directly or indirectly by the corporation, shall not be entitled to vote at any meeting, but shares held in a fiduciary capacity may be voted.

2.12 Acceptance of Instruments Showing Shareholder Action. If the name signed on a vote, consent, waiver or proxy appointment corresponds to the name of a shareholder, the corporation, if acting in good faith, may accept the vote, consent, waiver or proxy appointment and give it effect as the act of a shareholder. If the name signed on a vote, consent, waiver or proxy appointment does not correspond to the name of a shareholder, the corporation, if acting in good faith, may accept the vote, consent, waiver or proxy appointment and give it effect as the act of the shareholder if any of the following apply:

(a) The shareholder is an entity and the name signed purports to be that of an officer or agent of the entity.

(b) The name purports to be that of a personal representative, administrator, executor, guardian or conservator representing the shareholder and, if the corporation requests, evidence of fiduciary status acceptable to the corporation is presented with respect to the vote, consent, waiver or proxy appointment.

(c) The name signed purports to be that of a receiver or trustee in bankruptcy of the shareholder and, if the corporation requests, evidence of this status acceptable to the corporation is presented with respect to the vote, consent, waiver or proxy appointment.

(d) The name signed purports to be that of a pledgee, beneficial owner, or attorney-in-fact of the shareholder and, if the corporation requests, evidence acceptable to the corporation of the signatory's authority to sign for the shareholder is presented with respect to the vote, consent, waiver or proxy appointment.

(e) Two or more persons are the shareholders as co-tenants or fiduciaries and the name signed purports to be the name of at least one of the co-owners and the person signing appears to be acting on behalf of all co-owners.

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The corporation may reject a vote, consent, waiver or proxy appointment if the Secretary or other officer or agent of the corporation who is authorized to tabulate votes, acting in good faith, has reasonable basis for doubt about the validity of the signature on it or about the signatory's authority to sign for the shareholder.

2.13 Conduct of Meeting. The Chairman of the Board, and in his or her absence, any officer or director designated by the Chairman of the Board, and in his or her absence, the Chief Executive Officer, and in his or her absence, the President, and in his or her absence, a Vice President in the order provided under Section 4.7 of these By-laws, and in their absence, any person chosen by the shareholders present, shall call any Annual Meeting or Special Meeting to order and shall act as Chairman of the Meeting, and the Secretary of the corporation shall act as secretary of any meeting of the shareholders, but in the absence of the Secretary, the Chairman of the Meeting may appoint any other person to act as secretary of the meeting.

2.14 Postponement; Adjournment.

(a) Any Annual Meeting or any Special Meeting called by the Chairman of the Board, the Chief Executive Officer (other than a Demand Special Meeting) or the Board of Directors may be postponed at any time or from time to time after written notice of the meeting has been delivered to shareholders as follows: (i) in the case of the Annual Meeting or a Special Meeting called by the Board of Directors, by action of the Board of Directors or a duly authorized committee thereof and (ii) in the case of a Special Meeting called by the Chairman of the Board or the Chief Executive Officer, at the request of the person calling the meeting and with the consent of the Board of Directors or a duly authorized committee thereof. Any such postponement or postponements shall be disclosed in any public filing with the Securities and Exchange Commission or by means of a press release to Dow Jones & Company or any similar service promptly following such postponement, and promptly thereafter written notice of such postponement stating the place, day and hour to which the meeting was postponed shall be delivered to each shareholder of record entitled to vote at such meeting.

(b) A meeting of shareholders may be adjourned to a different date, time or place from time to time, whether or not there is a quorum, (i) at any time, upon a resolution of shareholders if the number of votes cast in favor of such resolution exceed the number of votes cast against such resolution, or (ii) by order of the chairman of the meeting, but only where such order is delivered before any business is transacted at such meeting and such adjournment is for a period of thirty (30) days or less. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting originally noticed. Any such adjournment or adjournments pursuant to clause (i), if the new date, time and place of the meeting are not announced at the meeting prior to adjournment or if a new record date is or must be fixed for the meeting, or pursuant to clause (ii) shall be disclosed in any public filing with the Securities and Exchange Commission or by means of a press release to Dow Jones & Company or any similar service promptly following such adjournment, and promptly thereafter written notice of such adjournment stating the date, time and place to which the meeting was adjourned shall be delivered to each shareholder of record entitled to vote at such meeting, except that (except as may be otherwise required by law) no such disclosure in filings, press releases or notices to shareholders shall be required if an adjournment is for a period of forty-eight (48) hours or less.



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### 3. BOARD OF DIRECTORS

3.1 General Powers. All corporate powers of the corporation shall be exercised by or under the authority of, and the business and affairs of the corporation managed under the direction of, its Board of Directors.

3.2 Number, Tenure and Qualifications.

(a) The number of directors of the corporation shall be nine (9). No more than two (2) officers or employees of the corporation or any of its subsidiaries shall simultaneously serve as directors of the corporation. The directors shall be divided into three (3) classes, each consisting of three (3) directors. The term of office of those of the first class shall expire at the Annual Meeting to be held in January, 1984, and of the second class one year thereafter and of the third class, two years thereafter, and in all cases, until their respective successors shall have been elected and qualified. At the Annual Meetings following the initial election of directors by classes, the successors to the class of directors whose term expires in that year shall be elected for a term of three (3) years to succeed those whose terms expire, so that the term of office of one class of directors shall expire in each year, but, subject to the provisions of the By-laws of the corporation, each director shall hold office for the term for which he or she is elected and until his or her successor is elected and, if necessary, qualified or until there is a decrease in the number of directors that takes effect upon or after the expiration of the term for which he or she is elected.

(b) Directors need not be residents of the State of Wisconsin or shareholders of the corporation. A director having attained age seventy-two (72) shall automatically cease to be a director of the corporation effective as of the Annual Meeting immediately following such director's seventy-second (72nd) birthday. All directors who are also officers of the corporation shall automatically cease to be directors of the corporation, effective as of his or her date of termination of employment from the corporation, with the exception of any corporate officer holding, or who has held the position of Chief Executive Officer.

(c) A Chairman of the Board shall be elected by the Board of Directors from among its members to preside at all meetings of the shareholders and the Board of Directors. The Director, who need not be an employee of the corporation, elected Chairman of the Board shall serve in such position for the term of office as elected by the shareholders or the Board of Directors and until his or her successor shall have been duly elected or until his or her death or until resignation or removal in the manner hereinafter provided. The Chairman of the Board, if an employee of the corporation, may be elected Chief Executive Officer of the corporation by the Board of Directors. The Chairman of the Board shall perform all duties incident to the office and such other duties as may be prescribed by the Board of Directors from time to time.

(d) All directors of the corporation, who are not simultaneously employed as officers by the corporation, shall be properly compensated and reimbursed for their services as a director on the basis of an annual retainer, meeting attendance fees and reasonable expenses incurred as a director as established and approved annually by the Board of Directors upon the recommendation of the Nominating and Corporate Governance Committee. Any employee of the corporation, who is elected a director of the corporation, shall not receive any compensation, expense reimbursement or participation in director benefit programs for his or her services as a director of the corporation. A Chief Executive Officer, who retires from the corporation prior to

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attaining age seventy-two (72) while serving as a director, immediately becomes eligible for compensation, expense reimbursement and director benefit program participation as a non-employee director effective as of the individual's retirement date from the corporation.

3.3 Regular Meetings. A regular meeting of the Board of Directors shall be held without other notice than this By-law immediately after, and at the same place as, the Annual Meeting of shareholders, and each adjourned session thereof. The Board of Directors may, by resolution, provide the time and place, either within or without the State of Wisconsin, for the holding of additional regular meetings without other notice than such resolution.

3.4 Special Meetings. Special meetings of the Board of Directors may be called by or at the request of the Chairman of the Board, Chief Executive Officer or a majority of the number of directors fixed by Section 3.2. The person or persons authorized to call special meetings of the Board of Directors may fix any place, either within or without the State of Wisconsin, as the place for holding any special meeting of the Board of Directors called by them.

3.5 Notice of Meetings. Except as otherwise provided in the Amended and Restated Articles of Incorporation or the Wisconsin Business Corporation Law, notice of the date, time and place of any special meeting of the Board of Directors and of any special meeting of a committee of the Board of Directors shall be given orally or in writing to each director or committee member at least forty-eight (48) hours prior to the meeting, except that notice by mail shall be given at least seventy-two (72) hours prior to the meeting. The notice need not describe the purpose of the meeting.

3.6 Quorum; Votes. One-third (1/3) of the number of directors fixed by Section 3.2 shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, but though less than such quorum is present at a meeting, a majority of the directors present may adjourn the meeting from time to time without further notice. If a quorum is present when a vote is taken, the affirmative vote of a majority of directors present shall be the act of the Board of Directors, unless the act of a greater number is required by law, by the Amended and Restated Articles of Incorporation or by these By-laws.

3.7 Removal and Resignation. A director may be removed from office by the affirmative vote of the holders of two-thirds (2/3) of the outstanding shares entitled to vote taken at a meeting called for that purpose. A director may resign at any time by delivering his written resignation to the Secretary of the corporation or to the Chairman of the Board. A resignation is effective when the notice is received unless the notice specifies a later effective date.

3.8 Vacancies. Any vacancy occurring in the Board of Directors, including a vacancy created by an increase in the number of directors, may be filled by any of the following: (i) the shareholders, (ii) the Board of Directors or (iii) if the directors remaining in office constitute fewer than a quorum of the Board of Directors, the directors, by the affirmative vote of a majority of all directors remaining in office; provided, however, that if the vacant office was held by a director elected by a voting group of shareholders, only the holders of shares of that voting group may vote to fill the vacancy if it is filled by the shareholders, and only the remaining directors elected by that voting group may vote to fill the vacancy if it is filled by the directors. The Directors so elected shall hold office until the next succeeding election of the class for which such director shall have been elected.

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3.9 Nominations. Nominations for the election of directors may be made only by the Board of Directors, by the Nominating and Corporate Governance Committee of the Board of Directors (or, if none, any other committee serving a similar function) or by any shareholder entitled to vote generally in elections of directors where the shareholder complies with the requirements of this Section. Any shareholder of record entitled to vote generally in elections of directors may nominate one or more persons for election as directors at a meeting of shareholders only if written notice of such shareholder's intent to make such nomination or nominations has been given to the Secretary of the corporation and is received by the Secretary (i) with respect to an election to be held at an Annual Meeting, not more than ninety (90) days nor less than fifty (50) days in advance of the third Thursday after the first Friday of the month of April next following the last Annual Meeting held; provided, that if the Annual Meeting is held earlier than the third Thursday after the first Friday of the month of April, such notice must be given on or before the later of (x) the date fifty (50) days prior to the earlier date of the Annual Meeting and (y) the date ten (10) business days after the first public disclosure, which may include any public filing with the Securities and Exchange Commission or a press release to Dow Jones & Company or any similar service, of the earlier date of the Annual Meeting, and (ii) with respect to an election to be held at a Special Meeting as to which notice of such meeting states that it is to be held for the election of directors, not earlier than ninety (90) days prior to such Special Meeting and not later than the close of business on the later of (x) the tenth (10th) business day following the date on which notice of such meeting is first given to shareholders and (y) the fiftieth (50th) day prior to such Special Meeting. Each such notice of a shareholder's intent to nominate a director or directors at an Annual Meeting or Special Meeting shall set forth the following: (A) the name and address, as they appear on the corporation's books, of the shareholder who intends to make the nomination and of the beneficial owner or owners, if any, on whose behalf the nomination is to be made and the name and residence address of the person or persons to be nominated; (B) the class and number of shares of the corporation which are beneficially owned by the shareholder and beneficial owner or owners; (C) a representation that the shareholder is a holder of record of stock of the corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (D) a description of all arrangements or understandings between the shareholder and/or beneficial owner or owners and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the shareholders; (E) such other information regarding each nominee proposed by such shareholder as would be required to be disclosed in solicitations of proxies for election of directors, or would be otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended, including any information that would be required to be included in a proxy statement filed pursuant to Regulation 14A had the nominee been nominated by the Board of Directors; and (F) the written consent of each nominee to be named in a proxy statement and to serve as a director of the corporation if so elected. No person shall be eligible to serve as a director of the corporation unless nominated in accordance with the procedures set forth in this By-law. If the chairman of the shareholders meeting shall determine that a nomination was not made in accordance with the procedures prescribed by the By-laws, he or she shall so declare to the meeting and the defective nomination shall be disregarded. Notwithstanding the foregoing provisions of this Section 3.9, a shareholder shall also comply with all applicable requirements of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder with respect to the matters set forth in this Section.

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3.10 Compensation. The Board of Directors, irrespective of any personal interest of any of its members, upon the recommendation of the Nominating and Corporate Governance Committee, may establish compensation of all directors for services to the corporation as directors, or may delegate such authority to an appropriate committee.

3.11 Presumption of Assent. A director of the corporation who is present and is announced as present at a meeting of the Board of Directors or a committee thereof of which he or she is a member at which action on any corporate matter is taken assents to the action taken, unless any of the following occurs: (i) the director objects at the beginning of the meeting or promptly upon his or her arrival to the holding of the meeting or transacting business at the meeting; (ii) the director's dissent or abstention from the action taken is entered in the minutes of the meeting; (iii) the director delivers written notice of his or her dissent or abstention to the presiding officer of the meeting before its adjournment or to the corporation immediately after adjournment of the meeting; or (iv) the director dissents or abstains from action taken, minutes of the meeting are prepared that fail to show the director's dissent or abstention from the action taken and the director delivers to the corporation a written notice of that failure that complies with Section 180.0141 of the Wisconsin Business Corporation Law promptly after receiving the minutes. Such right to dissent or abstain shall not apply to a director who voted in favor of such action.

3.12 Committees of the Board of Directors.

(a) Subject to the provisions of the Wisconsin Business Corporation Law, there shall be those committees of the Board of Directors set forth in Sections 3.13-3.18 of these By-laws, and the Board of Directors may from time to time establish other committees including standing or special committees, which shall have such duties and powers as are authorized by these By-laws or by the Board of Directors; provided, however, that no committee shall do any of the following: (i) authorize distributions; (ii) approve or propose to shareholders action that the Wisconsin Business Corporation Law requires be approved by shareholders; (iii) fill vacancies on the Board of Directors or, unless the Board of Directors provides by resolution that any vacancies on a committee shall be filled by the affirmative vote of a majority of the remaining committee members, on any of its committees; (iv) amend the corporation's Amended and Restated Articles of Incorporation; (v) adopt, amend or repeal the corporation's By-laws; (vi) approve a plan of merger not requiring shareholder approval; (vii) authorize or approve reacquisition of shares, except according to a formula or method prescribed by the Board of Directors; and (viii) authorize or approve the issuance or sale or contract for sale of shares, or determine the designation and relative rights, preferences and limitations of a class or series of shares, except that the Board of Directors may authorize a committee or the Chief Executive Officer of the corporation to do so within limits prescribed by the Board of Directors. In addition to the powers expressly enumerated in these By-laws, the Board of Directors may, by resolution, at any time desirable, adopt new powers and authority of any committee.

(b) Committee members and the chairman of each committee, including any alternates, shall be recommended by the Nominating and Corporate Governance Committee and shall be appointed by the Board of Directors as provided in the Wisconsin Business Corporation Law. Any member of any committee may be removed at any time with or without cause by the Board of Directors. Vacancies which occur in any committee may be filled by a resolution of the Board of Directors. If any vacancy shall occur in any committee by reason of death, resignation, disqualification, removal or otherwise, the remaining members of such committee, so long as the

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committee has at least two (2) members and a quorum is present, may continue to act until such vacancy is filled. The Board of Directors may, by resolution, at any time deemed desirable, discontinue any standing or special committee, subject to the requirements of the By-laws of the corporation. Members of standing committees, and their chairmen, shall be appointed yearly at the organizational meeting of the Board of Directors which is held immediately following the Annual Meeting of shareholders. Members of committees may receive such compensation for their services as the Board of Directors, upon the recommendation of the Nominating and Corporate Governance Committee, may determine.

3.13 Executive Committee. There shall be an Executive Committee of the Board of Directors. The Executive Committee shall consist of the Chief Executive Officer of the corporation and not less than three (3) other directors. Subject to the Wisconsin Business Corporation Law and Section 3.12 of these By-laws, the Executive Committee shall have all of the powers of the Board of Directors in the management and conduct of the business and affairs of the corporation in the intervals between meetings of the Board of Directors, and shall report its actions to the Board of Directors at its regular meetings.

3.14 Audit Committee. There shall be an Audit Committee of the Board of Directors. The purposes of the Committee are (1) to assist the Board of Directors in overseeing (a) the quality and integrity of the corporation's financial statements, (b) the qualifications and independence of the corporation's independent auditor, (c) the performance of the corporation's internal audit function and independent auditor, and (d) the corporation's compliance with legal and regulatory requirements; (2) to prepare the report of the Committee required to be included in the corporation's annual proxy statement under the rules of the Securities and Exchange Commission; and (3) to perform the duties and responsibilities set forth below. The provisions of this Section 3.14 shall constitute the Charter of the Audit Committee.

#### **Membership**

1. The Committee shall have at least three (3) members. Each member of the Committee shall satisfy the independence requirements relating to directors and audit committee members (a) of the New York Stock Exchange and (b) under Section 10A(m) of the Securities Exchange Act of 1934 (the "Exchange Act") and any related rules and exemptions promulgated thereunder by the Securities and Exchange Commission.
2. The members of the Committee shall be appointed by the Board of Directors on the recommendation of the Nominating and Corporate Governance Committee, which shall recommend for Committee membership such directors as it believes are qualified. Members of the Committee shall serve at the pleasure of the Board of Directors and for such term or terms as the Board of Directors may determine.
3. No director may serve as a member of the Committee if such director serves on the audit committee of more than two other public companies, unless the Board of Directors determines that such simultaneous service would not impair the ability of such director to effectively serve on the Committee.
4. Each member of the Committee shall be financially literate, as such qualification is interpreted by the Board of Directors in its business judgment, or must become

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financially literate within a reasonable period of time after appointment to the Committee. At least one member of the Committee shall qualify as a financial expert, as such term is defined by the Securities and Exchange Commission in Item 401 of Regulation S-K.

### **Structure and Operations**

5. One of the members of the Committee will be designated by the Board of Directors to serve as the Committee chairperson. The affirmative vote of a majority of the members of the Committee is necessary for the adoption of any resolution. The Committee may create one or more subcommittees and may delegate, in its discretion, all or a portion of its duties and responsibilities to such subcommittees. The Committee may delegate to one or more designated members of the Committee the authority to grant pre-approvals of audit and non-audit services pursuant to Section 10A(i)(3) of the Exchange Act and any related rules promulgated thereunder by the Securities and Exchange Commission, which pre-approvals shall be presented to the full Committee at the next scheduled meeting.
6. The Committee shall have a regularly scheduled meeting at least once every fiscal quarter, at such times and places as shall be determined by the Committee chairperson, and may have such additional meetings as the Committee chairperson or any two (2) of the Committee's members deem necessary or desirable. The Committee may request (a) any officer or employee of the corporation, (b) the corporation's outside counsel or (c) the corporation's independent auditor to attend any meeting (or portions thereof) of the Committee, or to meet with any members of or consultants to the Committee, and to provide such information as the Committee deems necessary or desirable.
7. The Committee shall meet separately, periodically, with management, with the corporation's internal auditors (or other personnel responsible for the corporation's internal audit function) and with the independent auditor.

### **Duties and Responsibilities**

The Committee's duties and responsibilities shall include all of the following items, and such other matters as may from time to time be delegated to the Committee by the Board of Directors:

#### **Reports to the Board of Directors; Review of Committee Performance and Charter**

8. The Committee shall report regularly to the Board of Directors and review with the Board of Directors any issues that arise with respect to: (i) the quality or integrity of the corporation's financial statements; (ii) the performance and independence of the corporation's independent auditor; (iii) the performance of the corporation's internal audit function; and (iv) the corporation's compliance with legal and regulatory requirements.
9. The Committee shall undertake and review with the Board of Directors an annual performance evaluation of the Committee, which shall compare the performance of the Committee with the requirements of this Charter and set forth the goals and

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objectives of the Committee for the upcoming year. The performance evaluation by the Committee shall be conducted in such manner as the Committee deems appropriate. The report to the Board of Directors may take the form of an oral report by the chairperson of the Committee or any other member of the Committee designated by the Committee to make this report.

10. The Committee shall review and reassess the adequacy of this charter at least annually and recommend any proposed changes to the Board of Directors for approval.

#### **The Corporation's Relationship With the Independent Auditor**

11. The Committee shall have the sole and direct responsibility and authority for the appointment, compensation, retention, and oversight of the work of each independent auditor engaged by the corporation for the purpose of preparing or issuing an audit report or related work or performing other audit, review or attest services for the corporation, and each such independent auditor shall report directly to the Committee. The Committee shall be responsible for resolving disagreements between management and each such independent auditor regarding financial reporting.
12. The Committee shall have the responsibility and authority to approve, in advance of the provision thereof, all audit services and, subject to the de minimus exception of Section 10A(i) of the Exchange Act and the Securities and Exchange Commission rules promulgated thereunder, all permitted non-audit services to be provided to the corporation by any such independent auditor. The Committee shall have the sole authority to approve any compensation payable by the corporation for any approved audit or non-audit services to any such independent auditor, including the fees, terms and conditions for the performance of such services.
13. The Committee shall review the independent auditors' audit plan, including its scope, staffing, locations, reliance upon management, and internal audit and general audit approach.
14. The Committee shall, at least annually: (i) obtain a written report by the independent auditor describing, to the extent permitted under applicable auditing standards: (a) the independent auditor's internal quality-control procedures; (b) any material issues raised by the most recent quality-control review, or peer review, of the independent auditor, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the independent auditor, and any steps taken to deal with any such issues; and (c) all relationships between the independent auditor and the corporation; and (ii) review the foregoing report and the independent auditor's work throughout the year and evaluate the independent auditor's qualifications, performance and independence, including a review and evaluation of the lead partner on the independent auditor's engagement with the corporation, and present its conclusions to the Board of Directors and, if so determined by the Committee, recommend that the Board of Directors take additional action to satisfy itself of the qualifications, performance and independence of the independent auditor.

