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, 2005

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 if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

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

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or 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 a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐

Indicate by check mark if the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act. Yes ☐ No ☒

The aggregate market value of the voting Common Stock held by non-affiliates of the Registrant as of June 30, 2005 was $967,341,562. 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 46,181,497 shares of Common Stock outstanding as of March 8, 2006.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of: (1) the Company's Annual Report to Shareholders for the fiscal year ended December 31, 2005 (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 , 2006 (see Part III of this Form 10-K).

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SENSIENT TECHNOLOGIES CORPORATION—FORM 10-K FOR YEAR ENDED DECEMBER 31, 2005 INDEX

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 and the Company's customers; 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 and customer acceptance of price increases; actions by competitors; 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.

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 100 F Street, N.E., Washington, D.C. 20549, and can also be accessed from the website 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 website at www.sensient-tech.com. The Company's web address is provided as an inactive textual reference only, and the contents of this website are not incorporated in or otherwise to be regarded as part of this annual report. The Company makes available free of charge on its website 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, free of charge, upon request. If there are any amendments to the Code of Conduct, the Standards of Conduct, the Code of Ethics or the Corporate Governance Guidelines, or if waivers from any of them are granted for executive officers or directors, those amendments or waivers also will be posted on the Company's website.

Description of Business

Sensient Technologies Corporation is a global manufacturer and marketer of colors, flavors and fragrances. Sensient uses advanced technologies at facilities around the world to develop specialty food and beverage systems, cosmetic and pharmaceutical systems, inkjet and specialty inks and colors, and other specialty chemicals. The Company's customers include major international manufacturers representing some of the world's best-known brands.

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;
- technical colors, inkjet colors and aftermarket inks, and specialty dyes and pigments; and
- chemicals for laser printing and flat screen displays.

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. The Company realigned its segments in 2005. As a result, Japan and China, previously included in the Asia Pacific Group, are now reported as part of the Flavors & Fragrances Group. Financial information regarding the Company's two reportable segments is incorporated by reference to the information set forth on pages 38 through 40 of the Company's 2005 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. Under the unified brand names of Sensient Flavors, Sensient Dehydrated Flavors and Sensient Fragrances, the Group is a supplier to multinational companies.

The Flavors & Fragrances Group produces flavor and fragrance products that impart a desired taste, texture, aroma and/or other characteristics 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 main products of the Group are systems products, including flavor-delivery systems, and compounded and blended products. In addition, the Group has strong positions in selected ingredient products such as essential oils, natural and synthetic flavors, and aroma chemicals. The Group serves food and non-food industries. In food industries, markets include savory, beverage, dairy, confectionery and bakery flavors. In non-food industries, the Group supplies fragrance products to the personal and home care-markets and supplies flavor products to the pharmaceuticals market.

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, China, France, Germany, Italy, Japan, 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 2003, the Company acquired certain assets of Kyowa Koryo Kagaku Kabushiki Kaisha, a Japanese flavor producer. 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 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 (by sales) 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 Europe. Advanced dehydration technologies utilized by Sensient Dehydrated Flavors permit fast and effective rehydration of ingredients used in many of today's popular convenience foods.

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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 (by sales) of synthetic and natural colors, and that it is the world's largest manufacturer (by sales) 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, Canada, Mexico, France, Germany, Hungary, Italy, 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 Paper Colors (paper dyes and colorants);
- Sensient Cosmetic Technologies (cosmetic colors and ingredients and systems, a business which is currently known as LCW); and
- Sensient Technical Colors (including paper colors; industrial colors for plastics, leather, wood stains, antifreeze and other uses; inkjet colors and aftermarket inks; specialty inks; and display imaging).

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 enhanced product and process technology synergies, as well as the Color Group's international presence. In August 2003, the Company acquired Formulabs Iberica S.A., a manufacturer and marketer of specialty inks, primarily for inkjet applications. 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 technical colors business in Europe.

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 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, New Zealand and the Philippines.

In 2003, the Company opened 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 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 support the Company's efforts to improve existing products and develop 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, 2005, the Company employed approximately 424 people in research, development and quality assurance.

Expenditures for research and development related to continuing operations in calendar year 2005 were $26.4 million, compared with $24.3 million in the year ended December 31, 2004 and $22.9 million in the year ended December 31, 2003. As part of its commitment to quality as a competitive advantage, the Company has achieved certification under the requirements established by the International Organization for Standardization in Geneva, Switzerland, through its ISO 9000 series of quality standards. Certified sites 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.

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 Company believes that 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, Fornaciari and Dr. Marcus (as previously discussed) provided new technologies in the extraction and purification of natural colors and have enabled rapid growth in the beverage, dairy and snack food segments.

The Color Group also manufactures technical colors for industrial applications, specialty chemicals for digital imaging, and photographic chemicals.

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 has expanded its sources of vegetables to include growers in China and expects to add growers in other Asian countries.

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.
- *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.

- *Asia Pacific*. Because of the broad array of products available to customers of the Asia Pacific Group, the Company believes that it 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 10 to the Consolidated Financial Statements of the Company, which appears on page 40 of the 2005 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 to the business of the Company.

Employees

As of December 31, 2005, the Company employed 3,518 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. Current compliance is not expected to have a material adverse effect in the next two years. Certain legal proceedings discussed in Item 3 of this Report pertain to environmental compliance. 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.

Item 1A. Risk Factors.

As with any business, the Company’s business and operations involve risks and uncertainties. In addition to the other discussions in, and incorporated by reference in, this Report, particularly those in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” incorporated by reference from pages 22 and 23 of the 2005 Annual Report to Shareholders and “Forward Looking Statements” on page 2 of this Report, the following factors should be considered:

- *In some product lines, most of our sales are made to a relatively small number of customers; if we lose any of those customers, sales and operating results could decline.*

In some of our product lines, our sales are concentrated to a small number of customers. While we do not currently have any customer that we consider to be significant to us as a whole, the loss of a significant customer of a product line could substantially affect the sales and profitability of that line, which may cause us to need to re-evaluate that line. Those developments could affect our results.

- *Many of our products are used in items for human consumption and contact. We may be subject to product liability claims and product recalls, which could negatively impact our profitability and corporate image.*

We sell flavors and colors which are used in foods, drugs, cosmetics, and other items for human consumption or contact. These products involve risks such as product contamination or spoilage, product tampering and other adulteration. We may be subject to liability if the consumption or use of our flavors and colors, or products which incorporate ingredients we manufacture, cause injury, illness or death. In addition, we or our customers may need to recall products in the event of contamination or damage.

A significant product defect, product liability judgment or product recall may negatively impact our profitability for a period of time depending on publicity, product availability, scope, competitive reaction and consumer attitudes. Even if a product liability claim is unsuccessful or is not fully pursued, the negative publicity surrounding any assertion that our products caused illness, injury or death could adversely affect our reputation with existing and potential customers and our corporate image.

- *Consolidation has resulted in customers with increased buying power, which can affect our profitability.*

Many of our customers have consolidated in recent years and we expect the combination trend to continue. These consolidations have often produced large, sophisticated customers with increased buying power who are more capable of resisting price increases. If the larger size or greater buying power of those customers results in additional negotiating strength, the prices we are able to charge could be negatively affected and our profitability could decline.