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15. The Committee shall, at least annually, discuss with the independent auditor, out of the presence of management if deemed appropriate: (i) the matters required to be discussed by Statement on Auditing Standards 61, as it may be modified or supplemented, relating to the conduct of the audit; (ii) the audit process, including, without limitation, any problems or difficulties encountered in the course of the performance of the audit, including any restrictions on the independent auditor's activities or access to requested information imposed by management, and management's response thereto, and any significant disagreements with management; and (iii) the corporation's internal controls and the responsibilities, budget and staffing of the corporation's internal audit function, including any "management" or "internal control" letter issued or proposed to be issued by such auditor to the corporation.
  16. The Committee shall establish policies for the corporation's hiring of employees or former employees of the independent auditor.
  17. The Committee shall review, and discuss as appropriate with management, the internal auditors and the independent auditor, the report of the independent auditor required by Section 10A(k) of the Exchange Act.

**Financial Reporting and Disclosure Matters**

18. The Committee shall review and discuss with management and the independent auditor:
  - (i) prior to the annual audit, the scope, planning and staffing of the annual audit;
  - (ii) the corporation's annual audited financial statements and quarterly financial statements, including the corporation's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the results of the independent auditor's reviews of the quarterly financial statements;
  - (iii) significant issues regarding accounting and auditing principles and practices and financial statement presentations, including all critical accounting policies and estimates, any significant changes in the corporation's selection or application of accounting principles and any significant issues as to the adequacy of the corporation's internal controls and any special audit steps adopted in light of material control deficiencies;
  - (iv) analyses prepared by management and/or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements;
  - (v) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements;



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- (vi) any significant changes to the corporation's auditing and accounting principles and practices suggested by the independent auditor, internal audit personnel or management; and
  - (vii) management's internal control report prepared in accordance with rules promulgated by the Securities and Exchange Commission pursuant to Section 404 of the Sarbanes-Oxley Act.
19. The Committee shall recommend to the Board of Directors whether the annual audited financial statements should be included in the corporation's Annual Report and Form 10-K.
  20. The Committee shall review and discuss with management the corporation's practices regarding earnings press releases and the provision of financial information and earnings guidance by management to analysts and ratings agencies.
  21. The Committee shall periodically review and discuss with management the corporation's guidelines and policies with respect to the process by which the corporation undertakes risk assessment and risk management, including discussion of the corporation's major financial risk exposures and the steps management has taken to monitor and control such exposures. The Committee shall undertake these reviews and discussions in a general manner, but it is not required to undertake more specific actions to the extent they are performed by the Finance Committee of the corporation.
  22. The Committee shall review and discuss with the Chief Executive Officer and Chief Financial Officer the procedures undertaken in connection with the Chief Executive Officer and Chief Financial Officer certifications for Forms 10-K, Forms 10-Q and other reports including their evaluation of the corporation's disclosure controls and procedures and internal controls.
  23. The Committee shall annually obtain from the independent auditor assurance that the audit was conducted in a manner consistent with Section 10A of the Exchange Act and any other applicable rules or regulations.

**Internal Audit, Compliance Matters and Other**

24. The Committee shall review the budget, activities, organizational structure, qualifications and performance of the internal audit department, as needed.
25. The Committee shall review any reports to management covering issues which are material to the company's financial statements prepared by internal audit personnel, and management's responses.
26. The Committee shall establish and maintain procedures for: (i) the receipt, retention, and treatment of complaints received by the corporation regarding accounting, internal accounting controls, or auditing matters; and (ii) the confidential, anonymous submission by employees of the corporation of concerns regarding questionable accounting or auditing matters.

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27. The Committee shall review with management and the independent auditor any correspondence with regulators or governmental agencies and any employee complaints or published reports that raise material issues regarding the corporation's financial statements or accounting policies.
  28. On at least an annual basis, the Committee shall review with the corporation's counsel, any legal matters that could have a significant impact on the corporation's financial statements, the corporation's compliance with applicable laws and regulations, and inquiries received from regulators or governmental agencies.
  29. The Committee shall exercise such other powers and perform such other duties and responsibilities as are required or recommended under New York Stock Exchange rules.
  30. The Committee shall exercise such other powers and perform such other duties and responsibilities as are incidental to the purposes, duties and responsibilities specified herein and as may from time to time be delegated to the Committee by the Board of Directors.

#### **Authority and Resources**

The Committee may, without further approval by the Board of Directors, obtain such advice and assistance, including, without limitation, the performance of special audits, reviews and other procedures, from outside accounting, legal or other advisors as the Committee determines to be necessary or advisable in connection with the discharge of its duties and responsibilities hereunder. Any accounting, legal or other advisor retained by the Committee may, but need not, be in the case of an outside accountant, the same accounting firm employed by the corporation for the purpose of rendering or issuing an audit report on the corporation's annual financial statements, or in the case of an outside legal or other advisor, otherwise engaged by the corporation for any other purpose.

The corporation shall pay to the independent auditor employed by the corporation for the purpose of rendering or issuing an audit report or performing other audit, review or attest services and to any outside accounting, legal or other advisor retained by the Committee pursuant to the preceding paragraph such compensation, including, without limitation, usual and customary expenses and charges, as shall be determined by the Committee. In addition, the corporation shall pay ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

3.15 Compensation and Development Committee. There shall be a Compensation and Development Committee of the Board of Directors. The purposes of the Committee are to: (1) discharge the Board of Directors' responsibilities relating to compensation of the corporation's executives; (2) prepare any report of the Committee on executive compensation required by the rules and regulations of the Securities and Exchange Commission to be included in the corporation's annual proxy statement; and (3) perform the duties and responsibilities set forth below. The provisions of this Section 3.15 shall constitute the Charter of the Compensation and Development Committee.

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## Membership

- (a) The Committee shall be composed of at least three (3) members, each of whom shall be appointed by the Board of Directors on the recommendation of the Nominating and Corporate Governance Committee, which shall recommend for Committee membership such directors as it believes are qualified. Members of the Committee shall serve at the pleasure of the Board of Directors and for such term or terms as the Board of Directors may determine.
- (b) Each member of the Committee shall meet the independence requirements of the New York Stock Exchange and be both a “nonemployee director” (within the meaning of Rule 16b-3 of the Securities and Exchange Act) and an “outside director” (within the meaning of Section 162(m)(4)(C) of the Internal Revenue Code).

## Structure and Operations

- (c) One of the members of the Committee will be designated by the Board of Directors to serve as the Committee chairperson. The affirmative vote of a majority of the members of the Committee is necessary for the adoption of any resolution. The Committee may create one or more subcommittees and may delegate, in its discretion, all or a portion of its duties and responsibilities to such subcommittees.
- (d) The Committee shall have at least two regularly scheduled meetings per year, at such times and places determined by the Committee chairperson, and may have such additional meetings as the Committee chairperson or any two (2) of the Committee’s members deem necessary or desirable. The Committee may invite such members of management to its meetings as it may deem desirable or appropriate, consistent with the maintenance of the confidentiality of compensation discussions.

## Duties and Responsibilities

The Committee’s duties and responsibilities shall include all of the responsibilities of a qualified compensation committee under New York Stock Exchange rules, including, but not limited to the following items, and such other matters as may from time to time be delegated to the Committee by the Board of Directors:

- (e) The Committee shall review and approve all compensation plans and programs (philosophy and guidelines) of the corporation and, in consultation with senior management, oversee the development and implementation of the corporation’s compensation program, including salary structure, base salary, short and long-term incentive compensation plans, including stock options and nonqualified benefit plans and programs, including fringe benefit plans programs.

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- (f) The Committee shall, at least annually, review and approve all compensation arrangements and changes in the compensation of the Chief Executive Officer and the other officers appointed by the Board of Directors, including, without limitation (i) base salary, (ii) short and long-term incentive awards and opportunities; (iii) employment agreements, severance arrangements and change-in-control agreements/provisions, in each case as, when and if appropriate; and (iv) any special or supplemental benefits.
  - (g) The Committee shall, at least annually, review and approve corporate goals and objectives relevant to compensation of the Chief Executive Officer, evaluate the performance of the Chief Executive Officer in light of those goals and objectives, report the results of such evaluation to the Board of Directors and set the Chief Executive Officer's compensation level based on this evaluation.
  - (h) The Committee shall review and approve all awards under the corporation's Stock Option Plans.
  - (i) The Committee shall review and make recommendations to the Board of Directors with respect to incentive-compensation plans and equity-based plans, oversee the administration of these plans and discharge any responsibilities imposed on the Committee by any of these plans.
  - (j) The Committee shall consider and make recommendations to the Board of Directors regarding the selection and retention of all elected officers of the corporation (as defined in Section 4.1) and shall annually recommend to the Board of Directors the appointment of such officers of the corporation at the time of the Annual Meeting of shareholders.
  - (k) The Committee shall approve all executive employment contracts.
  - (l) The Committee shall prepare such reports as are required to be included in the corporation's proxy statement, including an annual report regarding executive compensation for inclusion in the corporation's annual proxy statement in accordance with applicable Securities and Exchange Commission rules and regulations.
  - (m) The Committee shall undertake and review with the Board of Directors an annual performance evaluation of the Committee, which shall compare the performance of the Committee with the requirements of the corporation's By-laws and the Committee's charter and set forth the goals and objectives of the Committee for the upcoming year. The Committee shall conduct such performance evaluation in such manner as the Committee deems appropriate, and may report the results of its performance evaluation through an oral report by the chairperson of the Committee or any other member of the Committee designated by the Committee to make this report.
  - (n) The Committee shall annually review and approve the Chief Executive Officer's succession plans for the corporation.

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- (o) The Committee shall oversee the corporation's regulatory compliance with respect to compensation matters, including the corporation's policies on structuring compensation programs to preserve tax deductibility, and, as and when required, establishing performance goals and certifying that performance goals have been obtained for purposes of Section 162(m) of the Internal Revenue Code.
  - (p) The Committee shall report to the Board of Directors periodically on all matters for which the Committee has responsibility and at such times as the Board of Directors may otherwise request.
  - (q) The Committee shall annually review and reassess the adequacy of this Charter and recommend to the Board of Directors for approval such changes as the Committee believes are appropriate.
  - (r) The Committee shall exercise such other powers and perform such other duties and responsibilities as are incidental to the purposes, duties and responsibilities specified herein and as may from time to time be delegated to the Committee by the Board of Directors.

#### **Authority and Resources**

The Committee shall have the sole authority, without further approval by the Board of Directors, to select, retain and terminate a compensation consultant to assist in the evaluation of Chief Executive Officer or senior executive compensation and to approve any compensation payable by the corporation to such consultant, including the fees, terms and other conditions for the performance of such services. In addition, the Committee may, without further approval by the Board of Directors, obtain such advice and assistance from outside accounting, legal or other advisors as the Committee determines to be necessary or advisable in connection with the discharge of its duties and responsibilities hereunder. Any accounting, legal or other advisor retained by the Committee may, but need not, be in the case of an outside accountant, the same accounting firm employed by the corporation for the purpose of rendering or issuing an audit report on the corporation's annual financial statements, or in the case of outside counsel or other advisor, otherwise engaged by the corporation for any other purpose.

The corporation shall pay to any compensation consultant or outside accounting, legal or other advisor retained by the Committee pursuant to the preceding paragraph such compensation, including, without limitation, usual and customary expenses and charges, as shall be determined by the Committee.

3.16 Finance Committee. There shall be a Finance Committee of the Board of Directors. The Committee shall have the following membership and powers:

- (a) The Committee shall have at least three (3) members. At least fifty percent (50%) of the members of the Committee shall be non-employee directors.
- (b) The Committee shall review and approve the corporation's annual capital budget, long-term financing plans, existing credit facilities, investments and commercial and investment banking relationships.

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(c) The Committee shall review and approve the corporation's existing insurance coverages, foreign currency management and Stock Repurchase Program.

(d) The Committee shall review and approve the financial management and administrative operation of the corporation's qualified and non-qualified employee benefit plans.

(e) The Committee shall have such other duties as lawfully may be delegated to it from time to time by the Board of Directors.

3.17 Nominating and Corporate Governance Committee. There shall be a Nominating and Corporate Governance Committee of the Board of Directors. The purposes of the Committee are to: (1) identify individuals qualified and suitable to become members of the Board of Directors and its committees and recommend to the Board of Directors the director nominees for each Annual Meeting of shareholders; (2) develop and recommend to the Board of Directors a set of corporate governance principles for the corporation; and (3) perform the duties and responsibilities set forth below. The provisions of this Section 3.17 shall constitute the Charter of the Nominating and Corporate Governance Committee.

#### **Membership**

- (a) The Committee shall have at least three (3) members, each of whom shall meet the independence requirements of the New York Stock Exchange.
- (b) The members of the Committee shall be appointed by the Board of Directors on the recommendation of the Committee, which shall recommend for Committee membership such directors as it believes are qualified. Members of the Committee shall serve at the pleasure of the Board of Directors and for such term or terms as the Board of Directors may determine.

#### **Structure and Operations**

- (c) One of the members of the Committee will be designated by the Board of Directors to serve as the Committee chairperson. The affirmative vote of a majority of the members of the Committee is necessary for the adoption of any resolution. The Committee may create one or more subcommittees and may delegate, in its discretion, all or a portion of its duties and responsibilities to such subcommittees.
- (d) The Committee shall meet at least twice a year, at such times and places determined by the Committee chairperson, and may have such additional meetings as the Committee chairperson or any two (2) of the Committee's members deem necessary or desirable. The Committee may invite such members of management to its meetings as it may deem desirable or appropriate.

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## Duties and Responsibilities

The Committee's duties and responsibilities shall include all of the responsibilities of a nominating and corporate governance committee under New York Stock Exchange rules, including but not limited to the following items, and such other matters as may from time to time be delegated to the Committee by the Board of Directors:

### Board of Directors and Committees

- (e) The Committee shall recommend to the Board of Directors appropriate criteria for the selection of new directors and shall periodically review the criteria adopted by the Board of Directors and, if deemed desirable, recommend to the Board of Directors changes to such criteria.
- (f) The Committee shall identify and recommend to the Board of Directors candidates the Committee believes are qualified and suitable to serve as director consistent with criteria for selection of new directors adopted from time to time by the Board of Directors and shall recommend candidates to the Board of Directors for nomination to stand for election at each Annual Meeting of shareholders or, if applicable, at special meetings of shareholders where directors are to be elected. The Committee shall recommend persons to serve as proxies to vote proxies solicited by the Board of Directors in connection with such meetings. In the case of a vacancy in the office of a director (including a vacancy created by an increase in the size of the Board of Directors), the Committee shall recommend to the Board of Directors an individual to fill such vacancy through appointment by a majority of the corporation's directors.
- (g) The Committee shall cause the names of all director candidates that are approved by the Board of Directors to be listed in the corporation's proxy materials and shall support the election of all candidates so nominated by the Board of Directors to the extent permitted by law.
- (h) The Committee shall review and make recommendations to the Board of Directors concerning the composition and size of the Board of Directors and potential candidates to serve in the future on the Board of Directors.
- (i) The Committee shall assist the Board of Directors in making a determination as to whether or not each director of the corporation satisfies the independence requirements relating to directors of the New York Stock Exchange and under Section 10A(m) of the Securities Exchange Act of 1934 and any related rules and exemptions promulgated thereunder by the Securities and Exchange Commission.
- (j) The Committee shall review candidates for election as directors submitted by shareholders for compliance with these By-laws.
- (k) The Committee shall identify Board members qualified to fill vacancies on any committee of the Board (including the Committee) and recommend that the Board appoint the identified member or members to the respective committee. In recommending a member for committee membership, the Committee shall take into consideration the factors set forth in the charter of the committee, if any, as well as any other factors it deems appropriate,

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including without limitation, the corporation's corporate governance principles, the consistency of the member's experience with the goals of the committee and the interplay of the member's experience with the experience of the other committee members. The Committee shall consider candidates proposed by management, members of the Committee and other members of the Board of Directors.

- (l) The Committee shall periodically review the compensation of the corporation's directors and make recommendations to the Board of Directors with respect thereto. In evaluating the compensation of directors who are members of the corporation's Audit Committee, the Committee shall take into consideration, without limitation, the independence requirements for audit committee members under the New York Stock Exchange rules and Section 10A of the Securities Exchange Act of 1934 and any related rules or regulations promulgated thereunder by the Securities and Exchange Commission.

**Oversight and Corporate Governance**

- (m) The Committee shall establish procedures for the Committee to exercise oversight of the evaluation of the Board of Directors and management.
- (n) The Committee shall oversee the system of corporate governance of the corporation, including: developing and recommending to the Board of Directors a set of corporate governance principles for the corporation; (ii) reviewing and reassessing the adequacy of those principles at least once a year; and (iii) recommending to the Board of Directors for approval any changes to the principles as the Committee believes are appropriate.
- (o) The Committee shall undertake and review with the Board of Directors an annual performance evaluation of the Committee, which shall compare the performance of the Committee with the requirements of this Charter and set forth the goals and objectives of the Committee for the upcoming year. The Performance Evaluation shall be conducted in such manner as the Committee deems appropriate and shall recommend to the Board of Directors any improvements to this Charter deemed necessary or desirable by the Committee. The report to the Board of Directors may take the form of an oral report by the Committee chairperson or any other member of the Committee designated by the Committee to make such report.
- (p) The Committee shall report periodically to the Board of Directors on all matters for which the Committee has been delegated responsibility and at such times as the Board of Directors may otherwise request.

**Other**

- (q) The Committee shall annually review and reassess the adequacy of this Charter and recommend to the Board of Directors for approval such changes as the Committee believes are appropriate.



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- (r) The Committee shall recommend to the Board of Directors the date, time and place of the Annual Meeting of the shareholders.
  - (s) The Committee shall exercise such other powers and perform such other duties and responsibilities as are incidental to the purposes, duties and responsibilities specified herein and as may from time to time be delegated to the Committee by the Board of Directors.

#### **Authority and Resources**

The Committee shall have the sole authority, without further approval by the Board of Directors, to select, retain and terminate a consultant or search firm to be used to identify director candidates and evaluate issues relating to the compensation of directors and to approve any compensation payable by the corporation to such consultant or search firm, including the fees, terms and other conditions for the performance of such services. In addition, the Committee may, without further approval by the Board of Directors, obtain such advice and assistance from outside legal or other advisors as the Committee determines to be necessary or advisable in connection with the discharge of its duties and responsibilities hereunder. Any legal or other advisor retained by the Committee may, but need not, be otherwise engaged by the corporation for any other purpose.

The corporation shall pay to any consultant or search firm or outside legal or other advisor retained by the Committee pursuant to the preceding paragraph such compensation, including, without limitation, usual and customary expenses and charges, as shall be determined by the Committee.

3.18 Scientific Advisory Committee. There shall be a Scientific Advisory Committee of the Board of Directors. The Committee shall have the following membership and powers:

- (a) The Committee shall have at least three (3) members. At least fifty percent (50%) of the members of the Committee shall be non-employee directors.
- (b) The Committee shall review and evaluate the research and development programs of the corporation with respect to quality and scope.
- (c) The Committee shall advise the Board of Directors on maintaining product leadership through technological innovation.
- (d) The Committee shall review and make recommendations to the Board of Directors regarding the technological aspects of the corporation's business, including new business opportunities.
- (e) The Committee shall report to the Board of Directors on new technological and regulatory trends that will have a significant impact on the business of the corporation.
- (f) The Committee shall have such other duties as lawfully may be delegated to it from time to time by the Board of Directors.

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3.19 Meetings of Committees. Each committee of the Board of Directors shall fix its own rules of procedure which shall include and be consistent with the provisions of the Wisconsin Business Corporation Law, these By-laws and any resolutions of the Board of Directors governing such committee, and shall make such reports to the Board of Directors of its activities as the Board of Directors may request. Each committee shall meet as provided by such rules and shall also meet at the call of its chairman or any two (2) members of such committee. Unless otherwise provided by such rules, the provisions of these By-laws under Section 3 entitled "Board of Directors" relating to the place of holding meetings and the notice required for meetings of the Board of Directors shall govern the place of meetings and notice of meetings for committees of the Board of Directors. A majority of the members of each committee shall constitute a quorum thereof, except that when a committee consists of two (2) members, then the two (2) members shall constitute a quorum. In the absence of a quorum, a majority of the members present at the time and place of any meeting may adjourn the meeting from time to time until a quorum shall be present and the meeting may be held as adjourned without further notice or waiver. Except in cases where it is otherwise provided by the rules of such committee, the vote of a majority of the members present at a duly constituted meeting at which a quorum is present shall be sufficient to pass any measure by the committee.

3.20 Informal Action Without Meeting. Any action required or permitted by the Amended and Restated Articles of Incorporation or By-laws or any provision of law to be taken by the Board of Directors or a committee at a meeting may be taken without a meeting if the action is taken by all members of the Board of Directors or of the committee. The action shall be evidenced by one or more written consents describing the action taken, signed by each director or committee member and retained by the corporation. Such action shall be effective when the last director or committee member signs the consent, unless the consent specifies a different effective date.

3.21 Telephonic Meetings. Notwithstanding any place set forth in the notice of the meeting or these By-laws, members of the Board of Directors may participate in regular or special meetings of the Board of Directors and all Committees of the Board of Directors by or through the use of any means of communication by which either: (a) all directors participating may simultaneously hear each other, such as by conference telephone, or (b) all communication during the meeting is immediately transmitted to each participating director, and each participating director is able to immediately send messages to all other participating directors; provided however, that the Chairman of the Board or the chairman of the respective Committee of the Board of Directors or other person or persons calling a meeting may determine that the directors cannot participate by such means, in which case the notice of the meeting, or other notice to directors given prior to the meeting, shall state that each director's physical presence shall be required. If a meeting is conducted through the use of such means, then at the commencement of such meeting all participating directors shall be informed that a meeting is taking place at which official business may be transacted. A director participating in a meeting by such means shall be deemed present in person at such meeting. The identity of each director participating in such a meeting must be verified in such manner as the chairman of the meeting deems reasonable under the circumstances before a vote may be taken.

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## 4. OFFICERS

### 4.1 Number.

(a) The principal executive officers of the corporation shall be a Chairman, a Chief Executive Officer, a President, one or more Vice Presidents, one or more of whom may be designated Executive Vice President, one or more of whom may be designated Senior Vice President, and one or more of whom may be designated Vice President and Group Executive, a Secretary, a Treasurer, a Controller, a Chief Financial Officer and divisional presidents, each of whom shall be appointed by the Board of Directors (the officers thus appointed by the Board of Directors are sometimes referred to herein as the "elected" officers). All other officers, other designated divisional or staff officers, and all assistant officers (including one or more Assistant Secretaries and/or Assistant Treasurers) shall be appointed by the Board of Directors or the Chief Executive Officer. Such officers, agents and employees appointed by the Chief Executive Officer shall hold office at the discretion of the Chief Executive Officer. Any two or more offices may be held by the same person.

(b) The duties of the elected officers shall be those enumerated herein and any further duties designated by the Board of Directors. The duties herein specified for particular officers may be transferred to and vested in such other officers as the Board of Directors shall appoint from time to time and for such periods or without limitation as to time as the Board of Directors shall order.

(c) The duties and powers of all officers appointed by the Chief Executive Officer shall be those specifically prescribed for the position (s) by the Chief Executive Officer at the time of appointment.

### 4.2 Appointment and Term of Office.

(a) The elected officers of the corporation shall be appointed annually by the Board of Directors at the first meeting of the Board of Directors held after each Annual Meeting of the shareholders. If the appointment of officers shall not be held at such meeting, such appointment shall be held as soon thereafter as convenient. Each such officer shall hold office until his or her successor shall have been duly appointed or until his or her death or until he or she shall resign or shall have been removed in the manner hereinafter provided.

(b) A vacancy in any office appointed by the Board of Directors, because of death, resignation, removal, disqualification or otherwise may be filled by the Board of Directors for the unexpired portion of the term.

4.3 Removal. The Board of Directors may remove any officer or agent at any time, with or without cause and notwithstanding the contract rights, if any, of the officer or agent removed. Appointment shall not of itself create contract rights.

4.4 Resignation. An officer may resign at any time by delivering written notice to the Secretary of the corporation. The resignation is effective when the notice is delivered, unless the notice specifies a later effective date and the corporation accepts the later effective date.

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4.5 The Chief Executive Officer. The Chief Executive Officer, subject to the control of the Board of Directors, shall supervise and control all of the business and affairs of the corporation. He or she shall, in the absence of the Chairman of the Board, preside at all meetings of the shareholders and directors. He or she shall have authority, subject to such rules as may be prescribed by the Board of Directors, to appoint and remove certain officers and such agents and employees of the corporation as he or she shall deem necessary, to prescribe their powers, duties and compensation, and to delegate authority to them. He or she shall have authority to sign, execute and acknowledge, on behalf of the corporation, all deeds, mortgages, bonds, contracts, leases, reports and all other documents or instruments necessary or proper to be executed in the course of the corporation's regular business, or which shall be authorized by the Board of Directors; and except as otherwise provided by law or the Board of Directors, he or she may authorize any other officer or agent of the corporation to sign, execute and acknowledge such documents or instruments in his or her place and stead. In general, he or she shall perform all duties incident to the office of Chief Executive Officer and such other duties as may be prescribed by the Board of Directors from time to time.

4.6 The President. The President shall be the chief operating officer of the corporation. In the absence of the Chief Executive Officer or in the event of his or her death, inability or refusal to act, or in the event for any reason it shall be impracticable for the Chief Executive Officer to act personally, the President shall perform the duties of the Chief Executive Officer and when so acting shall have all the powers of and be subject to all the restrictions upon the Chief Executive Officer. The President shall have the authority to sign all stock certificates, contracts, and other instruments of the corporation necessary or proper to be executed in the course of the corporation's regular business, or which shall be authorized by the Board of Directors, and shall perform all duties as are incident to his or her office or are properly required of him or her by the Board of Directors, the Chairman of the Board or the Chief Executive Officer. He or she shall have the authority, subject to such rules, directions, or orders as may be prescribed by the Chairman of the Board, the Board of Directors or the Chief Executive Officer, to appoint and terminate the appointment of such agents and employees of the corporation as he or she shall deem necessary, to prescribe their power, duties and compensation and to delegate authority to them.

4.7 Vice Presidents. At the time of appointment, one or more of the elected Vice Presidents may be designated Executive Vice President and one or more of them may be designated Senior Vice President. In the absence of the President or in the event of his or her death, inability or refusal to act, or in the event for any reason it shall be impracticable for the President to act personally, the Executive Vice Presidents in the order of their tenure in such position, or in the absence of any such designation, or in the event of his or her inability to act, any Senior Vice President in the order of their tenure in such position, or in the absence of any such designation, or in the event of his or her inability to act, then the other Vice Presidents in order of their tenure in such position, shall perform the duties of the President and when so acting shall have all the powers of and be subject to all the restrictions upon the President. Any Vice President may sign, with the Secretary or Assistant Secretary, certificates for shares of the corporation and shall perform such other duties as from time to time may be assigned to him or her by the Chairman of the Board, the Chief Executive Officer or the Board of Directors.

4.8 The Secretary. The Secretary shall: (a) keep as permanent records, the minutes of the shareholders' and of the Board of Directors' meetings, records of actions taken by the Board of Directors without a meeting, and records of actions taken by a Committee of the Board of

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Directors in place of the Board of Directors and on behalf of the corporation; (b) see that all notices are duly given in accordance with the provisions of these By-laws or as required by law; (c) be custodian of the corporate records and of the seal of the corporation and see that the seal of the corporation is affixed to all documents the execution of which on behalf of the corporation under its seal is duly authorized; (d) maintain or cause an authorized agent to maintain a record of the corporation's shareholders, in a form that permits preparation of a list of the names and addresses of all shareholders, by class or series of shares and showing the number and class or series of shares held by each shareholder; and (e) in general perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him or her by the Chief Executive Officer or by the Board of Directors.

4.9 The Treasurer. If required by the Board of Directors, the Treasurer shall give a bond for the faithful discharge of his or her duties in such sum and with such surety or sureties as the Board of Directors shall determine. He or she shall: (a) have charge and custody of and be responsible for all funds and securities of the corporation, receive and give receipts for moneys due and payable to the corporation from any source whatsoever, and deposit all such moneys in the name of the corporation in such banks, trust companies or other depositories as shall be selected in accordance with the provisions of Section 5 of these By-laws; and (b) in general perform all of the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him or her by the Chief Executive Officer or by the Board of Directors.

4.10 The Controller. The Controller shall be the chief accounting officer of the corporation. He or she shall: (a) maintain appropriate accounting records for the corporation; (b) cause regular audits of these accounting records to be made; and (c) in general perform all of the duties incident to the office of Controller and such other duties as from time to time may be assigned to him or her by the Chief Executive Officer or by the Board of Directors.

#### 4.11 Compensation.

(a) The compensation of the elected officers shall be fixed from time to time by the Compensation and Development Committee of the Board of Directors and no such officer shall be prevented from receiving such compensation by reason of the fact that he or she is also a Director of the corporation.

(b) The compensation of all officers appointed by the Chief Executive Officer shall be set by the Chief Executive Officer, from time to time.

### 5. CONTRACTS, LOANS, CHECKS AND DEPOSITS

5.1 Contracts. The Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the corporation, and such authorization may be general or confined to specific instances.

5.2 Loans. No indebtedness for borrowed money shall be contracted on behalf of the corporation and no evidences of indebtedness shall be issued in its name unless authorized by or under the authority of a resolution of the Board of Directors. Such authorization may be general or confined to specific instances.

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5.3 Checks, Drafts, etc. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the corporation, shall be signed by such officer or officers, agent or agents of the corporation and in such manner, including by means of facsimile signatures, as shall from time to time be determined by or under the authority of resolution of the Board of Directors.

5.4 Deposits. All funds of the corporation not otherwise employed shall be deposited from time to time to the credit of the corporation in such banks, trust companies or other depositaries as may be selected by or under the authority of the Board of Directors.

## **6. CERTIFICATES FOR SHARES AND THEIR TRANSFER**

6.1 Certificates for Shares. Certificates representing shares of the corporation shall be in such form as shall be determined by the Board of Directors. Such certificates shall be signed by the Chairman, Chief Executive Officer, President or Chief Financial Officer and by the Secretary or an Assistant Secretary. All certificates for shares shall be consecutively numbered or otherwise identified. The name and address of the person to whom the shares represented thereby are issued, with the number of shares and the date of issue, shall be entered on the stock transfer books of the corporation. All certificates surrendered to the corporation for transfer shall be entered on the stock transfer books of the corporation. All certificates surrendered to the corporation for transfer shall be cancelled and no new certificates shall be issued until the former certificate for a like number of shares shall have been surrendered and cancelled, except that in case of a lost, destroyed or mutilated certificate, a new one may be issued therefor upon such terms and indemnity to the corporation as the Board of Directors may prescribe.

6.2 Signature by Former Officer, Transfer Agent or Registrar. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon any certificate for shares has ceased to be such officer, transfer agent or registrar before such certificate is issued, the certificate may be issued by the corporation with the same effect as if that person were still an officer, transfer agent or registrar at the date of its issue.

6.3 Uncertificated Shares. The Board of Directors may authorize the issuance of any shares of any of the corporation's classes or series without certificates. The authorization does not affect shares already represented by certificates until the certificates are surrendered to the corporation.

6.4 Transfer of Shares. Transfer of shares of the corporation shall be made only on the stock transfer books of the corporation by the holder of record thereof or by his or her legal representative, who shall furnish proper evidence of authority to transfer, or by his or her attorney thereunto authorized by power of attorney duly executed and filed with the Secretary of the corporation, and on surrender for cancellation of the certificate for such shares. The person in whose name shares stand on the books of the corporation shall be deemed by the corporation to be the owner thereof for all purposes.

6.5 Restrictions on Transfer. The face or reverse side of each certificate representing shares shall bear a conspicuous notation of any restriction upon the transfer of such shares imposed by the corporation.

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6.6 Lost, Destroyed or Stolen Certificates. Where the owner claims that his or her certificate for shares has been lost, destroyed or wrongfully taken, a new certificate shall be issued in place thereof if the owner (a) so requests before the corporation has notice that such shares have been acquired by a bona fide purchaser, and (b) if required by the corporation, files with the corporation a sufficient indemnity bond, and (c) satisfies such other reasonable requirements as may be prescribed by or under the authority of the Board of Directors.

6.7 Consideration for Shares. The shares of the corporation may be issued for such consideration as shall be fixed from time to time and determined to be adequate by the Board of Directors, provided that any shares having a par value shall not be issued for a consideration less than the par value thereof. The consideration may consist of any tangible or intangible property or benefit to the corporation, including cash, promissory notes, services performed, contracts for services to be performed, or other securities of the corporation. When the corporation receives the consideration for which the Board of Directors authorized the issuance of shares, such shares shall be deemed to be fully paid and nonassessable by the corporation.

6.8 Stock Regulations. The Board of Directors shall have the power and authority to make all such rules and regulations not inconsistent with the statutes of the State of Wisconsin as they may deem expedient concerning the issue, transfer and registration of certificates representing shares of the corporation including the appointment or designation of one or more stock transfer agents and one or more stock registrars.

## 7. WAIVER OF NOTICE

7.1 Shareholder Written Waiver. A shareholder may waive any notice required by the Wisconsin Business Corporation Law, the Amended and Restated Articles of Incorporation or these By-laws before or after the date and time stated in the notice. The waiver shall be in writing and signed by the shareholder entitled to the notice, shall contain the same information that would have been required in the notice under the Wisconsin Business Corporation Law except that the time and place of meeting need not be stated, and shall be delivered to the corporation for inclusion in the corporate records.

7.2 Shareholder Waiver by Attendance. A shareholder's attendance at a meeting, in person or by proxy, waives objection to both of the following:

- (a) Lack of notice or defective notice of the meeting, unless the shareholder at the beginning of the meeting or promptly upon arrival objects to holding the meeting or transacting business at the meeting.
- (b) Consideration of a particular matter at the meeting that is not within the purpose described in the meeting notice, unless the shareholder objects to considering the matter when it is presented.

7.3 Director Written Waiver. A director may waive any notice required by the Wisconsin Business Corporation Law, the Amended and Restated Articles of Incorporation or these By-laws before or after the date and time stated in the notice. The waiver shall be in writing, signed by the director entitled to the notice and retained by the corporation.

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7.4 Director Waiver by Attendance. A director's attendance at or participation in a meeting of the Board of Directors or any committee thereof waives any required notice to him or her of the meeting unless the director at the beginning of the meeting or promptly upon his or her arrival objects to holding the meeting or transacting business at the meeting and does not thereafter vote for or assent to action taken at the meeting.

## 8. LIABILITY AND INDEMNIFICATION OF OFFICERS AND DIRECTORS

8.1 Limited Liability of Directors to Corporation and Shareholders. A director is not liable to the corporation, its shareholders, or any person asserting rights on behalf of the corporation or its shareholders, for damages, settlements, fees, fines, penalties or other monetary liabilities arising from a breach of, or failure to perform, any duty resulting solely from his or her status as a director, unless the person asserting liability proves that the breach or failure to perform constitutes any of the following:

- (a) a willful failure to deal fairly with the corporation or its shareholders in connection with a matter in which the director has a material conflict of interest;
- (b) a violation of criminal law, unless the director had reasonable cause to believe his or her conduct was lawful, or no reasonable cause to believe his or her conduct was unlawful;
- (c) a transaction from which the director derived an improper personal profit; or
- (d) willful misconduct.

### 8.2 Indemnification.

(a) A corporation shall indemnify a director or officer, to the extent he or she has been successful on the merits or otherwise in the defense of a proceeding, for all reasonable expenses incurred in the proceeding if the director or officer was a party because he or she is a director or officer of the corporation.

(b) In cases not included under the foregoing paragraph, a corporation shall indemnify a director or officer against liability incurred by the director or officer in a proceeding to which the director or officer was a party because he or she is a director or officer of the corporation, unless liability was incurred because the director or officer breached or failed to perform a duty he or she owes to the corporation and the breach or failure to perform constitutes any of the following:

- (i) a willful failure to deal fairly with the corporation or its shareholders in connection with a matter in which the director or officer has a material conflict of interest;
- (ii) a violation of criminal law, unless the director or officer had reasonable cause to believe his or her conduct was lawful or no reasonable cause to believe his or her conduct was unlawful;



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(iii) a transaction from which the director or officer derived an improper personal profit; or

(iv) willful misconduct.

(c) Determination of whether indemnification is required under this subsection shall be made under section 180.0855 of the Wisconsin Business Corporation Law.

(d) The termination of a proceeding by judgment, order, settlement or conviction, or upon a plea of no contest or an equivalent plea, does not, by itself, create a presumption that indemnification of the director or officer is not required under this subsection.

(e) A director or officer who seeks indemnification under this section shall make a written request to the corporation.

(f) Indemnification under this section is not required if the director or officer has previously received indemnification or allowance of expenses from any person, including the corporation, in connection with the same proceeding.

8.3 Reliance by Directors and Officers. Unless a director or officer has knowledge that makes reliance unwarranted, a director or officer, in discharging his or her duties to the corporation, may rely on information, opinions, reports or statements, any of which may be written or oral, formal or informal, including financial statements and other financial data, if prepared or presented by any of the following:

(a) an officer or employee of the corporation whom the director or officer believes in good faith to be reliable and competent in the matters presented; or

(b) legal counsel, public accountants or other persons as to matters the director or officer believes in good faith are within the person's professional or expert competence.

(c) In the case of reliance by a director, a committee of the Board of Directors of which the director is not a member if the director believes in good faith that the committee merits confidence.

8.4 Consideration of Interests in Addition to Shareholders' Interests. In discharging his or her duties to the corporation and in determining what he or she believes to be in the best interests of the corporation, a director or officer may, in addition to considering the effects of any action on shareholders, consider any of the following:

(a) the effects of the action on employees, suppliers and customers of the corporation;

(b) the effects of the action on communities in which the corporation operates; or

(c) any other factors the director or officer considers pertinent.

8.5 Insurance. The corporation may purchase and maintain insurance on behalf of an individual who is an employee, agent, director or officer of the corporation against liability asserted against or incurred by the individual in his or her capacity as an employee, agent,

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director or officer or arising from his or her status as an employee, agent, director or officer, regardless of whether the corporation is required or authorized to indemnify or allow expenses to the individual against the same liability under sections 180.0851, 180.0853, 180.0856 and 180.0858 of the Wisconsin Business Corporation Law.

8.6 General.

(a) Except as limited by law, the indemnification and allowance of expenses provided by Sections 8.1 through 8.5 of this Article do not preclude any additional right to indemnification or allowance of expenses that a director, officer or employee may have under any written agreement between such person and the corporation, resolution of the Board of Directors or resolution adopted by the corporation's shareholders.

(b) For purposes of this article, the definitions contained in section 180.0850 of the Wisconsin Business Corporation Law are incorporated herein by this reference. The term "employee" shall mean a natural person who is or was an employee of the corporation or who, while an employee of the corporation, is or was serving at the corporation's request as a director, officer, partner, committee, employee or agent of another corporation, partnership, joint venture, trust, or other enterprise, and, unless the context requires otherwise, the estate or personal representative of the employee.

(c) The corporation, by its Board of Directors, may indemnify under Section 8.2, or with any limitations, any employee or former employee of the corporation with respect to any action taken or not taken in his or her capacity as or while an employee. Notwithstanding the foregoing, the corporation shall indemnify an employee who is not a director or officer corporation, to the extent that he or she has been successful on the merits or otherwise in defense of a proceeding, for all expenses incurred in the proceeding if the employee was a party because he or she was an employee of the corporation.

**9. GENERAL**

9.1 Fiscal Year. The fiscal year of the corporation shall end on December 31 of each year, the first full calendar fiscal year being the year ending December 31, 2000.

9.2 Seal. The Board of Directors shall provide a corporate seal which shall be circular in form and shall have inscribed thereon the name of the corporation and the words "Corporate Seal, Wisconsin".

9.3 Notices. Except as otherwise required by law or these By-laws, any notice required to be given by these By-laws may be given orally or in writing and notice may be communicated in person, by mail or private carrier, by telephone, telegraph, teletype, facsimile or other form of wire or wireless communication, and, if these forms of personal notice are impracticable, notice may be communicated by a newspaper of general circulation in the area where published, or by radio, television or other form of public broadcast communication. Oral notice is effective when communicated. Written notice is effective as follows: (a) if delivered in person, when received; (b) if given by mail, when deposited, postage prepaid, in the United States mail addressed to the director at his or her business or home address (or such other address as the director may have designated in writing filed with the Secretary); (c) if given by private carrier, when delivered to

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the carrier; (d) if given by telegraph, when delivered to the telegraph company; and (e) if given by facsimile, e-mail or other form of wireless communication, at the time transmitted to a facsimile number or e-mail address at any address designated in (b) above.

9.4 No Nominee Procedures. The corporation has not established, and nothing contained in these By-laws shall be deemed to establish, any procedure by which a beneficial owner of the corporation's shares that are registered in the name of a nominee is recognized by the corporation as the shareholder under Section 180.0723 of the Wisconsin Business Corporation Law.

## 10. AMENDMENTS

10.1 Power to Amend and Repeal. Except as may be limited pursuant to Section 10.2, these By-laws may be amended or repealed, and new By-laws may be adopted, either by the shareholders at any meeting, or by vote of a majority of the shares present or represented thereat, or by the Board of Directors by a vote of a majority of the Board of Directors; except that Sections 2.3, 2.8, 3.2, 3.7, 3.8, 10.1, and 10.2 of the By-laws may be amended only by the affirmative vote of the holders of two-thirds (2/3) of the outstanding shares entitled to vote thereon or by the affirmative vote of a majority of the directors. Except as may be limited pursuant to Section 10.2, the Board of Directors shall have the power to amend or repeal any By-law adopted by the shareholders, and any By-law adopted by the Board of Directors shall be subject to amendment or repeal by the shareholders as well as by the directors.

### 10.2 Restrictions on Amendment and Repeal.

(a) The Board of Directors shall have no power to amend or repeal any By-law or amendment adopted by the shareholders which contains a specific provision to the effect that such By-law or amendment shall not be subject to amendment or repeal by the Board of Directors.

(b) The Board of Directors shall have no power to amend or repeal any By-law adopted or amended by the shareholders that fixes a greater or lower quorum requirement or a greater voting requirement for the Board of Directors than otherwise is provided in the Wisconsin Business Corporation Law unless the By-law expressly provides that it may be amended or repealed by a specified vote of the Board of Directors. Action by the Board of Directors to adopt or amend a By-law that changes the quorum or voting requirement for the Board of Directors must meet the same quorum requirement and be adopted by the same vote required to take action under the quorum and voting requirement then in effect, unless a different voting requirement is specified as provided by the preceding sentence. A By-law that fixes a greater or lower quorum requirement or a greater voting requirement for shareholders or voting groups of shareholders than otherwise is provided in the Wisconsin Business Corporation Law may not be adopted, amended or repealed by the Board of Directors.

(c) No amendment or repeal of these By-laws by the shareholders at any meeting shall be effective unless the notice of such meeting shall have set forth the general nature of the proposed amendment or repeal.

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**SENSIENT TECHNOLOGIES CORPORATION**

**Amended and Restated By-laws**

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## **Section 3: EX-13.1 (PORTIONS OF ANNUAL REPORT TO SHAREHOLDERS FOR THE YEAR ENDING DECEMBER 31, 2003)**

**Exhibit 13.1**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS of operations & financial condition**

- overview**

During 2003, Sensient Technologies Corporation (the "Company") focused primarily on growing and improving its existing businesses and on integrating its recent acquisitions. The Company reported record levels of revenue and earnings per share. On April 24, 2003, the Company announced an increase in the quarterly cash dividend paid on its common stock from 14 cents per share to 15 cents per share. This was the second dividend increase since September 2002.