- *Intense competition may result in reduced sales and profitability.*

The industries and markets in which we operate are highly competitive. That competition can reduce both our sales and the prices at which we are able to sell our products, which can in turn negatively affect our profitability.

- *Our sales and profitability are affected by changing consumer preferences.*

Although we do not generally make or sell proprietary consumer products, many of our products are sold to companies which develop and market consumer products. Sales of these flavors, fragrances, colors and inks depend in part upon our customers' ability to identify and meet consumer preferences and their sales and marketing efforts, all of which are beyond our control. Therefore, we depend upon our customers' ability to create markets for the consumer products which incorporate many of the flavors, fragrances, colors and inks which we manufacture.

- *If we do not maintain an appropriate cost structure, our profitability could decrease.*

Our success depends in part on our ability to maintain an efficient cost structure. We regularly initiate cost-reduction measures that could impact our manufacturing, sales, operations and information systems functions. If we do not continue to manage costs and achieve additional efficiencies, or we do not successfully implement related strategies, our competitiveness and our profits could decrease.

- *Commodity and energy price increases or material shortages may reduce our profits.*

We use many different commodities as raw ingredients. We also use petroleum-based raw materials and other raw materials whose production is energy intensive. In addition, various energy sources are used in our production and distribution processes. Commodity and energy prices are subject to significant volatility caused by market fluctuations, supply and demand, currency fluctuation, production and transportation disruption, world events, and changes in governmental programs.

Commodity and energy price increases will raise both our raw material costs and operating costs. We may not be able to increase our product prices enough to offset these increased costs. Increasing our prices also may reduce sales volume and profitability.

In addition, we obtain some of the raw materials that we use from a single supplier or a limited number of suppliers, and problems with those suppliers could affect the availability of those materials. Even if there are multiple suppliers of a particular raw material, there are occasional shortages. An unavailability or shortage of a raw material could negatively affect our operations using that raw material and thus our results.

- *There are many laws and regulations applicable to our industries. Compliance with those requirements is costly to us and can affect our operations. Failure to comply could also be costly and disruptive.*

Our facilities and products are subject to many laws and regulations relating to the processing, packaging, storage, distribution, quality and safety of food, drugs and other consumer products. These laws and regulations are administered in the United States by the Department of Agriculture, the Food and Drug Administration, and other federal and state governmental agencies. We are subject to similar governmental regulation and oversight abroad. Compliance with these laws and regulations can be costly and affect our operations. Also, if we fail to comply with applicable laws and regulations, we could be subject to administrative penalties and injunctive relief, civil remedies, fines and recalls of our products.

- *Environmental compliance may be costly to us.*

Our operations are subject to extensive and increasingly stringent laws and regulations which pertain to the discharge of materials into the environment and the handling and disposition of wastes. These rules operate at both the federal and state levels in the United States, and there are analogous laws at many of our overseas locations. We are currently involved in disputes relating to compliance with environmental laws. Environmental regulations, and the potential failure to comply with them, can have serious consequences, including the costs of compliance and defense, interference with our operations, civil and administrative penalties and negative publicity.

- *We may not successfully complete and integrate future acquisitions, which could adversely affect our operating results.*

We have acquired many companies and operations in the past and may resume growth by acquisition. Our future growth through acquisitions could involve significant risks that may have a material adverse effect on us. We may also be at risk for factors associated with acquisitions that the Company has made in the past. These risks include: inability to integrate successfully our acquired operations' businesses and personnel; the inability to realize anticipated synergies, economies of scale or other value; difficulties coordinating management of operations at new sites; the strain placed on our personnel, systems and resources; possible loss of an acquired business' customer base; and the loss of key employees of acquired businesses. Acquired companies may also have significant latent liabilities which may not be discovered before an acquisition or fully reflected in the price we pay.

We may also need to finance future acquisitions, and the terms of any financing, and the need to ultimately repay or refinance any indebtedness, may have negative effects on us. Acquisitions also could have a dilutive effect on our financial results. Acquisitions also generally result in goodwill, which would need to be written off against earnings in the future if it becomes impaired.

- *Operating in foreign countries exposes us to increased risks, including foreign currency risks.*

We operate and sell our products in many foreign countries. The international aspects of our business subject us to risks that could materially impact our operating results, including: foreign exchange rate fluctuations; difficulties in staffing and managing foreign personnel in diverse cultures; transportation delays or interruptions; and the effects of international political developments, and political and economic instability. In addition, changes in policies by the United States or foreign governments could negatively affect our operating results due to changes in duties, tariffs, trade regulations, taxes or limitations on currency or fund transfers.

- *We depend on certain key personnel, and the loss or retirement of these persons may harm our business.*

Our success depends in large part on the continued service and availability of our key management and technical personnel, and on our ability to attract and retain qualified new personnel. The competition for these individuals can be significant, and the loss of key employees could harm our business. In addition, as some of these persons

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approach retirement age, we need to provide for smooth transitions, and our operations and results may be negatively affected if we are not able to do so.

- *World events and natural disasters are beyond our control and could affect our results.*

World events, such as the attacks of September 11, 2001 and their aftermath, the Iraq conflict and the situations in North Korea and Iran, can adversely affect national, international and local economies. Economies can also be affected by other events such as natural disasters, such as the Southeast Asian tsunami and Hurricane Katrina, or epidemics such as the avian flu. These events and conditions, which are beyond our control, could adversely affect our revenues and profitability if they affect the economy, and could particularly affect us if they occur in locations in which we or our customers have significant operations.

Item 1B. Unresolved Staff Comments.

None

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 (ordinary wear and tear excepted) and suitable and adequate for the Company's requirements.

LOCATION	GROUP/DIVISION	FUNCTION
UNITED STATES		
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	Flavors & Fragrances	Production, sales and R&D/flavors
Michigan		
Harbor Beach	Flavors & Fragrances	Production/flavors and flavor enhancers
Missouri		
St. Louis	Color	Production, R&D and sales/food colors
New Jersey		
South Plainfield (2) **	Color	Production, R&D and sales/cosmetic and pharmaceutical colors and ingredients
Wisconsin		
Juneau	Flavors & Fragrances	Production/flavor enhancers and extracts
Milwaukee*	Headquarters	Administrative offices

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INTERNATIONAL

Argentina		
Buenos Aires*	Color	Sales/food colors
Australia		
Keysborough	Asia Pacific	Production, R&D and sales/colors and flavors
Sydney*	Asia Pacific	Sales/food colors and flavors
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/food colors
São Paulo*	Flavors & Fragrances	Production and sales/flavors
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/food colors
Mississauga, Ontario	Flavors & Fragrances	R&D and sales/flavors
Rexdale, Ontario *	Flavors & Fragrances	Production/ingredients and flavors
Tara, Ontario	Flavors & Fragrances	Production/ingredients and flavors
China		
Beijing*	Flavors & Fragrances	Sales/colors and flavors
Guangzhou*	Flavors & Fragrances	Production, R&D and sales/flavors and food and pharmaceutical colors
Hong Kong*	Flavors & Fragrances	Sales/colors and flavors
Qingdao*	Flavors & Fragrances	Production/dehydrated flavors
Shanghai*	Flavors & Fragrances	R&D and sales/colors and flavors
Czech Republic		
Prague*	Color	Sales/food colors
England		
Kings Lynn *	Color	Production/food colors and dyes
Milton Keynes	Flavors & Fragrances	Production and sales/flavors and extracts
France		
Marchais	Flavors & Fragrances	Production/dehydrated flavors
Saint-Denis*	Color	Sales/food colors
Saint Ouen L’Aumone*	Color	Production, R&D and sales/cosmetic colors and ingredients
Strasbourg	Flavors & Fragrances	Production and sales/flavor enhancers and extracts