Sensient Technologies Corporation responded to difficult challenges within its markets during 2003. For much of the year, the Company continued to face soft customer demand for its food and beverage flavors and colors. These conditions particularly impacted the synthetic color product lines, which also faced increased competitive pressures. The Company's diversified product lines provided solid growth in other areas, such as cosmetic colors and natural food and beverage colors.

In the fourth quarter of 2003, the Company implemented a number of specific initiatives to improve profitability and growth opportunities within its businesses, particularly within the Color Group. These initiatives will deliver annualized pre-tax savings of approximately \$10 million, beginning in 2004. These initiatives resulted in special fourth quarter charges of \$6.5 million (\$4.7 million after-tax, \$0.10 per share). The charges include \$4.0 million of cash expenditures for severance and other employee separation costs associated with a work-force reduction of approximately 165 employees and \$2.5 million of non-cash costs related to asset impairment charges. The Company has spent \$1.2 million through December 31, 2003, and expects to spend the remainder in 2004.

The Company also took actions during the fourth quarter of 2003 to significantly reduce its liabilities for certain postretirement benefit programs. In the future, the Company will no longer subsidize the cost of health care coverage offered to retirees. As a result of this change in benefits, the Company recognized a one-time, non-cash credit of \$13.3 million (\$8.2 million after-tax, \$0.17 per share).

During 2003, the Company substantially completed projects to upgrade several of its flavor and color facilities. In addition, the Company completed the integration of two recent acquisitions. As a result of these projects, capital expenditures in 2003 increased to \$74.2 million, compared to \$47.3 million during 2002. The completion of these projects will allow the Company to realize cost efficiencies, and it will also improve the Company's ability to win new business.

The Company achieved operating income in 2003 of \$137.5 million, which included the postretirement credit and special charges, compared to operating income of \$146.5 million in 2002. Earnings of \$81.4 million in 2003 were slightly above 2002 earnings of \$80.7 million. Diluted earnings per share were \$1.73 in 2003, an increase over 2002 diluted earnings per share of \$1.69.

- results of operations**

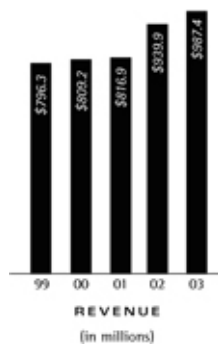
#### **2003 vs. 2002**

Revenue for 2003 was \$987.4 million, an increase of \$47.5 million, or 5.1%, over 2002. The Color Group increased revenue by \$14.4 million, or 4.2%, over 2002, to \$360.9 million for 2003. Revenue for the Flavors & Fragrances Group increased by \$22.5 million, or 3.9%, over 2002, to \$594.7 million for 2003. Asia Pacific increased revenue by 10.4%. Favorable foreign exchange rates and acquisitions resulted in a 5.2% and 1.5% increase in revenue, respectively. Excluding exchange rates and acquisitions, revenue decreased 1.6% or \$17.6 million primarily as a result of lower sales in North America and Europe of flavors as well as synthetic food and beverage colors. Additional information on group results can be found in the

Segment Information section.

Gross profit for 2003 was \$312.0 million, an increase of \$5.1 million, or 1.7%, over 2002. The Company's gross margin decreased 110 basis points to 31.6%, versus 32.7% in 2002, primarily as a result of lower pricing in synthetic food and beverage colors, dehydrated flavors and inkjet ink products.

Selling and administrative expenses were \$168.0 million in 2003, a net increase of \$7.6 million versus \$160.4 million



## MANAGEMENT'S DISCUSSION AND ANALYSIS of operations & financial condition

in 2002. The primary reason for the increase in selling and administrative expenses was the weakening dollar, which added approximately \$8.9 million in expenses from foreign operations during the year. Expenses related to personnel changes and additions to manage the expanded size and scope of the Company's businesses also added \$6.9 million of selling and administrative expense. These increases were partially offset by the postretirement credit of \$13.3 million. For the year, selling and administrative expenses as a percent of revenue decreased to 17.0%, versus 17.1% in 2002.

Operating income in 2003 was \$137.5 million compared to \$146.5 million in 2002, a decrease of \$9.0 million. Operating income declined approximately \$13 million from the lower pricing in the colors and dehydrated flavors businesses and \$6.5 million from special charges. These declines were partially offset by the postretirement credit of \$13.3 million.

Interest expense decreased slightly to \$29.1 million from \$29.5 million in 2002. The decrease was primarily the result of lower interest rates.

The effective income tax rate was 24.8% and 31.0% in 2003 and 2002, respectively. The effective tax rates for both 2003 and 2002 were reduced as a result of favorable settlements of certain prior year tax matters and other adjustments. The effective tax rate for 2003 also included a benefit from the planned utilization of certain foreign tax losses. These one-time benefits reduced the effective tax rate for 2003 and 2002 by 6.2% and 0.8%, respectively.

	2003	2002
Reported effective tax rate	24.8%	31.0%
One-time adjustments	6.2	0.8
Rate excluding adjustments	31.0%	31.8%

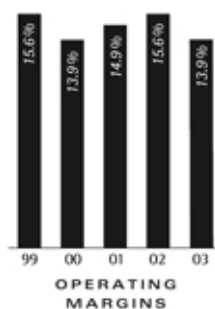
The effective tax rate for 2004 is expected to be approximately 31.0%.

Earnings were \$81.4 million, or \$1.73 per share diluted, in 2003, compared to \$80.7 million, or \$1.69 per share diluted, in 2002.

### SEGMENT INFORMATION

**Color** - For the year ended December 31, 2003, revenue for the Color Group increased by \$14.4 million, or 4.2%, to \$360.9 million. Favorable foreign exchange rates and acquisitions resulted in a 4.7% and 3.0% increase in revenue, respectively. Excluding exchange rates and acquisitions, revenue decreased 3.5% or \$12.2 million, primarily as a result of lower sales of synthetic food and beverage colors in North America and Europe (\$9.8 million and \$7.2 million, respectively), partially offset by increased sales in Latin America (\$4.9 million). Sales of synthetic food and beverage colors declined because of lower volumes and prices attributable to increased competition. Customer demand for these products was also lower due to a reduction in new product introductions by customers and a soft economic environment. Gross profit margin was 37.2%, a 210 basis point decrease from Color's 39.3% gross margin last year. This change is a result of more competitive pricing in synthetic colors and in inkjet inks. Operating income for 2003 was \$71.6 million versus \$80.7 million for 2002. Excluding the favorable effect of exchange rates (\$3.8 million) and acquisitions (\$2.2 million), the \$15.1 million decrease in operating income was the result of lower sales of food and beverage colors in North America and Europe (\$7.3 million and \$1.6 million, respectively) and lower margins from the paper/industrial colors business (\$5.5 million). These lower margins were partly attributable to manufacturing inefficiencies in consolidating operations. Operating income as a percent of revenue was 19.8%, a decrease of 350 basis points from the comparable period last year. This change is primarily a result of the reasons provided above.

**Flavors & Fragrances** - For the year ended December 31, 2003, the Flavors & Fragrances Group reported a 3.9% increase in revenue, to \$594.7 million. Favorable foreign exchange rates and acquisitions resulted in a 5.6% and 0.6% increase in revenue, respectively. Excluding exchange rates and acquisitions, revenue decreased 2.3%, or \$13.0 million, primarily as a result of soft demand for flavors in the U.S. and Europe (\$13.1 million and \$1.7 million, respectively), which was partially offset by higher sales in Canada (\$1.5 million). Gross profit margin was 26.6%, a 50 basis point decrease from the 27.1% gross margin last year. This change is a result of more competitive pricing in the dehydrated flavors business. Operating income for 2003 was \$83.8 million, compared to \$85.5 million last year. Favorable foreign exchange rates and acquisitions resulted in a 5.2% and 0.8%





increase in operating income, respectively. Excluding the effect of exchange rates (\$4.5 million) and acquisitions (\$0.6 million), the \$6.9 million decrease was primarily attributable to a shift in product mix in Latin America (\$2.0 million), higher overall group expenses related to personnel changes (\$1.7 million) and lower sales of flavors in the U.S. and Europe. Operating income as a percent of revenue was 14.1%, a decrease of 80 basis points from last year. This change is primarily a result of the reasons provided above.

## 2002 vs. 2001 – CONTINUING OPERATIONS

Revenue from continuing operations for 2002 was \$939.9 million, an increase of \$123.0 million, or 15.0%, over 2001. The Color Group increased revenue by \$70.5 million, or 25.5% over 2001, to \$346.5 million for 2002 as a result of the recently acquired technical color businesses. Revenue was relatively unchanged in the existing businesses, as the combined growth of \$6.0 million in the pharmaceutical, cosmetic and natural color product lines was offset by lower sales of synthetic color systems to food and beverage customers. Revenue for the Flavors & Fragrances Group increased by \$46.5 million, or 8.8%, over 2001, to \$572.2 million for 2002. Approximately 70% of the increased revenue came from existing businesses, as revenue grew in all major categories. The March 2002 acquisition of the flavors and essential oils operations of C. Melchers GmbH & Company accounted for the remaining portion of the increase.

Gross profit for 2002 was \$306.9 million, an increase of \$40.3 million, or 15.1%, over 2001. The Color Group increased gross profit 29.3%, to \$136.1 million in 2002, primarily as a result of recently acquired businesses. Gross profit for the Flavors & Fragrances Group increased 6.1%, to \$155.1 million in 2002. In addition to higher revenue, Flavors & Fragrances gross profit benefited from \$5.5 million of cost savings, offset by higher raw material costs. The Company's gross margin was 32.7% and 32.6% for 2002 and 2001, respectively. The Color Group increased its gross margin 120 basis points, to 39.3% of revenue, primarily as a result of recently acquired higher-margin businesses. The Flavors & Fragrances Group gross margin decreased 70 basis points, to 27.1% of revenue, which resulted primarily from increased material costs.

Selling and administrative expenses were \$160.4 million in 2002, a 10.5% increase over 2001. The primary reason for the increase in selling and administrative expenses was the acquired businesses, which added \$16.3 million of expense. Higher employee benefit expense also contributed \$5.8 million of additional selling and administrative expense. These increases were offset by the mandatory adoption of Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets," which reduced selling and administrative expenses by \$8.9 million. For the year, selling and administrative expenses as a percent of revenue decreased to 17.1% versus 17.8% in 2001.

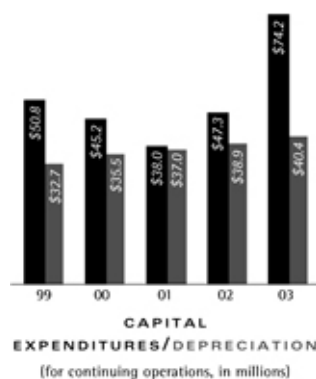
Operating income was \$146.5 million, compared to \$121.5 million in 2001, an increase of 20.6%. The adoption of SFAS No. 142 increased operating income by \$8.9 million or 8.3%. The remaining \$16.1 million increase in operating income, or 12.3%, was driven by realized cost savings of \$10.5 million and revenue growth. The impact of exchange rates on earnings for the year was minimal.

Interest expense decreased \$2.0 million to \$29.5 million in 2002. The decrease was primarily the result of lower interest rates.

The effective income tax rate on continuing operations was 31.0% in 2002. The 2002 tax rate was reduced by 0.8% as a result of the expected settlement of certain tax liabilities. The effective tax rate was 27.8% in 2001. The 2001 tax rate was reduced by 5.4% as a result of the expected settlement of certain tax liabilities and an adjustment of the valuation allowance made possible by the ability to utilize state and foreign net operating loss carryforwards. Had SFAS No. 142 been adopted in 2001, the 2001 effective tax rate would have been reduced by 1.6%.

	2002	2001
Reported effective tax rate	31.0%	27.8%
Adjustments	0.8	5.4
Impact of SFAS No. 142	—	(1.6)
Rate excluding adjustments	31.8%	31.6%

Earnings from continuing operations were \$80.7 million, or \$1.69 per share diluted, in 2002 compared to \$65.0 million,



## MANAGEMENT'S DISCUSSION AND ANALYSIS of operations & financial condition

or \$1.36 per share diluted, in 2001. Diluted earnings per share from continuing operations in 2002 included a benefit of \$0.17 from the required adoption of SFAS No. 142.

- **liquidity and financial position**

The Company's financial position remains strong, enabling it to meet cash requirements for operations, capital expansion programs and dividend payments to shareholders. The Company intends to fund acquisitions, working capital requirements, principal and interest payments and other liabilities with cash provided by operations, to the extent available, and short-term and long-term borrowings under existing credit facilities.

Cash provided by operating activities of continuing operations was \$56.5 million in 2003, \$94.1 million in 2002 and \$58.9 million in 2001. Operating cash flow provided the primary source of funds to finance operating needs, capital expenditures and shareholder dividends. The decrease in cash provided by continuing operations in 2003 was the result of increased levels of inventories and other working capital combined with the \$13.3 million postretirement credit, which was a non-cash transaction. Inventory levels in 2003 increased to plan for the consolidation of several facilities and also because of higher energy and crop costs associated with the dehydrated flavors business. The increase in cash provided by continuing operations in 2002 was the result of increased earnings and working capital reductions as compared to 2001.

Cash used for investing activities was \$85.2 million in 2003 and \$88.2 million in 2002, compared to cash provided of \$25.2 million in 2001. Cash proceeds from the sale of assets were \$8.2 million in 2003, \$8.9 million in 2002 and \$114.6 million in 2001. The 2001 proceeds were primarily a result of the sale of Red Star Yeast. Cash used for acquisitions was \$19.3 million in 2003, \$48.5 million in 2002 and \$50.7 million in 2001. Acquisitions in 2003 include Formulabs Iberica S.A., a Barcelona, Spain, manufacturer and marketer of specialty inks, primarily for inkjet applications, and certain assets of Kyowa Koryo Kagaku Kabushiki Kaisha, a former Japanese flavor producer. The Company may be required to pay up to 1.8 million Euro of additional cash consideration for the 2002 acquisitions subject to specific performance targets in the second year following the acquisitions. Capital expenditures for continuing operations were \$74.2 million in 2003, \$47.3 million in 2002 and \$38.0 million in 2001. The increase in capital expenditures in 2003 was partly attributable to the integration of recently acquired businesses, as well as initiatives to upgrade certain of the Company's Flavor and Color facilities. Capital expenditures in 2004 are expected to be approximately \$55 million.

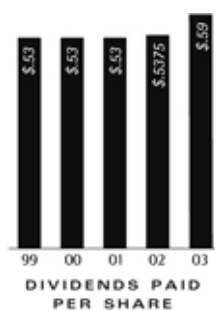
Cash provided by financing activities was \$28.4 million in 2003, compared to cash used of \$6.8 million in 2002 and \$85.5 million in 2001. The Company had net borrowings of \$69.7 million in 2003 and \$25.5 million in 2002, compared to a reduction in debt of \$31.9 million in 2001. Cash proceeds received from the additional borrowings were used to fund acquisitions as well as for general corporate purposes. The Company maintains debt levels it considers prudent based on its cash flows, interest coverage and percentage of total debt to total capital.

The Company's ratio of debt to total capital was 53.0% as of December 31, 2003, consistent with 52.8% as of December 31, 2002.

The Company has a share repurchase program under which it is authorized to repurchase up to 10.0 million shares of Company stock. As of December 31, 2003, 4.3 million shares were available under the authorization. During 2003, 2002 and 2001, the Company repurchased 0.9 million, 0.9 million and 1.7 million shares at a cost of \$17.9 million, \$18.9 million and \$37.0 million, respectively.

The Company has paid uninterrupted quarterly cash dividends since commencing public trading in its stock in 1962. On April 24, 2003, the Company announced an increase in the quarterly cash dividend on its common stock, from 14 cents per share to 15 cents per share. On an annualized basis, this announcement increased the Company's dividend from 56 cents per share to 60 cents per share, commencing with the dividend paid on June 2, 2003. In 2003 and 2002, total dividends paid per share were \$0.59 and \$0.5375, respectively.

The impact of inflation on both the Company's financial position and its results of operations has been minimal and is not expected to adversely affect 2004 results.



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- **critical accounting policies**

In preparing the financial statements in accordance with accounting principles generally accepted in the U.S., management is required to make estimates and assumptions that have an impact on the assets, liabilities, revenue and expense amounts reported. These estimates can also affect supplemental information disclosures of the Company, including information about contingencies, risk and financial condition. The Company believes, given current facts and circumstances, its estimates and assumptions are reasonable, adhere to accounting principles generally accepted in the U.S., and are consistently applied. Inherent in the nature of an estimate or assumption is the fact that actual results may differ from estimates, and estimates may vary as new facts and circumstances arise. The Company makes routine estimates and judgments in determining the net realizable value of accounts receivable, inventories, fixed assets and prepaid expenses. Management believes the Company's most critical accounting estimates and assumptions are in the following areas:

**Goodwill Valuation** The Company reviews the carrying value of goodwill annually utilizing several valuation methodologies, including a discounted cash flow model. Changes in estimates of future cash flows caused by items such as unforeseen events or changes in market conditions, could negatively affect the reporting segment's fair value and result in an impairment charge. However, the current fair values of the reporting segments are significantly in excess of carrying values. The Company estimates that a 100 basis point increase in its weighted average cost of capital would not result in impairment. Accordingly, management believes that only significant changes in the cash flow assumptions would result in impairment.

**Income Taxes** The Company files income tax returns and estimates its income tax expense in each of the taxing jurisdictions in which it operates. The Company is subject to a tax audit in each of these jurisdictions, which could result in changes to the estimated tax expense. The amount of these changes would vary by jurisdiction and would be recorded when known. These changes could impact the Company's financial statements. Management has recorded valuation allowances to reduce its deferred tax assets to the amount that is more likely than not to be realized. In doing so, management has considered future taxable income and ongoing tax planning strategies in assessing the need for the valuation allowance. An adjustment to the recorded valuation allowance as a result of changes in facts or circumstances could result in a significant change in the Company's tax expense.

- **market risk factors**

The Company is exposed to market risks, including changes in interest rates, currency exchange rates and commodity prices. To manage the volatility relating to these exposures on a consolidated basis, the Company nets the exposures to take advantage of natural offset. The Company also enters into various derivative transactions for some of the remaining exposures pursuant to the Company's policies covering hedging practices. The financial impacts of these hedging instruments are offset by corresponding changes in the underlying exposures being hedged. The Company does not hold or issue derivative financial instruments for trading purposes. Note 1 and Note 6 to the Consolidated Financial Statements include a discussion of the Company's accounting policies for financial instruments.

A key part of the Company's strategy is to expand into new geographic markets. Because the Company manufactures and sells its products throughout the world, it is exposed to movements in foreign currency exchange rates. The major foreign currency exposures involve the markets in Western Europe, Mexico and Canada. The primary purpose of the Company's foreign currency hedging activities is to protect against the volatility associated with foreign currency sales, purchases of materials and other assets and liabilities created during the normal course of business. The Company utilizes foreign exchange contracts with durations of generally less than 12 months that qualify as cash flow hedges under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended. At December 31, 2003 and 2002, the fair values of these instruments, based on dealer quotes, were liabilities of \$0.5 million and \$2.3 million, respectively. At December 31, 2003 and 2002, the potential gain or loss in the fair value of the Company's outstanding foreign exchange contracts, assuming a hypothetical 10% fluctuation in the currencies of such contracts, would be approximately \$2.8 million and \$6.1 million, respectively. However, any change in the value of the contracts, real or hypothetical, would be significantly offset by an equivalent change in the value of

## MANAGEMENT'S DISCUSSION AND ANALYSIS of operations & financial condition

the underlying hedged items. In addition, this hypothetical calculation assumes that each exchange rate would change in the same direction relative to the U.S. dollar.

The Company has certain long-term debt denominated in Swiss Francs and Euros. These non-derivative debt instruments have been designated as partial hedges of the Company's Swiss Franc and Euro net asset positions. At December 31, 2003 and 2002, the potential increase or decrease in the annual U.S. dollar interest expense of the Company's outstanding foreign currency-denominated debt, assuming a hypothetical 10% fluctuation in the currencies of such debt, would be approximately \$1.1 million and \$1.0 million, respectively. However, any change in interest expense from fluctuations in currency, real or hypothetical, would be offset by an equivalent change in the value of the foreign income before interest. In addition, this hypothetical calculation assumes that each exchange rate would change in the same direction relative to the U.S. dollar.

The Company manages its debt structure and interest rate risk through the use of fixed rate and floating rate debt and through the use of derivatives. The Company's primary exposure is to interest rates in the U.S. and Western Europe. The Company uses interest rate swaps to hedge its exposure to interest rate changes, manage the level of fixed and floating interest exposure and lower its financing costs. During 2003 and 2002, the Company entered into a series of interest rate swap agreements to manage the mix of fixed and floating interest rate debt. These instruments are accounted for as fair value hedges under SFAS No. 133. As of December 31, 2003 and 2002, the notional amount of the interest rate swaps was \$187.4 million and \$197.7 million, respectively, with varying maturities through January 2011. The fair value of the swaps, based on dealer quotes, was an asset of \$4.0 million and \$13.2 million, which was recorded primarily in the "Other assets" line on the consolidated balance sheets, at December 31, 2003 and 2002, respectively. The potential gain or loss in the fair value of the outstanding interest rate swaps at December 31, 2003 and 2002, assuming a hypothetical 10% fluctuation in interest rates of such contracts, would be approximately \$2.3 million and \$3.4 million, respectively. At December 31, 2003 and 2002, the potential increase or decrease in annual interest expense, assuming a hypothetical 10% fluctuation in interest rates of floating rate debt, including the impact of swap contracts, would be approximately \$0.4 million for each year.

The Company is the purchaser of certain commodities such as corn, sugar, soybean meal and fruits. The Company generally purchases these commodities based upon market prices that are established with the vendor as part of the purchase process. In general, the Company does not use commodity financial instruments to hedge commodity prices due to a high correlation between the commodity cost and the ultimate selling price of the Company's products. On occasion, the Company may enter into non-cancelable forward purchase contracts, as deemed appropriate, to reduce the effect of price fluctuations on future manufacturing requirements.

- **contractual obligations**

The Company is subject to certain contractual obligations, including long-term debt, operating leases and manufacturing purchases. The following table summarizes the Company's significant contractual obligations as of December 31, 2003.