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INTERNATIONAL
(Continued)

Germany		
Bremen *	Flavors & Fragrances	Production and sales/flavors, flavored products and essential oils
Geesthacht	Color	Production, R&D and sales/food colors
Wolfen	Color	Production, R&D and sales/specialty dyes and chemicals
Hungary		
Budapest	Color	Production/food 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	Color	Production and sales/natural colors
Japan		
Osaka*	Flavors & Fragrances	Sales/flavors and colors
Hitachi	Flavors & Fragrances	Production/flavors and colors
Tokyo*	Flavors & Fragrances	R&D and sales/flavors and colors
Korea		
Seoul*	Flavors & Fragrances	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/food and cosmetic colors
Tijuana*	Color	Production/inkjet inks
Tlalnepantla (2)*	Flavors & Fragrances	Production, R&D, distribution and sales/ingredients, flavors and fragrances
The Netherlands		
Amersfoort*	Color	Sales/food colors
Elburg	Flavors & Fragrances	Production/dehydrated flavors
Naarden	Flavors & Fragrances	Sales/food colors and 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		
Warsaw*	Color	Sales/food colors

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INTERNATIONAL
(Continued)

Romania		
Morazia*	Color	Sales/food colors
Serbia		
Zenta	Color	Sales/food colors
Singapore		
Singapore*	Asia Pacific	R&D and sales/food colors and flavors
South Africa		
Johannesburg*	Color	Production and sales/food colors
Spain		
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

Clean Air Act NOV

On June 24, 2004, the United States Environmental Protection Agency (the “EPA”) issued a Notice of Violation/Finding of Violation (“NOV”) to Lesaffre Yeast Corporation (“Lesaffre”) for alleged violations of the Wisconsin air emission requirements. The NOV generally alleges that Lesaffre’s Milwaukee, Wisconsin facility violated air emissions limits for volatile organic compounds during certain periods from 1999 through 2003. Some of these violations allegedly occurred before Lesaffre purchased Red Star Yeast & Products (“Red Star Yeast”) from the Company.

On June 30, 2005, the EPA issued a second NOV to Lasaffre and Sensient which alleged that certain operational changes were made during Sensient’s ownership of the Milwaukee facility without complying with new-source review procedures and without the required air pollution control permit. While the Company’s evaluation is continuing, there appear to be significant legal defenses available to the Company in connection with the alleged violations.

The Company has met with the EPA in an attempt to resolve the NOVs. In September 2005, as follow-up to one of those meetings, the Company submitted information to refute the allegations of the June 30, 2005 NOV and requested that the NOV be withdrawn. The Company is awaiting the EPA's response to that submission.

In connection with the sale of Red Star Yeast, the Company provided Lesaffre and certain of its affiliates with indemnification against environmental claims attributable to the operation, activities or ownership of Red Star Yeast prior to February 23, 2001, the closing date of the sale. See Note 12 to the Company's consolidated financial statements. The Company has not received a claim for indemnity from Lesaffre with respect to this matter. In December 2005, Lesaffre closed the Milwaukee plant. The Company informed the EPA of this development.

Superfund Claim

On July 6, 2004, the EPA notified the Company's Sensient Colors Inc. subsidiary that it may be a potentially responsible party ("PRP") under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") for activities at the General Color Company Superfund Site in Camden, New Jersey. The EPA requested reimbursement of $10.9 million in clean-up costs, plus interest. Sensient Colors Inc. advised the EPA that this site had been expressly excluded from the Company's 1988 stock purchase of H. Kohnstamm & Company, Inc. (now Sensient Colors Inc.). The selling shareholders had retained ownership of and liability for the site, and some became owners of General Color Company, which continued to operate there until the mid-1990s. The Company's legal defense costs are being paid by an insurer with a reservation of coverage rights. Litigation to resolve coverage rights is pending. The Company continues to assess the existence and solvency of other PRPs, additional insurance coverage, the nature of the alleged contamination, and the extent to which the EPA's activities satisfy the requirements for reimbursement under CERCLA, as well as the legal sufficiency of excluding this site from the 1988 transaction. In a letter to the EPA dated January 31, 2005, the Company outlined legal challenges to the recoverability of certain costs and urged the EPA to pursue General Color Company and related parties. The EPA subsequently informed the Company that it is unwilling to discuss these legal challenges without prior conditions and may refer this matter to the Department of Justice, which would evaluate the referral for potential civil litigation under applicable environmental laws.

Remmes v. Sensient Flavors Inc. et al.

In June 2004, the Company and certain other flavor manufacturers were sued in Iowa state court by Kevin Remmes, who alleged that while working at American Popcorn Company of Sioux City, Iowa, he was exposed to butter flavoring vapors that caused injury to his lungs and respiratory system. The Company, among others, sold butter flavoring used in the manufacture of microwave popcorn to American Popcorn Company. The suit was removed to Federal District Court for the Northern District of Iowa, Western Division. The Company believes that plaintiff's claims are without merit and is vigorously defending this case. A trial date has been set in March 2007. One of the Company's insurers has acknowledged coverage and is paying defense costs since the deductible has been exceeded.

Fults et al. v. Sensient Flavors Inc. et al.

In August 2005, the Company and certain other flavoring manufacturers were sued in the City of St. Louis, Missouri, Circuit Court by Elizabeth Fults (as administrator for the Estate of Dixie Asbury), Nancy Lee Dudley and Jill Roth, all of whom allege that they suffered damage as a result of work-related exposure to butter flavoring vapors at the Gilster-Mary Lee microwave popcorn plant in McBride, Missouri. At present, it is unclear whether and to what extent the Company ever sold butter flavoring products to this facility. The Company intends to file a motion to dismiss and will vigorously defend its interests in this case. A trial date has been set in this matter for May 2007.

Kuiper et al. v. Sensient Flavors Inc. et al.

In late January 2006, the Company and certain other flavor manufacturers were sued in the Federal District Court for the Northern District of Iowa, Western Division, by Ronald Kuiper and his spouse, Conley Kuiper. Mr. Kuiper claims that while working at American Popcorn Company of Sioux City, Iowa, he was exposed to butter flavoring vapors that caused injury to his lungs and respiratory system. Ms. Kuiper's claim is for loss of consortium. The allegations of this Complaint are virtually identical to those contained in the Remmes Complaint. Plaintiffs' counsel moved to consolidate the Kuiper case with the Remmes case for discovery purposes; the Court denied the motion on procedural grounds. The Company believes that plaintiffs' claims are without merit and is vigorously defending this case. A trial date has not yet been set in this matter.

The Company is involved in various other claims and litigation arising in the normal course of business. In the judgment of management, which relies in part on information from Company counsel, the ultimate resolution of these actions will not materially affect the consolidated financial statements of the Company except as described above.