- **payments due by period**

(IN THOUSANDS)	total	≤ 1 year	2-3 years	4-5 years	> 5 years
Long-term debt	\$ 539,683	\$ 13,759	\$ 238,101	\$ 100,055	\$ 187,768
Operating lease obligations	30,481	7,397	10,811	5,353	6,920
Manufacturing purchase commitments	53,939	29,583	20,675	3,681	—
<b>Total contractual obligations</b>	<b>\$ 624,103</b>	<b>\$ 50,739</b>	<b>\$ 269,587</b>	<b>\$ 109,089</b>	<b>\$ 194,688</b>

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- **new pronouncements**

On January 1, 2003, the Company adopted SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." This pronouncement generally requires exit or disposal activities that are initiated after December 31, 2002, to be recognized when the liability is incurred and not at project initiation. The impact of adopting this pronouncement on the Company's consolidated financial statements was not significant.

On January 1, 2003, the Company adopted the Financial Accounting Standards Board ("FASB") Interpretation ("FIN") No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." This interpretation elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. This pronouncement is effective on a prospective basis for guarantees issued or modified after December 31, 2002. The impact of adopting this interpretation was not significant on the Company's consolidated financial statements.

On December 31, 2003, the Company adopted the revised SFAS No. 132, "Employers' Disclosures About Pensions and Other Post Retirement Benefits," which enhances the financial statement disclosures for defined benefit plans. The impact of adopting this statement was not significant on the Company's consolidated financial statements.

In December 2003, the FASB issued a revision to FIN No. 46 ("46R"), "Consolidation of Variable Interest Entities," to clarify certain provisions of FIN No. 46, and to exempt certain entities from its requirements. The Company is currently evaluating the impact of adopting the remaining provisions of 46R in 2004 and does not anticipate that the adoption of this interpretation will have a significant impact on the Company's consolidated financial statements.

- **forward-looking statements**

This document contains forward-looking statements that reflect management's current assumptions and estimates of future economic circumstances, industry conditions, Company performance and financial results. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for such forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors that could cause actual events to differ materially from those expressed in those statements. A variety of factors could cause the Company's actual results and experience to differ materially from the anticipated results. These factors and assumptions include the pace and nature of new product introductions by the Company's customers; results of newly acquired businesses; the Company's ability to successfully implement its growth strategies; the outcome of the Company's various productivity-improvement and cost-reduction efforts; changes in costs of raw materials, including energy; industry and economic factors related to the Company's domestic and international business; growth in markets for products in which the Company competes; industry acceptance of price increases; and currency exchange rate fluctuations. The Company does not undertake to publicly update or revise its forward-looking statements even if experience or future changes make it clear that any projected results expressed or implied therein will not be realized.

- **certifications**

Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, the Company's CEO, Kenneth P. Manning, and the Company's CFO, Richard F. Hobbs, certified the quality of the Company's public disclosure in an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 2003.

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**CONSOLIDATED STATEMENTS of earnings**

IN THOUSANDS EXCEPT PER SHARE AMOUNTS

Years ended December 31,

	2003	2002	2001
<b>revenue</b>	<b>\$987,408</b>	\$939,886	\$816,947
Cost of products sold	<b>675,412</b>	633,011	550,331
Selling and administrative expenses	<b>168,036</b>	160,380	145,126
Special charges (see Note 14)	<b>6,476</b>	—	—
<b>operating income</b>	<b>137,484</b>	146,495	121,490
Interest expense	<b>29,140</b>	29,523	31,531
<b>earnings from continuing operations before income taxes</b>	<b>108,344</b>	116,972	89,959
Income taxes	<b>26,912</b>	36,282	24,996
Earnings from continuing operations	<b>81,432</b>	80,690	64,963
Earnings from discontinued operations	—	—	8,639
<b>net earnings</b>	<b>\$ 81,432</b>	\$ 80,690	\$ 73,602
<b>Basic earnings per share</b>			
Continuing operations	<b>\$ 1.74</b>	\$ 1.70	\$ 1.36
Discontinued operations	—	—	.18
Net earnings	<b>\$ 1.74</b>	\$ 1.70	\$ 1.54
<b>Diluted earnings per share</b>			
Continuing operations	<b>\$ 1.73</b>	\$ 1.69	\$ 1.36
Discontinued operations	—	—	.18
Net earnings	<b>\$ 1.73</b>	\$ 1.69	\$ 1.54
Average common shares outstanding - basic	<b>46,741</b>	47,379	47,671
Average common shares outstanding - diluted	<b>47,041</b>	47,788	47,926

See notes to consolidated financial statements.

**CONSOLIDATED balance sheets**IN THOUSANDS EXCEPT SHARE AND PER SHARE AMOUNTS  
December 31,

	2003	2002
<b>assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 3,250	\$ 2,103
Trade accounts receivable, less allowance for losses of \$4,843 and \$4,885, respectively	168,073	160,155
Inventories	318,755	269,701
Prepaid expenses and other current assets	27,719	26,275
Deferred income taxes	18,933	17,344
Total current assets	536,730	475,578
Other assets	78,525	85,679
Goodwill	428,922	379,955
Intangible assets - at cost, less accumulated amortization of \$3,484 and \$4,089, respectively	17,553	13,235
Property, Plant and Equipment:		
Land	29,042	20,214
Buildings	193,147	162,250
Machinery and equipment	537,623	462,925
	759,812	645,389
Less accumulated depreciation	368,014	314,151
	391,798	331,238
Total assets	\$1,453,528	\$1,285,685
<b>liabilities and shareholders' equity</b>		
Current Liabilities:		
Trade accounts payable	\$ 67,535	\$ 55,546
Accrued salaries, wages and withholdings from employees	12,871	14,197
Other accrued expenses	61,464	63,927
Income taxes	11,817	23,239
Short-term borrowings	114,974	34,618
Current maturities of long-term debt	13,759	12,374
Total current liabilities	282,420	203,901
Deferred income taxes	23,529	10,942
Other liabilities	11,329	16,141
Accrued employee and retiree benefits	30,208	43,636
Long-term debt	525,924	511,707
Commitments and contingencies	—	—
Shareholders' Equity:		
Common stock, par value \$.10 a share, authorized 250,000,000 shares; issued 53,954,874 shares	5,396	5,396
Additional paid-in capital	72,194	72,390
Earnings reinvested in the business	674,803	621,525
Treasury stock, 7,230,781 and 6,746,164 shares, respectively, at cost	(147,472)	(137,074)
Unearned portion of restricted stock	(3,844)	(2,951)
Accumulated other comprehensive income (loss)	(20,959)	(59,928)
	580,118	499,358
Total liabilities and shareholders' equity	\$1,453,528	\$1,285,685

See notes to consolidated financial statements.

## CONSOLIDATED STATEMENTS of shareholders' equity

IN THOUSANDS EXCEPT SHARE AND PER SHARE AMOUNTS	common stock	additional paid-in capital	earnings reinvested in the business
<b>Balances at December 31, 2000</b>	\$ 5,396	\$ 72,870	\$ 518,128
Net earnings			73,602
Cumulative effect of accounting change, net of tax of \$363			
Unrealized gain on cash flow hedges, net of tax of \$289			
Foreign currency translation			
<b>Total comprehensive income</b>			
Cash dividends paid – \$.53 a share			(25,356)
Stock options exercised		(552)	
Benefit plans		261	
Restricted stock		(86)	
Other			
Purchase of treasury stock			
<b>Balances at December 31, 2001</b>	5,396	72,493	566,374
Net earnings			80,690
Unrealized loss on cash flow hedges, arising during the period, net of tax of \$522			
Reclassification adjustment for cash flow hedges included in net income, net of tax of \$370			
Foreign currency translation			
<b>Total comprehensive income</b>			
Cash dividends paid – \$.5375 a share			(25,539)
Stock options exercised		(342)	
Benefit plans		54	
Restricted stock		185	
Other			
Purchase of treasury stock			
<b>Balances at December 31, 2002</b>	5,396	72,390	621,525
Net earnings			81,432
Unrealized gain on cash flow hedges, arising during the period, net of tax of \$1,809			
Reclassification adjustment for cash flow hedges included in net income, net of tax of \$1,633			
Minimum pension liability, net of tax of \$52			
Foreign currency translation			
<b>Total comprehensive income</b>			
Cash dividends paid – \$.59 a share			(27,688)
Redemption of rights – \$.01 a share			(466)
Stock options exercised		(285)	
Benefit plans		216	
Restricted stock		(127)	
Other			
Purchase of treasury stock			
<b>Balances at December 31, 2003</b>	<u>\$ 5,396</u>	<u>\$ 72,194</u>	<u>\$ 674,803</u>

See notes to consolidated financial statements.



treasury stock		unearned portion of restricted stock	accumulated other comprehensive income (loss)	total comprehensive income (loss)
shares	amount			
5,403,015	\$(106,472)	\$ (1,964)	\$ (70,900)	\$ 73,602
			(3,264)	(3,264)
			2,837	2,837
			(7,142)	(7,142)
				\$ 66,033
(416,323)	8,022			
(105,716)	2,087			
(52,000)	970	(659)		
(200)	4			
1,716,400	(36,966)			
6,545,176	(132,355)	(2,623)	(78,469)	\$ 80,690
			(5,497)	(5,497)
			3,898	3,898
			20,140	20,140
				\$ 99,231
(563,441)	11,332			
(98,155)	1,985			
(43,000)	868	(328)		
584	(12)			
905,000	(18,892)			
6,746,164	(137,074)	(2,951)	(59,928)	\$ 81,432
			16,330	16,330
			(14,741)	(14,741)
			(84)	(84)
			37,464	37,464
				\$ 120,401
(235,004)	4,781			
(108,307)	2,201			
(89,200)	1,821	(893)		
61,128	(1,270)			
856,000	(17,931)			
7,230,781	\$(147,472)	\$ (3,844)	\$ (20,959)	

## CONSOLIDATED STATEMENTS of cash flows

IN THOUSANDS

Years ended December 31,

	2003	2002	2001
<b>cash flows from operating activities</b>			
Earnings from continuing operations	\$ 81,432	\$ 80,690	\$ 64,963
Adjustments to arrive at net cash provided by operating activities:			
Depreciation and amortization	43,098	41,290	46,290
Special charges	6,476	—	—
Gain on sale of assets	(4,368)	(1,907)	(3,230)
Changes in operating assets and liabilities (net of effects from acquisition of businesses):			
Trade accounts receivable	1,236	(8,922)	(9,865)
Inventories	(31,334)	(17,377)	8,007
Prepaid expenses and other assets	(13,240)	(13,695)	(1,528)
Accounts payable and other accrued expenses	(6,447)	3,239	(28,691)
Accrued salaries, wages and withholdings from employees	(2,407)	3,521	(1,762)
Income taxes	(9,270)	7,303	(3,580)
Deferred income taxes	10,538	(2,592)	(9,496)
Other liabilities	(19,171)	2,551	(2,237)
Net cash provided by operating activities of continuing operations	56,543	94,101	58,871
Net cash provided by operating activities of discontinued operations	—	—	707
	56,543	94,101	59,578
<b>cash flows from investing activities</b>			
Acquisition of property, plant and equipment	(74,208)	(47,317)	(38,001)
Acquisition of businesses – net of cash acquired	(19,307)	(48,450)	(50,749)
Proceeds from sale of assets	8,223	8,908	114,606
Decrease (increase) in other assets	112	(1,322)	(671)
Net cash (used in) provided by investing activities	(85,180)	(88,181)	25,185
<b>cash flows from financing activities</b>			
Proceeds from additional borrowings	121,761	74,004	254,179
Reduction in debt	(52,044)	(48,550)	(286,051)
Purchase of treasury stock	(17,931)	(18,892)	(37,385)
Dividends paid	(28,154)	(25,539)	(25,356)
Proceeds from options exercised and other equity transactions	4,809	12,204	9,115
Net cash provided by (used in) financing activities	28,441	(6,773)	(85,498)
Effect of exchange rate changes on cash and cash equivalents	1,343	639	(165)
Net increase (decrease) in cash and cash equivalents	1,147	(214)	(900)
Cash and cash equivalents at beginning of year	2,103	2,317	3,217
Cash and cash equivalents at end of year	\$ 3,250	\$ 2,103	\$ 2,317
Cash paid during the year for:			
Interest	\$ 29,544	\$ 30,729	\$ 32,102
Income taxes	23,482	23,743	35,986
Liabilities assumed in acquisitions	992	12,683	23,903
Capitalized interest	2,081	734	966

See notes to consolidated financial statements.

- **1 summary of significant accounting policies**

**Principles of Consolidation** The consolidated financial statements include the accounts of Sensient Technologies Corporation and its subsidiaries (the "Company"). All significant intercompany accounts and transactions are eliminated.

**Use of Estimates** The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

**Revenue Recognition** The Company recognizes revenue, net of estimated discounts, allowances and returns, upon shipment of goods to customers, at which time title passes, the customer is obligated to pay the Company, and the Company has no remaining obligations.

**Cost of Products Sold** Cost of products sold includes materials, labor and overhead expenses incurred in the manufacture of our products. Cost of products sold also includes charges for obsolete and slow moving inventories, as well as costs for quality control, purchasing and receiving costs, inspection costs, warehousing costs, internal transfer costs, other costs of our internal distribution network and costs incurred for shipping and handling. The Company records fees billed to customers for shipping and handling as revenue.

**Selling and Administrative Expenses** Selling and administrative expenses primarily include the salaries and related costs for executive, finance, accounting, human resources, research and development and legal personnel as well as salaries and related costs of salespersons, and commissions paid to external sales agents.

**Cash Equivalents** The Company considers all highly liquid investments with maturities of three months or less at the date of acquisition as cash equivalents.

**Inventories** Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out ("FIFO") method.

**Property, Plant and Equipment** Property, plant and equipment are recorded at cost reduced by accumulated depreciation. Depreciation is provided over the estimated useful life using the straight-line method for financial reporting. The estimated useful lives for buildings ranges from 5 to 35 years. The buildings category consists of building improvements, which have useful lives ranging from 5 to 35 years and buildings, which have useful lives ranging from 10 to 35 years. Machinery and equipment have useful lives ranging from 3 to 10 years.

**Goodwill and Other Intangible Assets** On January 1, 2002, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets." SFAS No. 142 requires that upon adoption, amortization of goodwill and other intangible assets with indefinite useful lives cease and instead, the carrying value of goodwill is evaluated for impairment on an annual basis. The Company performed the transitional impairment assessment of goodwill on January 1, 2002, and the annual assessments on July 1, 2003 and 2002. The assessments included comparing the carrying amount of net assets, including goodwill, of each reporting unit to their respective fair value as of the date of the assessment. Fair value was estimated based upon an evaluation of future discounted cash flow as well as the public trading and private transaction valuation multiples for comparable companies. Such determination of fair value yielded no impairment. Prior to the adoption of SFAS No. 142, goodwill was amortized using the straight-line method over 40 years.

The cost of intangible assets with determinable useful lives is amortized on a straight-line basis to reflect the pattern of economic benefits consumed, ranging from 5 to 20 years.

**Impairment of Long-lived Assets** The Company reviews long-lived assets for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. The Company performs undiscounted cash flow analyses to determine if an impairment exists. If an impairment is determined to exist, any related impairment loss is calculated based on discounted future cash flows.

**Financial Instruments** The Company uses derivative financial instruments for the purpose of hedging currency and interest rate exposures which exist as part of ongoing business operations. As a policy, the Company does not engage in speculative or leveraged transactions, nor does the Company hold or issue financial instruments for trading purposes.

On January 1, 2001, the Company adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended, which requires that all derivative instruments be reported on the consolidated balance sheets at fair value and establishes criteria for designation and effectiveness of hedging relationships. The cumulative effect of adopting SFAS No. 133 was a decrease in accumulated other comprehensive income (loss) ("OCI") at January 1, 2001 of \$3.3 million, net of tax of \$0.4 million.

**Interest Rate Hedging** The Company is exposed to interest rate risk through its corporate borrowing activities. The objective of the Company's interest rate risk management activities is to manage the levels of the Company's fixed and floating interest rate exposure to be consistent with the Company's preferred mix. The interest rate risk management program consists of entering into interest rate swaps, which qualify as fair value hedges, when there is a desire to modify the Company's exposure to interest rates. Gains or losses on fair value hedges are recognized in earnings, net of gains and losses on the fair value of the hedged instruments.

Hedge effectiveness is determined by how closely the changes in the fair value of the hedging instrument offset the changes in the fair value or cash flows of the hedged item. Hedge accounting is permitted only if the hedging relationship is expected to be highly effective at the inception of the transaction and on an on-going basis. Any ineffective portions are to be recognized in earnings immediately.

The Company's existing fair value hedges are 100% effective. As a result, there is no current impact to earnings due to fair value hedge ineffectiveness.

**Currency Rate Hedging** The primary objectives of the foreign exchange risk management activities are to understand and mitigate the impact of potential foreign exchange fluctuations on the Company's financial results and its economic well-being. Generally, these risk management transactions involve the use of foreign currency derivatives to protect against exposure resulting from recorded accounts receivable and payable. The Company primarily utilizes forward exchange contracts with maturities of less than 12 months, which qualify as cash flow hedges. These foreign exchange contracts are intended to offset the effect of exchange rate fluctuations on recorded intercompany receivables and payables. Effective January 1, 2001, gains and losses on these instruments are deferred in accumulated OCI until the underlying transaction is recognized in earnings.

The Company's existing cash flow hedges are 100% effective. As a result, there is no current impact on earnings due to cash flow hedge ineffectiveness.

**Net Investments Hedging** The Company may enter into foreign-denominated debt to be used as a non-derivative instrument to hedge the Company's net investment in foreign subsidiaries. The change in the carrying amount of the foreign-denominated debt on the Company's books, attributable to changes in the spot foreign exchange rate, is a hedge of the net investment in its foreign subsidiaries.

**Commodity Purchases** The Company purchases certain commodities in the normal course of business which result in physical delivery of the goods and hence, are excluded from SFAS No. 133, as amended.

**Translation of Foreign Currencies** For all significant foreign operations, the functional currency is the local currency. Assets and liabilities of foreign operations are translated into U. S. dollars at current exchange rates. Revenue and expense accounts are translated into U. S. dollars at average exchange rates prevailing during the year. Adjustments resulting from the translation of assets and liabilities to U.S. dollars are included in OCI as foreign currency translation adjustments. Transaction gains and losses are included in earnings and were not significant during the three-year period ended December 31, 2003.

**Stock-Based Compensation** The Company accounts for its stock-based compensation plans using the intrinsic value-based method in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." Stock options are granted at prices equal to the fair market value of the Company's common stock on the grant dates. Accordingly, the Company did not record any compensation expense with respect to the grant of stock options during the three-year period ended December 31, 2003. If the Company had elected to recognize compensation cost based on the fair value of the options granted at grant date as prescribed by SFAS No. 123, net earnings and earnings per share would have been reduced to the proforma amounts indicated below:

(IN THOUSANDS, EXCEPT PER SHARE DATA)	2003	2002	2001
<b>Net earnings:</b>			
As reported	\$81,432	\$80,690	\$73,602
Add: reported stock compensation expense – net of tax	493	449	55
Less: fair value stock compensation expense – net of tax	(2,442)	(2,038)	(1,793)
<b>Pro forma net earnings</b>	<b>\$79,483</b>	<b>\$79,101</b>	<b>\$71,864</b>
<b>Earnings per common share:</b>			
Basic as reported	\$ 1.74	\$ 1.70	\$ 1.54
Less: net impact of fair value stock expense – net of tax	(.04)	(.03)	(.03)
<b>Basic pro forma</b>	<b>\$ 1.70</b>	<b>\$ 1.67</b>	<b>\$ 1.51</b>
Diluted as reported	\$ 1.73	\$ 1.69	\$ 1.54
Less: net impact of fair value stock expense – net of tax	(.04)	(.03)	(.04)
<b>Diluted pro forma</b>	<b>\$ 1.69</b>	<b>\$ 1.66</b>	<b>\$ 1.50</b>

The weighted-average fair value per share of options granted was \$4.68 in 2003, \$5.23 in 2002 and \$6.40 in 2001.

The fair value of each option granted was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2003	2002	2001
Dividend yield	2.9%	2.4%	2.5%
Volatility	29.0%	28.8%	39.5%
Risk-free interest rate	3.1%	2.9%	4.5%
Expected term (years)	5.5	5.4	6.0

**Earnings Per Share** The difference between basic and diluted earnings per share is the dilutive effect of stock options and restricted stock. Diluted earnings per share assumes that all dilutive stock options are exercised and restricted stock has vested. All earnings per share amounts are presented on a diluted basis unless otherwise noted.

**Accumulated Other Comprehensive Income (Loss)** Accumulated OCI is comprised primarily of foreign currency translation and unrealized gains and losses on cash flow hedges. The components of accumulated OCI at December 31 were:

(IN THOUSANDS)	2003	2002
Foreign currency translation	\$(20,438)	\$(57,902)
Other	(84)	—
Unrealized losses on cash flow hedges (net of tax)	(437)	(2,026)
<b>Accumulated other comprehensive income (loss)</b>	<b>\$(20,959)</b>	<b>\$(59,928)</b>

**Research and Development** Research and development costs are recorded in selling and administrative expenses in the year they are incurred. Research and development costs related to continuing operations were \$22.9 million, \$21.2 million and \$16.7 million during the years ended December 31, 2003, 2002 and 2001, respectively.

**Advertising** Advertising costs are recorded in selling and administrative expenses as they are incurred. Advertising costs related to continuing operations were \$1.7 million, \$1.2 million and \$1.0 million during the years ended December 31, 2003, 2002 and 2001, respectively.

**New Pronouncements** On January 1, 2003, the Company adopted SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." This pronouncement generally requires exit or disposal activities that are initiated after December 31, 2002, to be recognized when the liability is incurred and not at project initiation. The impact of adopting this pronouncement on the Company's consolidated financial statements was not significant.

On January 1, 2003, the Company adopted the Financial Accounting Standards Board ("FASB") Interpretation ("FIN") No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." This interpretation elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it

has issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair

value of the obligation undertaken in issuing the guarantee. This pronouncement is effective on a prospective basis for guarantees issued or modified after December 31, 2002. The impact of adopting this interpretation was not significant on the Company's consolidated financial statements.