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, 2005.

Executive Officers of the Registrant

The executive officers of the Company and their ages as of March 1, 2006 are as follows:

Name	Age	Position
Kenneth P. Manning	64	Chairman, President and Chief Executive Officer
Richard Carney	55	Vice President - Administration
John F. Collopy	36	Assistant Treasurer
John L. Hammond	59	Vice President, Secretary and General Counsel
Richard F. Hobbs	58	Vice President, Chief Financial Officer and Treasurer
Richard J. Malin	39	Assistant Controller
Peter G. Bradley	46	President - Color Group
Ralph G. Pickles	59	President - Flavors & Fragrances Group
Stephen J. Rolfs	41	Vice President, Controller and Chief Accounting Officer
Dr. Ho-Seung Yang	58	Vice President - Marketing & Technology

The Company has employed all of the individuals named above, in their current positions, for at least the past five years except as follows. Mr. Carney has held his present office since 2002 and previously served as Vice President-Human Resources (1993-2002). Mr. Collopy has held his present office since February 2006 and previously served as Director, Treasury Operations (2004-2006) and Manager, Corporate Development (1999-2004). Mr. Malin has held his present office since April 2005 and previously served as Assistant Treasurer (2001-2005), Controller (2001) and Controller of Sensient Dehydrated Flavors Company (2000-2001). Mr. Bradley has held his present office since July 2005 and previously served as President-Asia Pacific Group (2004-2005) and General Manager-Food Colors UK (2003-2004). Mr. Pickles has held his present office since 2003 and previously served as President-Asia Pacific Group (2000-2003) and Managing Director, Color-Europe (1995-2000). Dr. Yang has held his present office since 2003 and previously served as Vice President-Technologies (1998-2003).

PART II

Item 5. Market for the Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

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 2004 and 2005 appearing under “Common Stock Prices and Dividends” on page 45 of the 2005 Annual Report to Shareholders are incorporated by reference. In 2005, 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 8, 2006, 1,965,890 shares had been repurchased under the latter authorization.

The following table provides the specified information about the repurchases of shares by the Company during the fourth quarter of 2005.

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Maximum number of shares that may be purchased under the recent plans or programs*
October 1 to 31, 2005	282,200	$17.6206	282,200	4,015,400
November 1 to 30, 2005	250,400	$17.8307	250,400	3,765,000
December 1 to 31, 2005	529,941	$17.8901	529,941	3,235,059
Total	1,062,541	$17.8045	1,062,541	

* At period end.

The number of shareholders of record on March 8, 2006 was 3,652.

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

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 46 and 47 of the 2005 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 24 of the 2005 Annual Report to Shareholders and is incorporated by reference.

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Item 7A. Quantitative and Qualitative Disclosures about Market Risk

The information required by this item is set forth under “Market Risk Factors” on pages 22 and 23 of the 2005 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 25 through 42 and page 45 of the 2005 Annual Report to Shareholders and are incorporated by reference.

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

The information required by this item is set forth under “Change in Independent Registered Public Accounting Firm” on page 45 of the 2005 Annual Report to Shareholders and is incorporated by reference.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures. The Company carried out an evaluation, under the supervision and with the participation of management, including the Company’s Chairman, President and Chief Executive Officer, and its Vice President, Chief Financial Officer and Treasurer, of the effectiveness, as of December 31, 2005, of the design and operation of the disclosure controls and procedures, as defined in Rule 13a-15(e) of the Exchange Act. Based upon that evaluation, the Company’s Chairman, President and Chief Executive Officer, and its Vice President, Chief Financial Officer and Treasurer have concluded that the disclosure controls and procedures were effective as of December 31, 2005.

Management’s Report on Internal Control over Financial Reporting. The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) under the Exchange Act. The Company’s internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Management has assessed the effectiveness of the Company’s internal control over financial reporting as of December 31, 2005. In making its assessment of internal control over financial reporting, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control — Integrated Framework*. Based on that assessment, management has concluded that the Company’s internal control over financial reporting was effective as of December 31, 2005. Management’s report on internal control over financial reporting, which appears on page 43 of the 2005 Annual Report to Shareholders, is incorporated by reference.

Management’s assessment of the effectiveness of the Company’s internal control over financial reporting as of December 31, 2005, has been audited by Deloitte & Touche LLP, an independent registered public accounting firm. The attestation report on internal control over financial reporting, set forth on page 44 of the 2005 Annual Report to Shareholders, is incorporated by reference.

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

Changes in Internal Control over Financial Reporting. There has been no change in the Company’s internal control over financial reporting during the quarter ended December 31, 2005 that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

Item 9B. Other Information

None.

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 two through eight and page 21, respectively, of the Proxy Statement for the Annual Meeting of Shareholders of the Company dated March 15, 2006 (“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 page eight of the Proxy Statement and “Executive Compensation,” “Equity Compensation Plan Information” and “Employment Agreements and Other Arrangements” on pages 16 through 20 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 under the heading “Committees of the Board of Directors” on page five of the Proxy Statement.

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 11 and 12 of the Proxy Statement is incorporated by reference. The discussion appearing under “Equity Compensation Plan Information” on page 18 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 material business transaction of the Company or any subsidiary during the period January 1, 2005 through December 31, 2005, or in any such proposed transaction. 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 eight through ten of the Proxy Statement is incorporated by reference.

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PART IV

Item 15. Exhibits and Financial Statement Schedules

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 exhibits hereto 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.

List of Financial Statements and Financial Statement Schedules

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.

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
Sensient Technologies Corporation
Milwaukee, Wisconsin

We have audited the consolidated financial statements of Sensient Technologies Corporation and subsidiaries (the “Company”) as of December 31, 2005 and 2004, and for each of the three years in the period ended December 31, 2005, management’s assessment of the effectiveness of the Company’s internal control over financial reporting as of December 31, 2005, and the effectiveness of the Company’s internal control over financial reporting as of December 31, 2005, and have issued our reports thereon dated February 17, 2006. Such consolidated financial statements and reports are included in your 2005 Annual Report to Shareholders and are incorporated herein by reference. Our audits also included the consolidated financial statement schedule of the Company listed in Item 15. That consolidated 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, that 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
February17, 2006

Schedule II

Valuation and Qualifying Accounts (in thousands); Years Ended December 31, 2005, 2004, 2003

Valuation Accounts Deducted in the Balance Sheet From the Assets To Which They Apply	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Additions Recorded During Acquisitions	Deductions (A)	Balance At End of Period
2003					
Allowance for losses:					
Trade accounts receivable	$ 4,885	$ 2,044	$ 131	$ 2,217	$ 4,843
2004					
Allowance for losses:					
Trade accounts receivable	$ 4,843	$ 4,773	$ 0	$ 2,987	$ 6,629
2005					
Allowance for losses:					
Trade accounts receivable	$ 6,629	$ 2,465	$ 0	$ 1,767	$ 7,327

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

Dated: March 15, 2006

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below as of March 15, 2006, by the following persons on behalf of the Registrant and in the capacities indicated.

/s/ Kenneth P. Manning Kenneth P. Manning Chairman of the Board, President and Chief Executive Officer	/s/ Fergus M. Clydesdale Fergus M. Clydesdale Director
/s/ Richard F. Hobbs Richard F. Hobbs Vice President, Chief Financial Officer and Treasurer	/s/ James A.D. Croft James A.D. Croft Director
/s/ Stephen J. Rolfs Stephen J. Rolfs Vice President, Controller and Chief Accounting Officer	/s/ William V. Hickey William V. Hickey Director
/s/ Michael E. Batten Michael E. Batten Director	/s/ Peter M. Salmon Peter M. Salmon Director
/s/ John F. Bergstrom John F. Bergstrom Director	/s/ Essie Whitelaw Essie Whitelaw Director
/s/ Hank Brown Hank Brown Director	

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SENSIENT TECHNOLOGIES CORPORATION
EXHIBIT INDEX
2005 ANNUAL REPORT ON FORM 10-K

Exhibit Number	Description	Incorporated by Reference From	Filed Herewith
3.1	Amended and Restated Articles of Incorporation adopted January 21, 1999 as amended as of April 21, 2005	Exhibit 3.1 to Quarterly Report on Form 10-Q for the quarter ended March 31, 2005 (Commission File No.1-7626)	
3.2	Amended and Restated By-Laws of Sensient Technologies Corporation as amended as of April 21, 2005	Exhibit 3.2 to Quarterly Report on Form 10-Q for the quarter ended March 31, 2005 (Commission File No.1-7626)	
3.2(a)	Amendment to Section 3.2(a) of the By-Laws of Sensient Technologies Corporation, effective April 27, 2006	Exhibit 3.1(ii) to Current Report on Form 8-K dated February 14, 2006 (Commission File No. 1-7626)	
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)(2)	Executive Employment Contract between Registrant and Kenneth P. Manning dated December 1, 2005	Exhibit 10.2 to Current Report on Form 8-K dated December 1, 2005 (Commission File No. 1-7626)	

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SENSIENT TECHNOLOGIES CORPORATION
EXHIBIT INDEX
2005 ANNUAL REPORT ON FORM 10-K

Exhibit Number	Description	Incorporated by Reference From	Filed Herewith
10.1(b)	Form of Amended and Restated Change of Control Employment and Severance Agreement for Executive Officers ("Executive Change in Control Agreement")	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(b)(1)	Form of Amendment No. 1 to Executive Change in Control Agreement, dated October 14, 2004	Exhibit 10.3 to Current Report on Form 8-K dated October 14, 2004 (Commission File No. 1-7626)	
10.1(b)(2)	Form of Amendment No. 2 to Executive Change in Control Agreement, dated December 1, 2005	Exhibit 10.5 to Current Report on Form 8-K dated December 1, 2005 (Commission File No. 1-7626)	
10.1(c)	Sensient Technologies Corporation 2002 Non-Employee Directors Stock Plan	Appendix C to Definitive Proxy Statement filed on Schedule 14A on March 15, 2004 (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)	

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SENSIENT TECHNOLOGIES CORPORATION
EXHIBIT INDEX
2005 ANNUAL REPORT ON FORM 10-K

Exhibit Number	Description	Incorporated by Reference From	Filed Herewith
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(h)(1)	Form of Restricted Stock Agreement thereunder	Exhibit 10.1 to Current Report on Form 8-K dated December 1, 2005 (Commission File No. 1-7626)	
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 Firstar 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)	

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SENSIENT TECHNOLOGIES CORPORATION
EXHIBIT INDEX
2005 ANNUAL REPORT ON FORM 10-K

Exhibit Number	Description	Incorporated by Reference From	Filed Herewith
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)	Amended and Restated Sensient Technologies Corporation Incentive Compensation Plan for Elected Corporate Officers dated as of February 12, 2004	Appendix D to Definitive Proxy Statement filed on Schedule 14A on March 15, 2004 (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)	

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SENSIENT TECHNOLOGIES CORPORATION
EXHIBIT INDEX
2005 ANNUAL REPORT ON FORM 10-K

Exhibit Number	Description	Incorporated by Reference From	Filed Herewith
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(t)(1)	Amendment No. 1 to Supplemental Executive Retirement Plan A dated October 14, 2004	Exhibit 10.1 to Current Report on Form 8 K filed October 14, 2004 (Commission File No. 1-7626)	
10.1(t)(2)	Amendment No. 2 to Supplemental Executive Retirement Plan A dated December 1, 2005	Exhibit 10.3 to Current Report on Form 8-K dated December 1, 2005 (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(u)(1)	Amendment No. 1 to Supplemental Executive Retirement Plan B dated October 14, 2004	Exhibit 10.1 to Current Report on Form 8 K filed October 14, 2004 (Commission File No. 1-7626)	
10.1(u)(2)	Amendment No. 2 to Supplemental Executive Retirement Plan B dated December 1, 2005	Exhibit 10.4 to current Report on Form 8-K dated December 1, 2005 (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)	

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SENSIENT TECHNOLOGIES CORPORATION
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Exhibit Number	Description	Incorporated by Reference From	Filed Herewith
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)	
10.2(a)	Credit Agreement dated as of September 2, 2004	Exhibit 1.1 to Current Report on Form 8-K filed September 8, 2004 (Commission File No. 1-7626)	
10.2(b)	First Amendment to Credit Agreement dated as of August 18, 2005	Exhibit 10.1 to Current Report of Form 8-K dated August 18, 2005 (Commission File No. 1-7626)	
13.1	Annual Report to Shareholders for the year ended December 31, 2005		X
14	Code of Ethics for Senior Financial Officers	Exhibit 14 to Annual Report on Form 10-K for the fiscal year ended December 31, 2003 (Commission File No. 1-7626)	
21	Subsidiaries of the Registrant	Exhibit 21 to Annual Report on Form 10-K for the fiscal year ended December 31, 2003 (Commission File No. 1-7626)	
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

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Section 2: EX-13.1 (ANNUAL REPORT TO SHAREHOLDERS FOR THE YEAR ENDED DECEMBER 31, 2005)

Exhibit 13.1

SENSIENT

2005
ANNUAL
REPORT

RIGHT NOW

SENSIENT TECHNOLOGIES CORPORATION

is a leading global developer, manufacturer and marketer of colors, flavors and fragrances. Sensient uses advanced, proprietary technologies at facilities around the world to develop specialty food and beverage systems, cosmetic and pharmaceutical systems, inkjet and specialty inks and colors and other specialty chemicals.

CORPORATE

Milwaukee, Wisconsin, U.S.A.