On December 31, 2003, the Company adopted the revised SFAS No. 132, "Employers' Disclosures About Pensions and Other Post Retirement Benefits," which enhances the financial statement disclosures for defined benefit plans. The impact of adopting this statement was not significant on the Company's consolidated financial statements.

In December 2003, the FASB issued a revision to FIN No. 46 ("46R"), "Consolidation of Variable Interest Entities," to clarify certain provisions of FIN No. 46, and to exempt certain entities from its requirements. The Company is currently evaluating the impact of adopting the remaining provisions of 46R in 2004 and does not anticipate that the adoption of this interpretation will have a significant impact on the Company's consolidated financial statements.

**Reclassifications** Certain amounts as previously presented have been reclassified to conform to the current year presentation.

- **2 acquisitions**

During 2003, the Company acquired two businesses for cash in an aggregate amount of \$17.1 million, net of cash acquired. Formulabs Iberica S.A., a manufacturer and marketer of specialty inks, primarily for inkjet applications, was acquired in August 2003. In March 2003, the Company acquired certain assets of Kyowa Koryo Kagaku Kabushiki Kaisha, a former Japanese flavor producer. The preliminary allocation of the purchase price resulted in finite-lived intangibles of \$2.8 million, amortizable over a weighted average period of 20 years and goodwill of \$8.1 million. The Company has not completed the purchase price allocations related to these acquisitions. The final purchase price allocation will be completed in 2004.

During 2002, the Company acquired four businesses for cash in an aggregate amount of \$48.5 million, net of cash acquired.

The businesses acquired were Cardre, Inc., a manufacturer of specialty ingredients used in cosmetics, ECS Specialty Inks and Dyes, a producer and marketer of inks for specialty printing applications, the flavors and essential oils operations of C. Melchers GmbH & Company, and SynTec GmbH, a manufacturer of specialty dyes and chemicals for the imaging industry. In 2003, the Company paid \$2.2 million and may be required to pay up to 1.8 million Euros of additional cash consideration for the 2002 acquisitions subject to specific performance targets in the second year following the acquisitions. The allocation of the purchase prices resulted in finite-lived intangibles of \$7.6 million amortizable over a period of 19 years and goodwill of \$28.7 million.

In the fourth quarter of 2001, the Company acquired two businesses for cash in an aggregate amount of \$50.7 million, net of cash acquired. Acquisitions made during 2001 were Formulabs, a manufacturer of specialty inks for ink-jet and industrial applications, and the technical dye business of Crompton Colors Incorporated, a manufacturer of technical dyes and colors for paper, ink-jet printing applications, plastics and a number of specialty markets. The final allocation of the purchase prices resulted in finite-lived intangibles of \$4.4 million amortizable over a period of 19 years and goodwill of \$47.1 million, which includes final purchase price allocations made in 2002. The finite-lived intangibles were primarily customer lists and technology.

All acquisitions have been accounted for as purchases and, accordingly, their results of operations have been included in the consolidated financial statements since their respective dates of acquisition. The effects of presenting the acquisitions on an unaudited pro-forma basis were not significant to the Company's financial position or results of operations.

• **3 goodwill and intangible assets**

The following table reflects the consolidated results of the Company as if the adoption of SFAS No. 142 had occurred on January 1, 2001. Discontinued operations did not have any goodwill amortization in 2001; therefore, separate disclosure for these operations is not presented.

(IN THOUSANDS, EXCEPT PER SHARE DATA)

Years ended December 31,	2003	2002	2001
<b>Earnings from Continuing Operations:</b>			
Reported earnings from continuing operations	\$81,432	\$80,690	\$64,963
Goodwill amortization, net of tax	—	—	8,035
Proforma earnings from continuing operations	\$81,432	\$80,690	\$72,998
<b>Net Earnings:</b>			
Reported net earnings	\$81,432	\$80,690	\$73,602
Goodwill amortization, net of tax	—	—	8,035
Proforma net earnings	\$81,432	\$80,690	\$81,637
<b>Basic earnings per share:</b>			
<b>Continuing operations:</b>			
As reported	\$ 1.74	\$ 1.70	\$ 1.36
Proforma	\$ 1.74	\$ 1.70	\$ 1.53
<b>Net earnings:</b>			
As reported	\$ 1.74	\$ 1.70	\$ 1.54
Proforma	\$ 1.74	\$ 1.70	\$ 1.71
<b>Diluted earnings per share:</b>			
<b>Continuing operations:</b>			
As reported	\$ 1.73	\$ 1.69	\$ 1.36
Proforma	\$ 1.73	\$ 1.69	\$ 1.52
<b>Net earnings:</b>			
As reported	\$ 1.73	\$ 1.69	\$ 1.54
Proforma	\$ 1.73	\$ 1.69	\$ 1.70

The Company does not have any intangible assets other than goodwill that are not subject to amortization. The following table summarizes finite-lived intangible assets by major category as of December 31, 2003 and 2002:

(IN THOUSANDS, EXCEPT WEIGHTED AVERAGE AMORTIZATION PERIOD)	weighted average amortization period	2003		2002	
		cost	accumulated amortization	cost	accumulated amortization
Technological know-how	20.0	\$ 7,853	\$ (1,272)	\$ 7,317	\$ (886)
Customer relationships	20.0	6,482	(463)	4,360	(184)
Patents, trademarks, non-compete agreements and other	17.4	6,702	(1,749)	5,647	(3,019)
<b>Total finite-lived intangibles</b>	<b>19.1</b>	<b>\$21,037</b>	<b>\$ (3,484)</b>	<b>\$17,324</b>	<b>\$ (4,089)</b>

Amortization of intangible assets was not significant during the periods presented and the estimated aggregate amortization expense for each of the five succeeding years is not anticipated to be significant.



NOTES to consolidated financial statements

Years ended December 31, 2003, 2002 and 2001

The changes in goodwill for the years ended December 31, 2003 and 2002 by reportable business segment are as follows:

(IN THOUSANDS)	flavors & fragrances	color	corporate & other	consolidated
Balance as of December 31, 2001	\$ 102,986	\$ 193,825	\$ 1,921	\$ 298,732
Goodwill of acquired businesses	4,108	45,943	—	50,051
Currency translation impact	10,109	21,020	43	31,172
Balance as of December 31, 2002	117,203	260,788	1,964	379,955
Goodwill of acquired businesses	—	9,923	344	10,267
Currency translation impact	13,129	24,728	843	38,700
<b>Balance as of December 31, 2003</b>	<b>\$130,332</b>	<b>\$295,439</b>	<b>\$ 3,151</b>	<b>\$ 428,922</b>

During 2002, the Company allocated goodwill to its reporting segments to conform with the reporting requirements of SFAS No. 142.

• **4 inventories**

Inventories include finished and in-process products totaling \$227.2 million and \$195.9 million at December 31, 2003 and 2002, respectively, and raw materials and supplies of \$91.6 million and \$73.8 million at December 31, 2003 and 2002, respectively.

• **5 debt**

Long-term debt consists of the following unsecured obligations at December 31:

(IN THOUSANDS)	2003	2002
6.68% senior notes due through January 2011	\$ 15,000	\$ 15,000
6.77% senior notes due through January 2010	15,000	15,000
6.60% notes due through April 2009	149,322	149,217
7.59% senior notes due through December 2008	21,429	25,714
6.99% senior notes due through December 2007	40,000	40,000
4.57% senior notes due December 2007	38,000	38,000
Floating rate Swiss Franc-denominated senior notes due December 2007	26,269	23,587
5.63% Euro-denominated senior notes due November 2006	168,595	140,735
5.85% senior notes due November 2006	30,000	30,000
9.06% senior notes due through July 2004	6,000	12,000
Various other notes	21,565	21,616
Deferred realized gains on interest rate swaps	4,479	—
Fair value of interest rate swaps	4,024	13,212
	<b>539,683</b>	<b>524,081</b>
Less current maturities	13,759	12,374
<b>Total long-term debt</b>	<b>\$ 525,924</b>	<b>\$511,707</b>

The floating rate Swiss Franc-denominated notes had an average coupon rate of 1.39% and 1.57% at December 31, 2003 and 2002, respectively.

The Company has a \$150 million multi-currency unsecured revolving loan agreement with a group of five banks, of which \$100 million matures in June 2005 and \$50 million matures in June 2004. Interest rates are determined based upon the LIBOR rate plus a margin. A facility fee is payable on the total amount of the commitment. The Company issues short-term commercial paper obligations supported by committed lines of credit included in the revolving loan agreement.

The Company had outstanding commercial paper obligations of \$68.6 million and \$19.2 million at December 31, 2003 and 2002, respectively. Direct borrowings under the revolving loan agreement were \$13.0 million and \$6.2 million at December 31, 2003 and 2002, respectively. The Company also had \$19.6 million and \$7.4 million outstanding in uncommitted loans at December 31, 2003 and 2002, respectively.

The Company has \$68.4 million available under the revolving loan agreement and \$25.4 million available under other uncommitted lines of credit from several banks at December 31, 2003.

The aggregate amounts of maturities on long-term debt each year for the five years subsequent to December 31, 2003, are as follows: 2004, \$13.8 million; 2005, \$20.2 million; 2006, \$217.9 million; 2007, \$92.7 million; and 2008, \$7.4 million.

Substantially all of the senior loan agreements contain restrictions concerning interest coverage, borrowings, investments and tangible net worth amounts. Earnings reinvested of \$165 million at December 31, 2003, were unrestricted.

Short-term borrowings consist of commercial paper, uncommitted loans and loans of foreign subsidiaries denominated in local currencies which are borrowed under various foreign uncommitted lines of credit. The weighted-average interest rates on short-term

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borrowings were 1.96% and 2.51% at December 31, 2003 and 2002, respectively.

- **6 financial instruments and risk management**

**Interest Rate Swap Agreements** During 2003 and 2002, the Company entered into a series of interest rate swap agreements to manage the level of fixed and floating interest rate debt. As of December 31, 2003 and 2002, the notional principal amounts of outstanding interest rate swap agreements (accounted for as fair value hedges) were \$187.4 million and \$197.7 million, respectively, with varying maturities through January 2011. The notional amounts are used to calculate interest payments, which are exchanged over the life of the swap transactions and are equal to the dollar principal exchanged. The fair value of the swaps, based on dealer quotes, was an asset of \$4.0 million and \$13.2 million which was recorded primarily in the other assets line on the consolidated balance sheets at December 31, 2003 and 2002, respectively. In October 2003, the Company settled certain interest rate swaps. As a result of these settlements, the counterparty paid the Company \$4.8 million. The net realized gains on the swaps have been deferred, classified as a separate component of debt and are being amortized to income as a reduction of interest expense over the remaining term of the debt.

**Foreign Currency Contracts** The Company uses forward exchange contracts to reduce the effect of fluctuating foreign currencies on short-term foreign currency-denominated intercompany transactions and other known foreign currency exposures. At December 31, 2003 and 2002, the Company had forward exchange contracts (accounted for as cash flow hedges), generally with maturities of one year or less, of \$80.4 million and \$105.4 million, respectively. The fair values of these instruments, based on dealer quotes, were liabilities of \$0.5 million and \$2.3 million at December 31, 2003 and 2002, respectively.

**Foreign-denominated Debt** In December 2002, the Company entered into a 33 million Swiss Franc-denominated note agreement. In November 2001, the Company entered into a 134 million Euro-denominated note agreement. These non-derivative instruments have been designated as partial hedges of the Company's Swiss Franc and Euro net asset positions.

**Concentrations of Credit Risk** Counterparties to currency exchange and interest rate swap contracts consist of large international financial institutions. The Company continually monitors its positions and the credit ratings of the counterparties involved and limits the amount of credit exposure to any one party. While the Company may be exposed to potential losses due to the credit risk of non-performance by these counterparties, losses are not anticipated. Concentrations of credit risk with respect to trade accounts receivable are limited by the large number of customers, generally short payment terms, and their dispersion across geographic areas.

**Fair Values** The carrying amount of cash and cash equivalents, trade accounts receivable, accounts payable, accrued expenses and short-term borrowings approximated fair value as of December 31, 2003 and 2002.

The fair value of the Company's long-term debt, including current maturities, is estimated using discounted cash flows based on the Company's current incremental borrowing rates for similar types of borrowing arrangements. The carrying value of long-term debt at December 31, 2003 and 2002 was \$539.7 million and \$524.1 million, respectively. The fair value of long-term debt at December 31, 2003 and 2002 was approximately \$569.5 million and \$547.9 million, respectively.

- **7 shareholders' equity**

On July 17, 2003, the Board of Directors authorized the redemption of the rights issued pursuant to the Company's Shareholder Rights Plan. Under the rights plan, one right was attached to each outstanding share of common stock. The rights were redeemed at a price of \$0.01 per right on September 3, 2003, to shareholders along with the \$0.15 per share quarterly dividend payment. The total amount paid to shareholders related to the rights redemption was \$0.5 million and is reported on the Dividends Paid line of the 2003 Statement of Cash Flows.

- **8 stock plans**

The Company has various stock option plans under which employees and directors may be granted options to purchase common stock at 100% of the market price on the day the options are granted.

Under the 2002 Stock Option Plan, up to 2.4 million shares of common stock are available for employee awards, of which no more than 0.6 million shares may be restricted stock. Under the 1998 Stock Option Plan, up to 2.4 million shares of common stock are available for awards, of which no more than 0.6 million shares may be restricted stock. Under the 1994 Stock Option Plan, up to 2.4 million shares of common stock are

NOTES to consolidated financial statements

Years ended December 31, 2003, 2002 and 2001

available for awards, of which no more than 0.5 million shares may be restricted stock. The 1994 Plan also authorizes the grant of up to 0.8 million stock appreciation rights in connection with stock options. Under the 1999 Non-Employee Director Stock Option Plan, up to 0.25 million shares of common stock are available for awards.

Generally, stock options become exercisable over a three-year vesting period and expire 10 years from the date of grant. Awarded shares of restricted stock become freely transferable at the end of five years. During the period of restriction, the employee has voting rights and is entitled to receive all dividends and other distributions paid with respect to the stock.

The changes in outstanding stock options during the three years ended December 31, 2003, are summarized below:

(IN THOUSANDS OF SHARES)	outstanding options	weighted- average price
Balances at December 31, 2000	3,369	\$ 19.28
Granted	644	18.32
Exercised	(498)	17.89
Cancelled	(348)	20.73
Balances at December 31, 2001	3,167	19.14
Granted	629	21.85
Exercised	(583)	18.02
Cancelled	(291)	19.80
Balances at December 31, 2002	2,922	19.88
Granted	492	20.38
Exercised	(236)	17.99
Cancelled	(157)	21.23
<b>Balances at December 31, 2003</b>	<b>3,021</b>	<b>\$ 20.04</b>

(IN THOUSANDS OF SHARES)	available	options exercisable	weighted- average price
December 31, 2001	965	2,140	\$ 19.00
December 31, 2002	2,975	1,808	\$ 19.46
<b>December 31, 2003</b>	<b>2,544</b>	<b>2,041</b>	<b>\$ 19.76</b>

The following summarizes information concerning outstanding and exercisable stock options at December 31, 2003:

(IN THOUSANDS OF SHARES)	range of exercise price		
	\$14.13- 18.50	\$18.51- 21.50	\$21.51- 25.19
Number outstanding	737	1,233	1,051
Weighted-average remaining contractual life, in years	3.9	7.5	6.9
Weighted-average exercise price	\$16.88	\$19.78	\$ 22.56
Number exercisable	683	548	810
Weighted-average exercise price	\$16.79	\$19.57	\$23.38

• 9 retirement plans

The Company provides benefits under defined contribution plans including a savings plan and an employee stock ownership plan ("ESOP"). The savings plan covers substantially all domestic salaried and certain non-union hourly employees and provides for matching contributions up to 4% of each employee's salary. The ESOP covers substantially all domestic employees not covered by a defined benefit plan and provides for contributions based on a percentage of each employee's compensation as determined by the Board of Directors. Total expense related to continuing operations for the Company's defined contribution plans was \$2.7 million, \$6.7 million and \$2.3 million in 2003, 2002 and 2001, respectively.

Although the Company intends the defined contribution plans mentioned above to be the primary retirement benefit for most employees, the Company also has several defined benefit plans. The funded status of the defined benefit plans is as follows at December 31:

(IN THOUSANDS)

2003

2002

Benefit obligation at beginning of year	<b>\$ 22,556</b>	\$ 21,834
Service cost	<b>698</b>	661
Interest cost	<b>1,524</b>	1,138
Plan amendments	—	492
Benefits paid	<b>(1,334)</b>	(1,791)
Actuarial loss	<b>2,293</b>	222
Benefit obligation at end of year	<b>25,737</b>	22,556
Plan assets at beginning of year	<b>3,300</b>	3,000
Company contributions	<b>1,790</b>	2,447
Benefits paid	<b>(1,334)</b>	(1,791)
Actual gain/(loss) on plan assets	<b>264</b>	(356)
Plan assets at end of year	<b>4,020</b>	3,300
Funded status	<b>(21,717)</b>	(19,256)
Unrecognized prior service cost	<b>15,011</b>	16,289
Unrecognized net actuarial (gain)/loss	<b>2,189</b>	(241)
Additional minimum liability	<b>(14,397)</b>	(15,800)
Accrued benefit liability	<b>\$(18,914)</b>	\$(19,008)

The additional minimum liability of the Company's defined benefit plans has been recorded primarily as an increase to Other Assets.

Components of annual benefit cost:

(IN THOUSANDS)	2003	2002	2001
Service cost	<b>\$ 698</b>	\$ 661	\$ 493
Interest cost	<b>1,524</b>	1,138	740
Expected return on plan assets	<b>(254)</b>	(293)	—
Amortization of prior service cost	<b>1,192</b>	1,227	797
Recognized actuarial gain	—	(3)	—
Defined benefit expense	<b>\$3,160</b>	\$2,730	\$2,030

Weighted-average liability assumptions as of December 31:

	2003	2002
Discount rate	6.25%	6.75%
Expected return on plan assets	8.00%	8.00%
Rate of compensation increase	5.00%	5.00%

Weighted-average cost assumptions for the year ended December 31:

	2003	2002
Discount rate	6.75%	7.25%
Expected return on plan assets	8.00%	8.00%
Rate of compensation increase	5.00%	5.00%

• **10 other postretirement benefits**

During the fourth quarter of 2003, the Company eliminated its subsidy for certain post-retirement programs. As a result of this change in benefits, the Company recognized a one-time, non-cash credit of \$13.6 million, which was partially offset by a \$0.3 million accrual for claims incurred but not reported, resulting in a net postretirement credit for 2003 of \$13.3 million (\$8.2 million after-tax, \$0.17 per share), which has been included in selling and administrative expenses in the accompanying income statement.

The funded status of the postretirement benefit plan is as follows at December 31:

(IN THOUSANDS)	2003	2002
Benefit obligation at beginning of year	\$ 9,900	\$ 7,793
Interest cost	627	565
Benefits paid	(890)	(1,216)
Actuarial loss	811	2,758
Benefit obligation at end of year	10,448	9,900
Plan assets	—	—
Funded status	(10,448)	(9,900)
Unrecognized prior service credit	(5,855)	(6,506)
Unrecognized net actuarial loss	2,674	1,803
Termination of benefits	13,629	—
Net amount recognized	\$ —	\$(14,603)

Components of net periodic benefit cost for continuing operations were:

(IN THOUSANDS)	2003	2002	2001
Interest cost	\$ 627	\$ 565	\$ 406
Amortization of prior service credit	(651)	(651)	(651)
Recognized actuarial loss (gain)	163	(205)	(1,077)
Termination of benefits	(13,629)	—	—
Postretirement income	\$(13,490)	\$(291)	\$(1,322)

The weighted-average discount rate used in determining the accumulated postretirement benefit obligation at December 31, 2002, was 6.75%. The health care cost trend rates were assumed to be 11.00% in 2002 and 10.00% in 2003, declining to 5.00% in the year 2008 and remaining at that level thereafter.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plan. A one percentage point change in assumed health care cost trend rates would have the following effects:

(IN THOUSANDS)	1% increase	1% decrease
Effect on interest cost component	\$ 67	\$ (64)

• **11 income taxes**

The provision for income taxes for continuing operations is as follows:

(IN THOUSANDS)	2003	2002	2001
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<b>Currently payable (refundable):</b>			
Federal	<b>\$ (1,538)</b>	\$16,330	\$ 4,961
State	<b>1,246</b>	4,089	(108)
Foreign	<b>19,028</b>	18,316	13,445
<b>Deferred (benefit):</b>			
Federal	<b>10,399</b>	(772)	6,432
State	<b>(565)</b>	(1,029)	243
Foreign	<b>(1,658)</b>	(652)	23
	<b>\$26,912</b>	\$36,282	\$24,996

The tax effects of temporary differences that give rise to significant portions of deferred tax assets and liabilities consist of the following:

<u>(IN THOUSANDS)</u>	<u>2003</u>	<u>2002</u>
<b>Deferred tax assets:</b>		
Benefit plans	<b>\$ 6,658</b>	\$ 11,140
Liabilities and reserves	<b>12,069</b>	14,964
Foreign operating loss carryovers	<b>28,186</b>	21,996
Other	<b>7,970</b>	11,077
	<b>54,883</b>	59,177
Gross deferred tax assets	<b>54,883</b>	59,177
Valuation allowance	<b>(15,830)</b>	(13,427)
	<b>39,053</b>	45,750
<b>Deferred tax liabilities:</b>		
Property, plant and equipment	<b>(22,911)</b>	(22,601)
Other assets	<b>(13,712)</b>	(13,046)
Other	<b>(7,026)</b>	(3,701)
	<b>(43,649)</b>	(39,348)
	<b>\$ (4,596)</b>	\$ 6,402
Net deferred tax (liabilities) assets	<b>\$ (4,596)</b>	\$ 6,402

At December 31, 2003, foreign operating loss carryovers were \$78.7 million. Included in the total net operating loss carryovers are losses of \$12.7 million that expire through 2013 and \$66.0 million that do not expire.