ASIA PACIFIC

Singapore
Melbourne, Australia
Sydney, Australia
Mumbai, India
Jakarta, Indonesia
Auckland, New Zealand
Manila, Philippines
Bangkok, Thailand

FLAVORS & FRAGRANCES

Indianapolis, Indiana, U.S.A.
Amboy, Illinois, U.S.A.
Harbor Beach, Michigan, U.S.A.
Juneau, Wisconsin, U.S.A.
Greenfield, California, U.S.A.
Livingston, California, U.S.A.(2)
Turlock, California, U.S.A.
Delta, British Columbia, Canada
Cornwall, Ontario, Canada
Mississauga, Ontario, Canada
Rexdale, Ontario, Canada,
Tara, Ontario, Canada,
Celaya, Mexico
Mexico City, Mexico (2)
São Paulo, Brazil
Brussels, Belgium
Heverlee, Belgium
Marchais, France
Strasbourg, France
Bremen, Germany
Milan, Italy
Elburg, Netherlands
Naarden, Netherlands
Barcelona, Spain
Granada, Spain
Kristianstad, Sweden
Milton Keynes (Bletchley), U.K.
Ceredigion (Felinfach), U.K.
Beijing, China
Guangzhou, China
Hong Kong, China
Qingdao, China
Shanghai, China
Hitachi, Japan
Osaka, Japan
Tokyo, Japan
Seoul, Korea

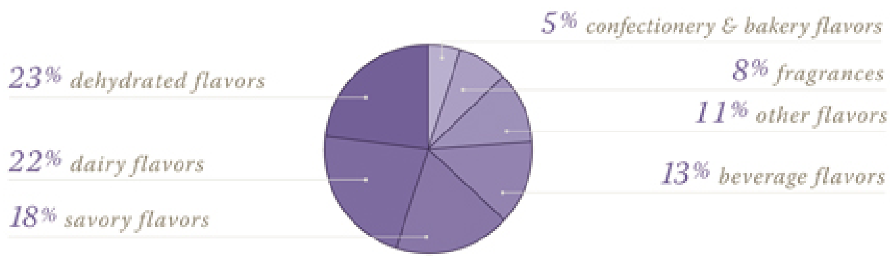
COLOR

St. Louis, Missouri, U.S.A.
Escondido, California, U.S.A.
South Plainfield, New Jersey, U.S.A.(2)
Kingston, Ontario, Canada
Lerma, Mexico
Tijuana, Mexico
Buenos Aires, Argentina
São Paulo, Brazil
Prague, Czech Republic
Paris, France (2)
Hamburg, Germany
Leipzig, Germany
Budapest, Hungary
Reggio Emilia, Italy
Warsaw, Poland
Oradea, Romania
Zenta, Serbia
Johannesburg, South Africa
Lausanne, Switzerland
King’s Lynn, U.K.

FLAVORS & FRAGRANCES GROUP

Sensient develops, manufactures and distributes flavor and fragrance systems that are found in thousands of consumer products worldwide. The Company's formulations are essential components of food, beverage, household and personal care products. Sensient's value-added flavors and fragrances enable our customers to excel in highly competitive markets. The Company's operations in China and Japan are now part of the Flavors & Fragrances Group.

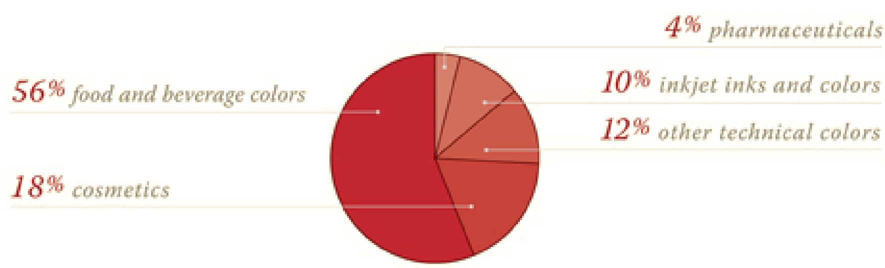
REVENUE BY PRODUCT LINE



COLOR GROUP

Sensient is a leading developer, manufacturer and marketer of natural and synthetic color systems for businesses around the globe. The Company's high-performance products play an integral role in the manufacture of food and beverages, cosmetics, pharmaceuticals, inkjet and specialty inks and colors, textiles and paper products.

REVENUE BY PRODUCT LINE



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MILWAUKEE,
WISCONSIN

LETTER TO SHAREHOLDERS

In 2005, Sensient Technologies Corporation took action to reposition the Company for higher sales and more cost-effective operations. Our outlook remains excellent.

2005 RESULTS

Total 2005 revenue was $1.024 billion. The Company achieved solid revenue growth in flavor and in food and beverage color product lines. Success in several markets was offset by higher raw material and energy costs.

As we contain these costs, we will continue to focus on profit improvement as well as revenue growth. We have identified areas of the business where our cost structure can be significantly reduced, and implemented a cost reduction program. We anticipate that cost reductions will save $10 million in 2006. Our strategy of cost reduction and price increases is aimed at improving earnings.

We are taking other actions to enhance shareholder value, including continuing our share repurchase program. We repurchased 1.1 million shares of Sensient stock in the fourth quarter of 2005. These repurchases represent an excellent investment for the Company and should result in higher returns to our stockholders.

EXPANDING SALES IN FOOD AND BEVERAGE

Sensient's dedication to innovation in our traditional food and beverage businesses was rewarded in the marketplace in 2005. Sensient's industry-leading extraction, savory and dehydrated flavor technologies differentiate our products in the marketplace. Traditional flavor sales in North America and Asia increased. Our food and beverage flavor and color revenue in Latin America grew at a healthy pace in 2005. We added new customers in all geographic regions and now provide about 30,000 flavors worldwide.

Color Group profits this year were reduced by lower inkjet ink revenues and higher raw material costs. Nevertheless, profits from food and beverage color product lines were up, reflecting a strong competitive position. The Company develops and markets the widest array of synthetic and natural food color systems available in the world. Our color chemists serve as important product development partners for both established and new customers. Sensient's country-specific knowledge and technical expertise are providing opportunities in the emerging markets of Central Europe, China and Latin America.

Sensient continues to benefit from product breadth. Gains are expected from our 156 new product introductions in 2006. We provide efficiency and dependability as a unified Company operating under the well-respected and recognized Sensient brand.

GLOBAL PRODUCTS FOR GLOBAL MARKETS

In our industry, Sensient provides a unique combination of regional expertise and global range. We

KENNETH P. MANNING
Chairman, President
and Chief Executive Officer

operate from 70 facilities in 30 countries. More than half of our 2005 revenue came from sales outside the U.S.

Sensient's local knowledge enables us to develop customized products for regional tastes. At the same time, the Company develops high-margin products that enjoy a growing international market. High-performance cosmetics formulations developed primarily at European and U.S. facilities can be found in consumer products in Latin America, China and Australia.

We are also marketing our lines of pharmaceutical colors and coatings all around the globe. Pharmaceuticals play an increasingly important role in health care, and Sensient's business is expected to grow as a result. China recently updated its national standards for pharmaceutical manufacturing, and Sensient is well positioned to benefit in this market. In addition, we will seek to extend our business in colors for printing on pharmaceuticals.

Cultural, technological and economic changes are creating new global opportunities for Sensient's industrial colors, inkjet inks and specialty inks. Digital photography continues to replace traditional photography on a global scale, and Sensient provides inks for home and professional photographic printing. We also develop technical colors for a wide range of commercial and industrial applications. Sensient's technical sophistication enables us to meet the growing demand for printing products that address environmental concerns.

OPPORTUNITIES ON THE HORIZON

The strength of Sensient's operations is the result of substantial changes that we made in the direction of the Company, beginning about 10 years ago. We divested under-performing domestic operations and expanded into faster-growing, value-added lines of business. I believe that the Company survives today because we had the foresight to exit businesses that offered little, if any, opportunity for growth. Our international presence is also a hallmark of our transformation.

We plan to continue to grow the Company by maximizing our present strengths, including the production capacity of our state-of- the-art facilities.