The effective tax rate for continuing operations differs from the statutory federal income tax rate of 35% as described below:

	2003	2002	2001
Taxes at statutory rate	35.0%	35.0%	35.0%
State income taxes, net of federal income tax benefit	1.0	1.4	1.2
Tax credits	(4.0)	(6.3)	(5.7)
Foreign tax rate	3.7	3.4	4.3
Foreign sales corporation/ extraterritorial income tax benefit	(2.3)	(0.9)	(1.1)
Actual and expected settlements of prior years' issues	(3.1)	(0.8)	(3.4)
Valuation allowance adjustments	(3.1)	—	(2.5)
Other, net	(2.4)	(0.8)	—
Effective tax rate	<u>24.8%</u>	<u>31.0%</u>	<u>27.8%</u>

Earnings from continuing operations, before income taxes, are summarized as follows:

(IN THOUSANDS)	2003	2002	2001
United States	\$ 59,997	\$ 78,051	\$58,575
Foreign	48,347	38,921	31,384
	<u>\$108,344</u>	<u>\$116,972</u>	<u>\$89,959</u>

Domestic income taxes have not been provided on undistributed earnings of foreign subsidiaries which are considered to be permanently invested. If undistributed foreign earnings were to be remitted, foreign tax credits would substantially offset any resulting domestic tax liability. Tax benefits associated with the exercise of employee stock options were credited directly to additional paid-in capital and amounted to \$0.3 million, \$0.9 million and \$0.5 million during the years ended December 31, 2003, 2002 and 2001, respectively.

#### • 12 segment and geographic information

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company evaluates performance based on operating income of the respective business units before special charges, goodwill amortization, interest expense and income taxes. Total revenue and operating income by business segment and geographic region include both sales to customers, as reported in the Company's consolidated statements of earnings, and intersegment sales, which are accounted for at prices which approximate market prices and are eliminated in consolidation. Corporate and other revenue consist primarily of flavor, fragrances and color products sold by the Asia Pacific Group.

Assets by business segment and geographic region are those assets used in the Company's continuing operations in each segment and geographic region. Segment assets reflect the allocation of goodwill to each segment. Corporate and other assets consist primarily of property and investments. Capital expenditures are reported exclusive of discontinued operations and acquisitions.

**Segment Information** The Company's operations, except for the Asia Pacific Group, are managed on a products and services basis. The Company's reportable segments consist of Flavors & Fragrances and Color. The Company's Flavors & Fragrances segment produces flavor and fragrance products that impart a desired taste, texture, aroma or other characteristic to a broad range of consumer and other products. The Color segment produces technical colors for industrial applications and digital imaging; colors and formulations for cosmetics; and natural and synthetic color systems for pharmaceuticals, foods and beverages.



(IN THOUSANDS)	flavors & fragrances	color	corporate & other	consolidated
<b>2001</b>				
Revenue from external customers	\$ 505,197	\$ 255,131	\$ 56,619	\$ 816,947
Intersegment revenue	20,476	20,864	—	41,340
<b>Total revenue</b>	<b>525,673</b>	<b>275,995</b>	<b>56,619</b>	<b>858,287</b>
Operating income (loss)	74,209	69,443	(22,162)	121,490
Interest expense	—	—	31,531	31,531
<b>Earnings (loss) from continuing operations before income taxes</b>	<b>74,209</b>	<b>69,443</b>	<b>(53,693)</b>	<b>89,959</b>
Assets	538,467	465,752	104,674	1,108,893
Capital expenditures	22,099	10,498	5,404	38,001
Depreciation and amortization	24,298	9,830	12,162	46,290
<b>2002</b>				
Revenue from external customers	\$ 548,889	\$ 331,533	\$ 59,464	\$ 939,886
Intersegment revenue	23,298	14,919	—	38,217
<b>Total revenue</b>	<b>572,187</b>	<b>346,452</b>	<b>59,464</b>	<b>978,103</b>
Operating income (loss)	85,523	80,741	(19,769)	146,495
Interest expense	—	—	29,523	29,523
<b>Earnings (loss) before income taxes</b>	<b>85,523</b>	<b>80,741</b>	<b>(49,292)</b>	<b>116,972</b>
Assets	586,131	547,247	152,307	1,285,685
Capital expenditures	32,188	11,758	3,371	47,317
Depreciation and amortization	24,666	11,000	5,624	41,290
<b>2003</b>				
Revenue from external customers	<b>\$570,692</b>	<b>\$350,438</b>	<b>\$ 66,278</b>	<b>\$ 987,408</b>
Intersegment revenue	<b>23,982</b>	<b>10,438</b>	<b>—</b>	<b>34,420</b>
<b>Total revenue</b>	<b>594,674</b>	<b>360,876</b>	<b>66,278</b>	<b>1,021,828</b>
Operating income (loss)	<b>83,756</b>	<b>71,607</b>	<b>(17,879)</b>	<b>137,484</b>
Interest expense	<b>—</b>	<b>—</b>	<b>29,140</b>	<b>29,140</b>
<b>Earnings (loss) before income taxes</b>	<b>83,756</b>	<b>71,607</b>	<b>(47,019)</b>	<b>108,344</b>
Assets	<b>690,765</b>	<b>622,258</b>	<b>140,505</b>	<b>1,453,528</b>
Capital expenditures	<b>43,330</b>	<b>22,993</b>	<b>7,885</b>	<b>74,208</b>
Depreciation and amortization	<b>24,662</b>	<b>11,900</b>	<b>6,536</b>	<b>43,098</b>
Special Charges	<b>—</b>	<b>—</b>	<b>6,476</b>	<b>6,476</b>

**Geographic Information** The Company has manufacturing facilities or sales offices in North America, South America, Europe, Asia, Australia and Africa.

(IN THOUSANDS)	2003	2002	2001
<b>Revenue from external customers:</b>			
U.S.A.	<b>\$436,947</b>	\$488,424	\$397,268
Europe, excluding the United Kingdom	<b>235,026</b>	203,211	176,568
Asia Pacific	<b>86,492</b>	75,103	67,356
United Kingdom	<b>51,831</b>	32,165	32,480
Other	<b>177,112</b>	140,983	143,275
<b>Consolidated</b>	<b>\$987,408</b>	\$939,886	\$816,947
<b>Long-lived assets:</b>			
U.S.A.	<b>\$366,003</b>	\$364,606	\$349,716
Europe, excluding the United Kingdom	<b>362,122</b>	276,989	168,424
Asia Pacific	<b>18,841</b>	10,610	11,104
United Kingdom	<b>103,626</b>	96,212	93,195
Other	<b>66,206</b>	61,690	71,232
<b>Consolidated</b>	<b>\$916,798</b>	\$810,107	\$693,671

- 13 discontinued operations**

In June 2000, the Company's Board of Directors approved a plan to dispose of the operations of its Yeast business. On February 23, 2001, the Company completed the sale of substantially all of its Yeast business for approximately \$113 million in cash, of which \$4 million was received in August 2000. Accordingly, the operating results of the Yeast business have been reported separately from continuing operations and reported as a separate line item on the consolidated statements of earnings.

Summarized financial information for the discontinued operation is as follows for the years ended December 31:

(IN THOUSANDS)	2003	2002	2001
Revenue	—	—	\$16,810
Earnings before income taxes	—	—	15,399
Income taxes	—	—	6,760
<b>Earnings from discontinued operations</b>	<b>—</b>	<b>—</b>	<b>\$ 8,639</b>

The effective tax rate in 2001 is higher than the statutory rate of 35% because of state income taxes.

- 14 special charges**

The Company recorded special charges of \$6.5 million (\$4.7 million after-tax, \$0.10 per share) in December 2003, related primarily to improving cost efficiency worldwide with primary emphasis on the Color Group. The \$6.5 million in charges includes \$4.0 million of cash expenditures for severance and other employee separation costs associated with a workforce reduction of approximately 165 employees and \$2.5 million of non-cash costs related to asset impairment charges. The employees were terminated as of December 31, 2003. These cost saving initiatives will deliver annualized savings of approximately \$10 million, beginning in 2004. The Company has spent \$1.2 million through December 31, 2003, and expects to spend the remainder in 2004.

In April 2001, the Company announced a plan to reduce its workforce by 200 employees. The separation costs were recorded in the Special Charges line in the 2001 consolidated statement of earnings. These employees were terminated as of December 31, 2001.

The Company announced a facilities consolidation plan in December 2000. This plan was implemented to improve manufacturing efficiencies in both the Flavors & Fragrances and the Color businesses. Based on a review of the business outlook in the second quarter of 2001, this plan was modified. This modification and lower than estimated costs and cash outlays for certain items in the original plan resulted in a reversal of a portion of the special charges reserve. These transactions were included primarily in the Special Charges line in the 2001 consolidated statement of earnings. The employees associated with this plan were terminated as of December 31, 2001.

The following summarizes the programs:

(IN THOUSANDS)	employee separations	asset impairments	total
<b>December 2003 cost reduction plan</b>			
Charges	\$ 3,952	\$ 2,524	\$ 6,476
Cash spent	(1,184)	—	(1,184)
Reductions of assets	—	(2,524)	(2,524)
Balances at December 31, 2003	<u>\$ 2,768</u>	<u>\$ —</u>	<u>\$ 2,768</u>
<b>December 2000 facilities consolidation plan</b>			
Balances at December 31, 2000	\$ 9,650	\$ —	\$ 9,650
Reversal of special charges reserve	(3,200)	—	(3,200)
Cash spent	(6,150)	—	(6,150)
Balances at December 31, 2001	<u>300</u>	<u>—</u>	<u>300</u>
Cash spent	(300)	—	(300)
Balances at December 31, 2002	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
<b>April 2001 workforce reduction program</b>			
Charges	\$ 3,000	\$ —	\$ 3,000
Cash spent	(3,000)	—	(3,000)
Balances at December 31, 2001	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

• **15 commitments and contingencies**

The Company leases certain facilities and equipment under operating lease arrangements. Aggregate minimum rental commitments at December 31, 2003, for all noncancelable operating leases with an initial lease term greater than one year are as follows for the years ending December 31,

(IN THOUSANDS)	
2004	\$ 7,397
2005	5,875
2006	4,936
2007	3,378
2008	1,975
Thereafter	6,920
	<u>\$30,481</u>

Rent expense totaled \$9.2 million, \$7.9 million and \$7.6 million during the years ended December 31, 2003, 2002 and 2001, respectively.

In connection with the sale of substantially all of the Company's Yeast business on February 23, 2001, the Company has provided the buyer of these operations with indemnification against certain potential liabilities as is customary in transactions of this nature. The period provided for indemnification against most types of claims has now expired, but for specific types of claims including, but not limited to tax and environmental liabilities, the amount of time provided for indemnification is either five years or the applicable statute of limitations. The maximum amount of the Company's liability related to these provisions is capped at approximately 35% of the consideration received in the transaction. In cases where the Company believes it is probable that payments will be required under these provisions, a liability was recognized at the time of the asset sale. The Company believes that the probability of incurring payments under these provisions in excess of the amount of the liability recorded is remote.

The Company is involved in various claims and litigation arising in the normal course of business. In the opinion of management and Company counsel, the ultimate resolution of these actions will not materially affect the consolidated financial statements of the Company.

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## MANAGEMENT'S RESPONSIBILITY for financial statements

### Years ended December 31, 2003, 2002 and 2001

The management of Sensient Technologies Corporation is responsible for preparation of the financial statements and other financial information included in this annual report. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

It is management's policy to maintain a control-conscious environment through an effective system of internal accounting controls. These controls are supported by the careful selection of competent and knowledgeable personnel and by the communication of standard accounting and reporting policies and procedures throughout the Company. These controls are adequate to provide reasonable assurance that assets are safeguarded against material loss or unauthorized use and to produce the records necessary for the preparation of reliable financial information. There are limits inherent in all systems of internal control based on the recognition that the costs of such systems should be related to the benefits to be derived. Management believes that its systems provide this appropriate balance.

The control environment is complemented by the Company's internal audit function, which evaluates the adequacy of the controls, policies and procedures in place, as well as adherence to them, and recommends improvements for implementation when applicable. In addition, the Company's independent auditors, Deloitte & Touche LLP, have developed an understanding of the Company's accounting and financial controls and have conducted such tests as they considered necessary to render an opinion on the Company's financial statements.

The Board of Directors pursues its oversight role with respect to the Company's financial statements through the Audit Committee, which is composed solely of outside directors. The Audit Committee selects the Company's independent auditors and meets with them and the internal auditors to review the overall scope and specific plans for their respective audits and results from those audits. The Committee also meets with management to review overall accounting policies relating to the reporting of financial results. Both the independent auditors and internal auditors have unrestricted access to the Audit Committee.

/s/ KENNETH P. MANNING

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**Kenneth P. Manning**  
Chairman, President and Chief Executive Officer

/s/ RICHARD F. HOBBS

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**Richard F. Hobbs**  
Vice President, Chief Financial Officer and Treasurer

## INDEPENDENT AUDITORS' report

To the Shareholders and Board of Directors of Sensient Technologies Corporation:

We have audited the accompanying consolidated balance sheets of Sensient Technologies Corporation and subsidiaries (the "Company") as of December 31, 2003 and 2002, and the related consolidated statements of earnings, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2003 and 2002, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3 to the Consolidated Financial Statements, on January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets."

/s/ DELOITTE & TOUCHE

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Milwaukee, Wisconsin

February 12, 2004

**QUARTERLY data**

IN THOUSANDS EXCEPT  
PER SHARE AMOUNTS  
(UNAUDITED)

	revenue	gross profit	net earnings	earnings per share basic	earnings per share diluted
<b>2003</b>					
First Quarter	\$235,097	\$77,146	\$20,4622	\$ .43	\$ .43
Second Quarter	261,928	84,692	21,669	.46	.46
Third Quarter	247,288	79,344	20,667	.44	.44
Fourth Quarter	243,095	70,814	18,634	.40	.40
<b>2002</b>					
First Quarter	\$ 213,123	\$ 70,277	\$ 16,945	\$ .36	\$ .36
Second Quarter	239,576	77,968	21,185	.44	.44
Third Quarter	237,995	79,241	20,186	.43	.42
Fourth Quarter	249,192	79,389	22,374	.47	.47

The fourth quarter of 2003 includes special charges of \$6.5 million pre-tax, \$4.7 million after-tax or \$0.10 per share (see Note 14) and a one-time benefit of \$13.3 million pre-tax, \$8.2 million after-tax or \$0.17 per share for eliminating certain post-retirement programs subsidies (see Note 10).

**COMMON STOCK prices and dividends**

	market price		dividends per share
	high	low	
<b>2003</b>			
First Quarter	\$24.26	\$19.30	\$ .1400
Second Quarter	23.35	19.80	.1500
Third Quarter	23.85	20.13	.1500
Fourth Quarter	21.96	17.86	.1500
<b>2002</b>			
First Quarter	\$ 23.39	\$ 18.06	\$ .1325
Second Quarter	25.25	22.37	.1325
Third Quarter	23.49	17.95	.1325
Fourth Quarter	25.96	19.33	.1400

## FIVE YEAR review

### IN THOUSANDS EXCEPT EMPLOYEE AND PER SHARE DATA

Years ended December 31,

	2003	
<b>Summary of Operations</b>		
Revenue	\$ 987,408	100.0%
Cost of products sold	675,412	68.4
Selling and administrative expenses	168,036	17.0
Special charges	6,476	0.7
Operating income	137,484	13.9
Interest expense	29,140	2.9
Earnings from continuing operations before income taxes	108,344	11.0
Income taxes	26,912	2.8
Earnings from continuing operations	81,432	8.2
Earnings from discontinued operations	—	0.0
Accounting change	—	0.0
Net earnings	\$ 81,432	8.2%
<b>Basic earnings per share</b>		
Continuing operations	\$ 1.74	
Discontinued operations	—	
Accounting change	—	
Net earnings	\$ 1.74	
<b>Diluted earnings per share</b>		
Continuing operations	\$ 1.73	
Discontinued operations	—	
Accounting change	—	
Net earnings	\$ 1.73	
<b>Other related data</b>		
Dividends per share, declared and paid	\$ .5900	
Average common shares outstanding:		
Basic	46,741	
Diluted	47,041	
Book value per common share	\$ 12.42	
Price range per common share	17.86-24.26	
Share price at December 31	19.77	
Capital expenditures for continuing operations	74,208	
Depreciation for continuing operations	40,385	
Amortization for continuing operations	2,713	
Total assets	1,453,528	
Long-term debt	525,924	
Shareholders' equity	580,118	
Return on average shareholders' equity	15.2%	
Total debt to total capital	53.0%	
Employees	3,707	

The 2003 results include special charges related to a cost reduction plan of \$6.5 million (See Note 14) and a \$13.3 million credit related to termination of postretirement health care plan benefits included in selling and administrative expenses (See Note 10).

The 2000 results include special charges related to a facilities consolidation plan of \$19.0 million (See Note 14) and a \$4.3 million credit related to the effect of a postretirement health care plan amendment included in selling and administrative expenses.

The 2003 and 2002 results exclude amortization of goodwill due to an accounting change. Goodwill amortization, net of tax, was \$8.0 million, \$8.4 million and \$7.0 million in 2001, 2000 and 1999, respectively (see Note 3).

2002		2001		2000		1999	
\$ 939,886	100.0%	\$ 816,947	100.0%	\$ 809,163	100.0%	\$ 796,250	100.0%
633,011	67.3	550,331	67.3	525,717	65.0	527,598	66.3
160,380	17.1	145,126	17.8	152,253	18.8	144,387	18.1
—	0.0	—	0.0	19,000	2.3	—	0.0
146,495	15.6	121,490	14.9	112,193	13.9	124,265	15.6
29,523	3.1	31,531	3.9	34,165	4.3	27,425	3.4
116,972	12.5	89,959	11.0	78,028	9.6	96,840	12.2
36,282	3.9	24,996	3.0	21,681	2.6	30,329	3.8
80,690	8.6	64,963	8.0	56,347	7.0	66,511	8.4
—	0.0	8,639	1.0	3,265	0.4	15,250	1.9
—	0.0	—	0.0	2,431	0.3	—	0.0
\$ 80,690	8.6%	\$ 73,602	9.0%	\$ 62,043	7.7%	\$ 81,761	10.3%
\$ 1.70		\$ 1.36		\$ 1.15		\$ 1.32	
—		.18		.07		.30	
—		—		.05		—	
\$ 1.70		\$ 1.54		\$ 1.27		\$ 1.63	
\$ 1.69		\$ 1.36		\$ 1.15		\$ 1.31	
—		.18		.07		.30	
—		—		.05		—	
\$ 1.69		\$ 1.54		\$ 1.26		\$ 1.61	
\$ .5375		\$ .53		\$ .53		\$ .53	
47,379		47,671		48,898		50,296	
47,788		47,926		49,166		50,791	
\$ 10.58		\$ 9.09		\$ 8.59		\$ 8.64	
17.95-25.96		15.55-23.99		16.00-23.19		18.25-27.38	
22.47		20.81		22.75		20.38	
47,317		38,001		45,199		50,820	
38,899		37,019		35,507		32,709	
2,391		9,271		10,047		8,095	
1,285,685		1,108,893		1,164,248		1,131,713	
511,707		423,137		417,141		380,378	
499,358		430,816		417,058		430,872	
17.3%		17.7%		14.7%		19.4%	
52.8%		53.3%		55.7%		52.1%	
3,572		3,454		3,722		3,900	

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## **BOARD OF directors**

Kenneth P. Manning, 62  
*Chairman, President and Chief Executive Officer*  
Sensient Technologies Corporation  
Elected Director in 1989 (2, 6)

Michael E. Batten, 63  
*Chairman and Chief Executive Officer*  
Twin Disc, Inc.  
Elected Director in 1980 (5)

John F. Bergstrom, 57  
*Chairman and Chief Executive Officer*  
Bergstrom Corporation  
Elected Director in 1994 (1, 2, 3, 4)

Hank Brown, 64  
*President and Chief Executive Officer*  
The Daniels Fund  
Elected Director in 2004

Fergus M. Clydesdale, Ph.D., 67  
*Distinguished Professor and Head of the Department of Food Science*  
University of Massachusetts-Amherst  
Elected Director in 1998 (5, 6)

James A.D. Croft, 66  
*Chairman*  
Bartlodge Limited  
Elected Director in 1997 (1, 3)

Alberto Fernandez, 57  
*Chairman*  
Pyosa, S.A. de C.V.  
Elected Director in 1999 (1, 6)

William V. Hickey, 59  
*President and Chief Executive Officer*  
Sealed Air Corporation  
Elected Director in 1997 (1, 2, 4, 5)

Essie Whitelaw, 56  
*Senior Vice President of Private Sector Claims Administration*  
Wisconsin Physician Services  
Elected Director in 1993 (3, 4)

### committees

- 1 Audit Committee
- 2 Executive Committee
- 3 Compensation and Development Committee
- 4 Nominating Committee
- 5 Finance Committee
- 6 Scientific Advisory Committee

## **CORPORATE officers**

Kenneth P. Manning, 62  
*Chairman, President and Chief Executive Officer*  
*With the Company 16 years*

Richard Carney, 53  
*Vice President - Administration*  
*With the Company 22 years*

John L. Hammond, 57  
*Vice President, Secretary and General Counsel*  
*With the Company 6 years*



Richard F. Hobbs, 56  
*Vice President, Chief Financial Officer and Treasurer*  
*With the Company 30 years*

Richard J. Malin, 37  
*Assistant Treasurer*  
*With the Company 12 years*

Charles A. Nicolais, 43  
*President - Color Group*  
*With the Company less than 1 year*

Ralph G. Pickles, 57  
*President - Flavors & Fragrances Group*  
*With the Company 8 years*

Stephen J. Rolfs, 39  
*Vice President, Controller and Chief Accounting Officer*  
*With the Company 6 years*

Ho-Seung Yang, Ph.D., 56  
*Vice President - Marketing & Technology*  
*With the Company 8 years*

**APPOINTED officers**

Peter Bradley, 44  
*President, Asia Pacific Group*  
*With the Company 1 year*

Neil G. Cracknell, 42  
*President, Dehydrated Flavors*  
*With the Company 9 years*

Christopher L. Lawlor, 53  
*Vice President, Human Resources*  
*With the Company 3 years*

Harry Meggos, 61  
*Vice President, Technical Service, Color*  
*With the Company 33 years*

Robert L. Menzl, 47  
*Vice President, Information Technology*  
*With the Company 8 years*

Lance E. Solter, Ph.D., 58  
*Vice President, Manufacturing, Color*  
*With the Company 29 years*

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## INVESTOR information

### world headquarters

777 East Wisconsin Avenue  
Milwaukee, Wisconsin 53202-5304  
(414) 271-6755  
(800) 558-9892  
Fax: (414) 347-4795  
E-mail: [corporate.communications@sensient-tech.com](mailto:corporate.communications@sensient-tech.com)  
Web site: [www.sensient-tech.com](http://www.sensient-tech.com)

### transfer agent and registrar

Wells Fargo Bank Minnesota, N.A.  
Shareowner Services  
P. O. Box 64854  
St. Paul, Minnesota 55164-0854  
(800) 468-9716  
Web site: [www.wellsfargo.com/com/shareowner\\_services/](http://www.wellsfargo.com/com/shareowner_services/)

### common stock

Sensient Technologies Corporation Common Stock is traded on the New York Stock Exchange. Ticker symbol: SXT.