I expect many opportunities for Sensient on the horizon. I look forward to a great future and continuing success for the Company.

Sincerely,

Kenneth P. Manning
Chairman, President and Chief
Executive Officer

MINNEAPOLIS,
MINNESOTA

Right now in

NORTH AMERICA

For the North American market, Sensient develops customized technologies preferred by manufacturers of food, beverages, cosmetics, pharmaceuticals and household products and other technology companies. We continue to expand our flavor and color offerings with unique formulations for foods and beverages and specialty chemical applications.

The Company’s colors for inkjet inks are found in both consumer and professional digital photo printers manufactured by some of the best-known technology companies. Our inkjet and specialty inks also play an important role in printing on textiles, paper and food products.

Right now in

WESTERN EUROPE

Sensient's colors and ingredients for cosmetics supply leading European manufacturers of high-performance beauty products. The Company's formulations are found in lipstick, foundation, blush and moisturizers sold throughout the continent. The high-margin global cosmetics business continues to offer significant growth opportunities. Sensient also provides color and flavor systems and specialty chemicals to food, beverage and technology companies in Europe.

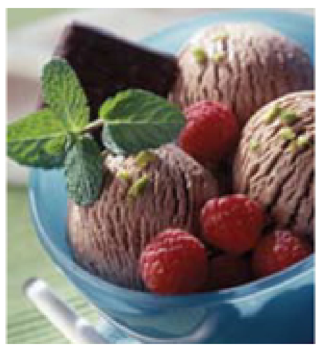
At facilities in Western Europe, Sensient's flavor and color scientists are finding new ways to use natural and synthetic ingredients to formulate innovative products. Our colors and flavors are enabling leading food and beverage manufacturers to enhance their product lines and improve quality.

BUDAPEST,
HUNGARY

Right now in

CENTRAL EUROPE

In Central Europe, Sensient is benefiting from fast-growing markets in new member countries of the European Union. As local manufacturers in Hungary, the Czech Republic, Romania and Poland pursue new ventures, Sensient is supplying them with a wide range of sophisticated products, including confectionery color and flavor systems. We are also drawing on a highly educated local workforce to lead innovation in our Central European facilities.



Urban consumers in Central Europe are increasingly purchasing manufactured foods, from ice cream to sauces to spice mixes. Sensient's market-leading natural color and savory flavor technologies are finding favor among local manufacturers and food service companies.

SÃO PAULO, BRAZIL

Right now in

LATIN AMERICA

Sensient's color and flavor systems, including chiral tropical flavors, are helping Latin American beverage manufacturers provide a wide variety of high-quality products to local markets. Traditionally, many beverages were made with local, fresh ingredients, and today people in Latin America seek similar taste and quality from manufactured beverages. Sensient's expertise in beverage formulation is helping win new business throughout the region, from Chile to Brazil to Mexico.

Food processors in Latin America are increasingly turning to Sensient to help them stand out in highly competitive markets. Our value-added color and flavor systems are found in ice cream, meat products, canned foods and seasonings manufactured throughout the region.

GUANGZHOU, CHINA

Right now in

ASIA PACIFIC

Sensient is positioned to benefit from cultural change and economic growth in China and the Asia Pacific region. Larger incomes are enabling people in China’s metropolitan centers to purchase high-quality processed foods, including savory soup base made with Sensient dehydrated flavor systems. At facilities in Guangzhou, we offer product development, testing and manufacturing for a variety of goods that appeal to the traditional and emerging tastes of Chinese consumers.

From colorful dish soaps to delicately flavored teas, Sensient is bringing our global expertise in color purification and flavor extraction to consumer products in China. In the coming years, we expect to increase sales further in China and throughout the Asia Pacific region.

FINANCIAL REVIEW

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FINANCIAL HIGHLIGHTS

in thousands except per share, employee and shareholder data

Years ended December 31,	2005	2004	% CHANGE
RESULTS OF OPERATIONS			
Revenue	$1,023,930	$1,047,133	(2.2)
Operating Income*	94,214	129,156	(27.1)
Net Earnings*	44,195	73,918	(40.2)
PER COMMON SHARE			
Net Earnings:*			
Basic	$ 0.95	$ 1.59	(40.3)
Diluted	0.94	1.58	(40.5)
Dividends	0.60	0.60	—
Book Value	13.43	13.99	(4.0)
OTHER INFORMATION			
Capital Expenditures	$ 36,102	$ 49,845	(27.6)
Depreciation and Amortization	$ 46,769	$ 46,243	1.1
Total Debt	$ 553,682	$ 615,196	(10.0)
Number of Employees	3,518	3,728	(5.6)
Number of Shareholders of Record	3,708	3,954	(6.2)
Average Common Shares Outstanding – Basic	46,746	46,562	0.4
Average Common Shares Outstanding – Diluted	47,067	46,877	0.4

* The 2005 results include restructuring and other charges of $12.8 million ($9.8 million after tax, or $0.21 per share) related to a cost reduction program and an impairment charge (see Note 11).

MANAGEMENT'S DISCUSSION & ANALYSIS OF OPERATIONS & FINANCIAL CONDITION

Overview

During 2005, Sensient Technologies Corporation (the "Company") was adversely affected by increases in raw material and energy costs. In response to these rising costs, the Company initiated a cost reduction program to improve profitability. The restructuring costs associated with the cost reduction program were recorded in the fourth quarter of 2005 and are discussed below. In addition, the Company's Flavors & Fragrances Group began to recognize benefits from price increases late in 2005. It is expected that these increases and additional increases planned for 2006 will offset the impact of the Group's higher costs during 2006. Sensient strengthened its competitive position in 2005 and was able to grow its share in certain markets such as food and beverage colors. As a result of the actions taken in 2005, management believes that the Company is positioned to deliver earnings growth in 2006.

The Company recorded restructuring and other charges of $12.8 million ($9.8 million after tax, or $0.21 per share) in the fourth quarter of 2005 related to the previously disclosed cost reduction program. The charges included an impairment charge to write-down the value of a minority investment as a result of a change in plans for that business by its majority shareholder. The cost reduction program also addresses the need to close facilities and reduce head-count in response to lower inkjet ink volumes following the termination of a significant supply agreement discussed below. The program resulted in the closure of two excess manufacturing facilities, a total reduction in global head-count of approximately 140 employees across all segments and the elimination of three product lines. The charges were recorded in cost of products sold ($4.3 million) and in restructuring and other charges ($8.5 million) and are included in the Corporate and Other segment. Savings of approximately $10 million are anticipated in 2006 as a result of this plan.

Revenue for 2005 was $1,023.9 million compared to $1,047.1 million in 2004. The primary reason for the decrease is due to the previously disclosed winding-up of a supply agreement with an original equipment manufacturer at the end of 2004. During 2004, this customer represented approximately $47.5 million of revenue (see Segment Information on Color for additional information).

Sensient's operating income was $94.2 million in 2005 versus $129.2 million in 2004. The primary factors for the lower operating income in 2005 include the winding-up of the supply agreement in 2004, which contributed approximately $10.3 million of operating income, the 2005 restructuring and other charges ($12.8 million) and the impact of an arbitration order ($4.5 million). Operating income in 2004 also included the benefits of $6.8 million related to the reduction of purchase accounting reserves. Additional information on these items is included above and in Results of Operations. Net earnings in 2005 were $44.2 million versus $73.9 million in 2004. Diluted earnings per share were $0.94, compared to $1.58 per share in 2004.