There were 4,130 shareholders of record of Common Stock as of January 31, 2004.

### annual meeting of shareholders

The Annual Meeting of Shareholders will be held at 2:00 p.m. (MDT) on Thursday, April 22, 2004, at The Brown Palace Hotel, 321 Seventeenth Street, Denver, Colorado.

### form 10-k

The Company's annual report filed with the Securities and Exchange Commission on Form 10-K is available without charge from the Company's Investor Relations Department and on its Web site at [www.sensient-tech.com](http://www.sensient-tech.com).

### dividends

Quarterly dividends are typically paid on the first business day of March, June, September and December.

### automatic dividend reinvestment plan

The Sensient Technologies Corporation Dividend Reinvestment Plan provides shareholders with a convenient, economical way to increase their ownership of Sensient Technologies Corporation Common Stock. Through the plan, shareholders can automatically reinvest their dividends to acquire additional shares and make supplemental stock purchases without paying fees or commissions. An enrollment form and brochure describing the plan can be obtained by contacting the plan administrator, Wells Fargo Bank Minnesota at (800) 468-9716 or the Company's Investor Relations Department at (414) 347-3779.

### investor relations

Communication concerning the transfer of shares, lost certificates, duplicate mailings, or change of address should be directed to the transfer agent.

Other shareholder information, such as news releases and information regarding corporate governance, is available on the Company's Web site: [www.sensient-tech.com](http://www.sensient-tech.com). Shareholders can also register to receive notification via e-mail when new information is added to the site. The Company's Web address is provided as an inactive textual reference only, and the contents of the Web site are not incorporated in or otherwise to be regarded as part of this annual report.

Other requests for information should be directed to the Company's Investor Relations Department at (414) 347-3779.

The Company maintains a direct mailing list for news releases and quarterly reports. If you would like your name added to this list, please contact the Company's Investor Relations Department.



**SENSIENT TECHNOLOGIES CORPORATION**

777 East Wisconsin Avenue  
Milwaukee, Wisconsin 53202-5304  
www.sensient-tech.com

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## **Section 4: EX-14 (CODES OF ETHICS)**

**Exhibit 14**

**SENSIENT TECHNOLOGIES CORPORATION**

**CODE OF ETHICS  
FOR SENIOR FINANCIAL OFFICERS**

General Policy and Procedures for Business Conduct

This Code of Ethics sets forth the standards and procedures to be followed by our Chief Executive Officer, President, Chief Financial Officer, principal accounting officer, controller, and all other persons performing similar functions for the Company (the “Senior Financial Officers”) to ensure that Company business is conducted in a lawful and ethical manner. This Code of Ethics supplements the Company’s Code of Conduct (the “Code of Conduct”), which applies to all U.S. full or part time employees of the Company, as well as all directors and officers (the “Employees”), including our Senior Financial Officers.

Senior Financial Officers are prohibited from engaging in conduct that violates any applicable international, federal, state or local law, rule or regulation. Such conduct is outside the Senior Financial Officers’ scope of employment with this Company. Beyond the strictly legal aspects involved, all Senior Financial Officers are expected to maintain high standards of business and personal ethics and honesty while performing their work, consistent with the professional image of this Company.

Conflict of Interest

Except with the prior knowledge and consent of the Company, conflicts between a Senior Financial Officer’s personal or private interests and those of the Company will not be allowed.

A potential conflict of interest exists when a Senior Financial Officer has any position with or a substantial interest (financial or otherwise) in any other business or matter that would conflict or might reasonably appear to conflict with the proper performance of the Senior Financial Officer’s job responsibilities or the Senior Financial Officer’s independent and objective judgment with respect to transactions between the Company and the other business.

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A conflict of interest can only be determined after reviewing the particular circumstances in the context of the Senior Financial Officer's activities with the Company. The following list serves as a guide to the types of activities that might create a conflict of interest, but is not exclusive.

- **Interest in entities transacting business with the Company.** Senior Financial Officers will not have a financial interest in a supplier, competitor or customer of the Company. This includes, but is not limited to, ownership by a Senior Financial Officer or any member of his or her family of more than 5% of the stock either directly or indirectly in any outside concern that does business with the Company, except where such interest consists of securities of a publicly-owned corporation and such securities are traded on the open market (unless such investments are of a size as to have influence or control over the corporation).
- **Gifts.** Senior Financial Officers and their family members will not accept from any individual or company furnishing goods or services to the Company any gift of more than token value, loans (other than from established banking or financial institutions), or hospitality or entertainment which could influence the Senior Financial Officer's independent judgment. This does not include gifts of nominal value, entertainment, meals, or social invitations which are customary and proper under the circumstances; support the achievement of a valid business purpose; are consistent with the high standards of business ethics required in the conduct of all Company business activities and relationships; and do not place the Senior Financial Officer under an obligation of any kind. Senior Financial Officers will not have an interest in or perform any services for a supplier or customer of the Company except for owning a small minority interest in securities of a publicly owned company.
- **Loans.** Loans to, or guarantees of obligations of, Employees and Senior Financial Officers create conflict of interest issues. Accordingly, no loans will be allowed without the prior written approval of the Corporate Legal Department, and if appropriate, the Board of Directors or a committee of the Board. The Company will not extend, maintain or arrange for any personal loan to or for any director or elected officer.
- **Use of Company assets.** Senior Financial Officers are responsible for ensuring that corporate assets are used only for valid corporate purposes. Company assets are much more than our equipment, inventory, corporate funds or office supplies; they include our concepts, business strategies and plans, financial data, intellectual property rights and other information about our business. These assets may not be improperly used to provide personal gain for Senior Financial Officers or others.
- **Company opportunity.** Senior Financial Officers owe a duty to the Company to advance its legitimate interests when the opportunity to do so arises and are prohibited from (i) taking for themselves personally opportunities that are discovered through the use of corporate property, information and position, (ii) using corporate property, information or position for personal gain and (iii)

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competing with the Company. Senior Financial Officers will not buy or sell for themselves or their family any security or property interest which they know the Company may be considering buying or selling until the Company has publicly announced its decision to buy or sell and has concluded its interest in the subject. This is known as “insider trading”. Please see the *Insider Trading* section of and the Appendix to our Code of Conduct for more detailed information on this subject.

- **Transactions.** Senior Financial Officers will not compete with the Company directly or indirectly in the purchase or sale of property or products without full disclosure to the Corporate Legal Department. Senior Financial Officers cannot represent the Company in any transaction in which the Senior Financial Officer or any family member has a substantial interest.
- **Employment outside the Company.** Senior Financial Officers will not accept employment outside the Company which adversely affects the manner in which a Senior Financial Officer performs duties or fulfills responsibilities to the Company.
- **Service on other boards.** No Senior Financial Officer may accept an appointment as a member of the board of directors or as an officer of any other Company, a trade association or on boards of charitable or educational organizations, without prior written approval by the Corporate Legal Department (see *Request for Approval to Serve on Other Boards* form in the Appendix to our Code of Conduct). Board memberships for charitable organizations, educational institutions or similar organizations are encouraged, as long as no potential or actual conflict of interest exists.
- **Communication of conflicts.** All potential and actual conflicts of interest or material transactions or relationships that reasonably could be expected to give rise to such a conflict or the appearance of such a conflict must be communicated as provided under *Reporting Possible Violations* below. If you have any doubt about whether a conflict of interest exists after consulting this provision of the Code of Ethics, please contact the Corporate Legal Department so that they can help make that determination.

#### Disclosure Controls and Procedures

The federal and state securities laws impose continuing disclosure requirements on the Company, and require the Company to regularly file certain reports with and make certain submissions (the “Reports”) to the Securities and Exchange Commission and the New York Stock Exchange and disseminate them to its shareholders. Such Reports must comply with all applicable legal and exchange requirements and may not contain

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statements which, at the time made, are false or misleading with respect to a material fact, omit any material fact necessary to prevent a statement from being false or misleading or omit any material fact necessary to correct any earlier statement which has become false and misleading.

A set of disclosure controls and procedures has been adopted by the Company in connection with these continuing disclosure requirements. All Senior Financial Officers must inform themselves and strictly adhere to such controls and procedures in the preparation of Reports. In addition, all Senior Financial Officers and all representatives who assist the Company in such Reports and communications will ensure that such Reports and communications are (i) full, fair, timely, factual, accurate and understandable and (ii) meet all legal requirements. This policy applies to all public disclosure of material information about the Company, including written disclosures, oral statements, visual presentations, press conferences and media calls.

#### Internal Controls

Internal Controls are policies and procedures designed to safeguard the Company and its assets and to ensure accurate financial record keeping. It is the responsibility of local, division and corporate management, including Senior Financial Officers, to establish a proper control environment and procedures. Local management must take measures and actions necessary to ensure that all Employees understand and comply with the procedures for appropriate internal controls.

An effective system of internal controls will include physical controls over assets and procedures designed to ensure that all entries in the Company's books and records are accurate and complete. All Company assets, liabilities, revenues and expenses will be recorded in the official books of record. Compliance with generally accepted accounting principles and established internal controls are required at all times.

The Corporate Audit Department will monitor compliance with established internal controls at each location, review the adequacy, appropriateness and efficiency of the control procedures and make recommendations to management for improvements in these procedures. Any questions regarding the system of internal controls should be addressed to the Director of Audit.

#### Accounting and Auditing Matters

The Company is committed to achieving compliance with all applicable securities laws and regulations, accounting standards, accounting controls and audit practices. This includes both internal audit and accounting functions as well as those functions performed by and in conjunction with the Company's outside auditors. Senior Financial Officers will not circumvent compliance with these accounting and auditing laws,

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standards, controls and practices, nor assist any third party in circumvention. If any Senior Financial Officer believes such compliance has been violated, the matter should be promptly reported to the Audit Committee. The Company's Audit Committee will oversee treatment of employee concerns in this area in accordance with the procedures set for the Company's "Complaint Procedures for Accounting and Auditing Matters." Senior Financial Officers should take measures and actions necessary to help ensure that all employees understand and comply with these accounting and auditing laws, standards, controls and practices.

#### Reporting Possible Violations

If any Senior Financial Officer believes this Code of Ethics or the Code of Conduct has been violated, the matter should be promptly reported to the General Counsel. However, if such Senior Financial Officer believes that the General Counsel may have a conflict of interest with respect to the matter to be reported, the Senior Financial Officer should report such violation directly to the audit committee of the Board, another committee of the Board comprised solely of independent directors or to the Board itself. The report must be truthful and may be verbal or in writing, and if in writing, signed by the Senior Financial Officer.

All reports of violations will be promptly investigated and, if appropriate, remedied, and if legally required, reported to the proper governmental authority. The Compliance Committee will conduct periodic reviews of reports. The Compliance Committee will also examine, and if appropriate, implement measures necessary to prevent recurrence of such violations.

Every Senior Financial Officer will cooperate in assuring that violations of the Code of Ethics and Code of Conduct are promptly addressed. **No retribution will be taken against a Senior Financial Officer for reporting a violation or suspected violation.** The Company will take appropriate steps to maintain the confidentiality of the Senior Financial Officer's identity. Any supervisor intimidating or imposing sanctions on a Senior Financial Officer for reporting a matter will be disciplined up to and including termination.

It is a crime to retaliate against a person, including with respect to their employment, for providing truthful information to a law enforcement officer relating to the possible commission of any federal offense. Senior Financial Officers who allege that they have been retaliated against for providing information to a federal agency, Congress or a person with supervisory authority over them about suspected fraud may file a complaint with the Department of Labor, or in federal court if the Department of Labor does not take action.

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## Responding to Improper Conduct

A Senior Financial Officer who violates the Company's Code of Ethics or Code of Conduct will be subject to disciplinary action. Senior Financial Officers may also be subject to disciplinary action for their failure to properly oversee the conduct of other Employees, or for retaliation against Employees who report violations.

The response will depend upon a number of factors including whether the improper behavior involved illegal conduct. Disciplinary action may include, but is not limited to, reprimands and warnings, probation, suspension, demotion, reassignment, reduction in salary or immediate termination. All Senior Financial Officers should be aware that certain actions and omissions prohibited by the Code of Ethics and the Code of Conduct might be crimes that could lead to individual criminal prosecution and, upon conviction, to fines and imprisonment.

This Code of Ethics and the Code of Conduct will be enforced on a uniform basis for all Senior Financial Officers.

Senior Financial Officers should understand that waivers or exceptions to our Code of Ethics and Code of Conduct will be granted only in advance and only under exceptional circumstances. A waiver of either Code for any executive officer or director may be made only by the Board of Directors or a committee of the Board and must be promptly disclosed to shareholders in accordance with applicable law and exchange requirements.

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## **Section 5: EX-21 (SUBSIDIARIES OF THE REGISTRANT)**

**Exhibit 21**

**Subsidiaries of the Registrant**

<u>Name</u>	<u>State or other jurisdiction of incorporation</u>
<b><i>Corporate Group</i></b>	
Biolux Finance NV	Belgium
DC Flavours Limited	United Kingdom
Dr. Marcus Betelligungs GmbH	Germany
Dr. Marcus Verwaltungs GmbH	Germany
Financiere Wackherr	France
Pointing Holdings Limited	United Kingdom
Pointing International Limited	United Kingdom
Ratina Participations SA	Luxembourg
Sensient Finance (Alberta) Limited Partnership	Alberta
Sensient Finance Ireland	Ireland
Sensient Finance Ireland Limited	Ireland
Sensient Finance Luxembourg SARL	Luxembourg
Sensient France SAS	France
Sensient Holding (Alberta) Limited Partnership	Alberta
Sensient Holding, Inc.	Nevada
Sensient Holdings Malta Limited	Malta
Sensient Investments Limited	Ireland
Sensient Technologies (UK) Limited	United Kingdom
Sensient Technologies Foreign Sales Corporation	Virgin Islands
Sensient Technologies Holding Deutschland GmbH	Germany
Sensient Technologies Limited	United Kingdom
Sensient Technologies Luxembourg SARL	Luxembourg
Sensient Wisconsin L.L.C.	Wisconsin
Universal Holdings Cayman	Cayman Islands
<b><i>Flavors &amp; Fragrances Group</i></b>	
Flavor Burst, Inc.	Illinois
Melchers Aromen GmbH	Germany
Provamil NV	Belgium
Sensient Essential Oils Germany GmbH	Germany
Sensient Flavors Belgium NV	Belgium
Sensient Flavors Biolux NV	Belgium
Sensient Flavors Canada, Inc.	Canada
Sensient Flavors GmbH	Germany
Sensient Flavors Inc.	Delaware
Sensient Flavors International, Inc.	Indiana
Sensient Flavors Italy S.r.l.	Italy
Sensient Flavors Limited	United Kingdom
Sensient Flavors Mexico, S.A. de C.V.	Mexico



Sensient Flavors Real Estate S.p.A.	Italy	
Sensient Flavors SARL	France	
Sensient Flavors Scandinavia AB	Sweden	
Sensient Flavors Strasbourg	France	
Sensient Flavors Wales Limited	United Kingdom	
Sensient Fragrances Mexico, S.A. de C.V.	Mexico	
Sensient Fragrances, SA	Spain	
<b>Dehydrated Flavors Division</b>		
Freshfield Foods Ltd.	Ireland	
Inter-Agro U.S.A. Inc.	Illinois	
Sensient Dehydrated Flavors Company	California	
Sensient Dehydrated Flavors Company BV	Netherlands	
Sensient Dehydrated Flavors Company SA	France	
Sensient Specialty Vegetables Ltd.	Ireland	
<b>Color Group</b>		
Dr. Marcus France SARL	France	
Formulabs S.A. de C.V.	Mexico	
LCW	France	
LCW Polska Ltd.	Poland	50%
LCW-Les Colorants Wackherr do Brasil Ltda.	Brazil	50%
Les Colorants Wackherr Iberica SA, en liquidacion	Spain	50%
Pointing Asia Limited	Hong Kong	
Pointing Canada Limited	Canada	
Pointing Color Inc.	Delaware	
Pointing Limited	United Kingdom	
Pointing Mexico, S.A. de C.V.	Mexico	
Reggiana-Warner Jenkinson S.r.l.	Italy	
Sensient Colors Brasil Ltda.	Brazil	
Sensient Colors Canada Ltd.	Canada	
Sensient Colors Inc.	New York	
Sensient Colors S.A. de C.V.	Mexico	
Sensient Colors SA	Argentina	
Sensient Colors South Africa (Pty.) Limited	South Africa	
Sensient Colors UK Limited	United Kingdom	
Sensient Food Colors Czech Republic, s.r.o.	Czech Republic	
Sensient Food Colors France	France	
Sensient Food Colors Germany GmbH & Co. K.G.	Germany	
Sensient Food Colors Hungary KFT	Hungary	
Sensient Food Colors Italy S.r.l.	Italy	
Sensient Food Colors L.P.	Missouri	

Sensient Food Colors Poland Sp. z.o.o	Poland
Sensient Food Colors Romania Srl	Romania
Sensient Food Colors the Netherlands B.V.	Netherlands
Sensient Imaging Technologies Germany GmbH	Germany
Sensient Imaging Technologies GmbH	Germany
Sensient Imaging Technologies Inc.	California
Sensient Imaging Technologies Ltd.	Switzerland
Sensient Imaging Technologies Spain, S.L.	Spain
Sensient Imaging Technologies, LLC	New Jersey
Societe Civile Immobiliere Cesar	France
Societe Civile Immobiliere Griseda	France
Warner Jenkinson Europe GmbH	Germany
<b>Asia Pacific Division</b>	
Sensient Technologies Hong Kong Limited	Hong Kong
Sensient India Private Limited	India
Sensient Technologies (Philippines), Inc.	Philippines
Sensient Technologies (Thailand), Ltd.	Thailand
Sensient Technologies Asia Pacific Pte. Ltd.	Singapore
Sensient Technologies Australia Pty Ltd	Australia
Sensient Technologies Corporation (China) Ltd.	China
Sensient Technologies Corporation (Japan)	Japan
<b>Discontinued</b>	
Minn-Dak Yeast Company, Inc.	North Dakota

20%

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## Section 6: EX-23 (CONSENT OF DELOITTE & TOUCHE LLP)

Exhibit 23

### INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Amendment No. 1 to Registration Statement Nos. 33-34555 and 33-55437 and Registration Statements No. 333-95991, 333-95993, 33-27356, 333-35877, 333-96781, 333-85360 and 333-45931 on Form S-8 and Registration Statement No. 333-67015 on Form S-3 of Sensient Technologies Corporation, of our reports dated February 12, 2004 (which report expresses an unqualified opinion and includes an explanatory paragraph as to the adoption in 2002 of Statement of Financial Accounting Standards No. 142 "Goodwill and Other Intangible Assets"), appearing in and incorporated by reference in this Annual Report on Form 10-K of Sensient Technologies Corporation for the year ended December 31, 2003.

Milwaukee, Wisconsin  
March 12, 2004

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## Section 7: EX-31 (CERT. OF SENSIENT'S CHM, PRES. & CEO & VP, CFO & TREASURER.)

EXHIBIT 31

### CERTIFICATION Pursuant to Rule 13a-14(a) of the Exchange Act

I, Kenneth P. Manning, certify that:

- I have reviewed this annual report on Form 10-K of Sensient Technologies Corporation;
- Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15e and 15d-15e) for the registrant and have:
  - designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under

our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

- b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
- a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 15, 2004

/s/ KENNETH P. MANNING

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**Kenneth P. Manning, Chairman,  
President and Chief Executive Officer**

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**CERTIFICATION**  
**Pursuant to Rule 13a-14(a) of the Exchange Act**

I, Richard F. Hobbs, certify that:

1. I have reviewed this annual report on Form 10-K of Sensient Technologies Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15e and 15d-15e) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 15, 2004

/s/ RICHARD F. HOBBS

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**Richard F. Hobbs, Vice President,  
Chief Financial Officer and Treasurer**

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## **Section 8: EX-32 (CERT. OF SENSIENT'S CHM, PRES. & CEO & VP, CFO & TREASURER.)**

**EXHIBIT 32**

**CERTIFICATION**  
**Pursuant to 18 United States Code § 1350**

The undersigned hereby certifies that the Annual Report on Form 10-K for the year ended December 31, 2003 of Sensient Technologies Corporation (the "Company") filed with the Securities and Exchange Commission on the date hereof fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ KENNETH P. MANNING

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Name: **Kenneth P. Manning**  
Title: **Chairman, President and Chief Executive Officer**  
Date: **March 15, 2004**

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**CERTIFICATION**  
**Pursuant to 18 United States Code § 1350**

The undersigned hereby certifies that the Annual Report on Form 10-K for the year ended December 31, 2003 of Sensient Technologies Corporation (the "Company") filed with the Securities and Exchange Commission on the date hereof fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ RICHARD F. HOBBS

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Name: **Richard F. Hobbs**  
Title: **Vice President, Chief Financial Officer and Treasurer**  
Date: **March 15, 2004**

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