Results of Operations

2005 vs. 2004

Revenue for 2005 was $1,023.9 million compared to $1,047.1 million in 2004, a decrease of $23.2 million, or 2.2%. Revenue for the Flavors & Fragrances Group in 2005 was $670.6 million, an increase of $22.3 million, or 3.4%, over 2004. Color Group revenue decreased $43.9 million, or 11.4%, from 2004, to $339.9 million for 2005. The Asia Pacific Group increased revenue by 4.3%. Consolidated revenue decreased primarily as a result of decreases in sales of technical colors ($48.6 million) discussed below partially offset by an increase from the impact of favorable exchange rates ($8.1 million) and the increase in sales for Flavors & Fragrances. Additional information on Group results can be found in the Segment Information section.

The Company's 2005 gross margin decreased 120 basis points to 28.6% from 29.8% in 2004. Approximately 90 basis points of the margin decrease was due to the impact of higher raw material costs in both the Flavors & Fragrances and Color Groups. Approximately 40 basis points of the decrease related to higher energy costs in the Flavors & Fragrances Group. The $4.3 million portion of the 2005 restructuring charge reported in cost of products sold reduced margins by 40 basis points. Favorable product mix and pricing in the Flavors & Fragrances Group were the primary factors that partially offset these declines.

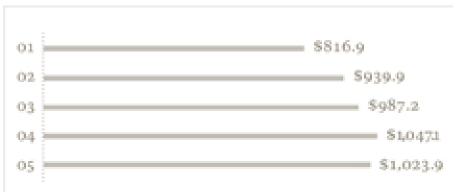
Selling and administrative expenses as a percent of revenue in 2005 were 18.6% versus 17.5% in 2004. The increase in percentage was a result of an expense recorded in the first quarter of 2005 related to an arbitration order in the matter of Kraft Foods North America, Inc. v. Sensient Colors Inc. ($4.5 million) and the benefits recorded in 2004 from the reduction of purchase accounting reserves ($6.8 million) as a result of lower than expected shut-down costs associated with the closure of two facilities (see Segment Information on Color for additional information).

Operating income in 2005 was $94.2 million compared to $129.2 million in 2004. The 2005 restructuring and other charges discussed above had the net effect of decreasing 2005 operating income by $12.8 million. Favorable exchange rates increased operating income by $2.1 million in 2005 compared to 2004.

Interest expense increased to $35.7 million in 2005 from $31.3 million in 2004. The increase was the result of higher interest rates partially offset by a reduction in average outstanding debt.

The effective income tax rate was 24.4% and 24.5% in 2005 and 2004, respectively. The effective tax rates for both 2005 and 2004 were reduced by discrete items primarily including the favorable resolution of prior years’ tax matters and the reduction of the valuation allowance related to the planned use of foreign tax losses. The 2005 reported rate was increased because certain costs incurred as part of the 2005 restructuring program are not expected to generate a tax benefit. These net discrete items reduced the effective tax rate for 2005 and 2004 by 5.3% and 4.2%, respectively.

	2005	2004
Rate excluding discrete items	**29.7%**	28.7%
Discrete items	**(6.7%)**	(4.2%)
Restructuring and other charges	**1.4%**	—
Reported effective tax rate	**24.4%**	24.5%



REVENUE (in millions)

The effective tax rate for 2006 is expected to be approximately 31% prior to the recording of any discrete items.

Segment Information

The Company determines its operating segments based on information utilized by senior management to allocate resources and assess performance. The Company’s reportable segments consist of the Flavors & Fragrances Group and the Color Group. The Asia Pacific Group, which is reported in the Corporate and Other segment, was realigned during the third quarter of 2005. As a result, the Company’s operations in Japan and China, previously included within the Asia Pacific Group, are now reported as part of the Flavors & Fragrances Group. In addition, the sales of dehydrated flavor products within the Asia Pacific region are now included in the Flavors & Fragrances segment. These changes in reporting segments have been reflected in the results for 2005 and other years presented.

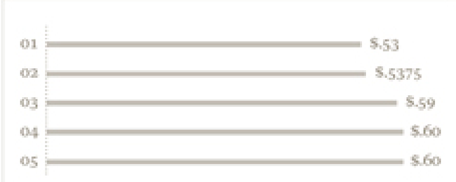
FLAVORS & FRAGRANCES Revenue for the Flavors & Fragrances segment in 2005 increased 3.4%, to $670.6 million, over 2004. The increase in revenue is primarily due to higher sales of traditional flavors in North America ($7.0 million) and Latin America ($2.9 million) and higher dehydrated flavors sales ($6.2 million) combined with the favorable impact of exchange rates ($5.7 million).

Gross margin was 24.8% in 2005, a 190 basis point decrease from the 26.7% gross margin in 2004. This change was primarily related to higher raw material, energy and other manufacturing costs in all businesses. Selling prices began to increase late in 2005 and are expected to offset the effect of higher costs in 2006.

Operating income for 2005 was $82.5 million compared to $84.8 million last year. The operating income decrease of $2.3 million was due to lower profit in traditional flavors ($ 3.8 million) and fragrances ($0.8 million) partially offset by improved profit in dehydrated flavors ($0.6 million) and the favorable impact of exchange rates ($1.7 million). The prior year comparison of operating income for the Group is impacted by a $3.0 million write-off of a receivable in the traditional flavor business that occurred in 2004. The decrease in profits from traditional flavors is primarily due to higher raw material, transportation and energy costs. The impact of these factors more than offset the benefit of price increases. The decrease in profit for fragrances was primarily due to higher raw material costs. Operating profit for the dehydrated flavors business improved as price increases more than offset the impact of higher raw material and energy costs. Operating income as a percent of revenue was 12.3%, a decrease of 80 basis points from last year. This change was primarily a result of the reasons provided above.

COLOR The Color segment reported revenue of $339.9 million in 2005, a decrease of $43.9 million, or 11.4%, from 2004. The decrease in revenue was primarily as a result of reduced sales of technical colors ($48.6 million) partially offset by increased food and beverage color sales ($4.1 million) in North America, Latin America and Europe and the favorable impact of exchange rates ($2.0 million). The decrease in sales of technical colors is primarily attributed to the previously disclosed winding-up of a supply agreement with an original equipment manufacturer at the end of 2004 ($47.5 million).

Gross margin for the Color segment was 34.7% in 2005, an increase of 150 basis points from the 33.2% gross margin in 2004. The margin increase was due to improved product mix in part because the sales under the terminated supply agreement mentioned above were at a lower margin than the average margin for the Color segment. Benefits from the restructuring of synthetic dye production which occurred in 2003 and 2004 had a positive impact on margins but were offset by unfavorable raw material costs.



DIVIDENDS PAID PER SHARE

Operating income for 2005 was $54.2 million versus $68.0 million for 2004. Results in 2004 included approximately $10.3 million related to the above-mentioned supply agreement, which ended in December 2004. Results for 2004 also included benefits of $6.8 million related to the reduction of purchase accounting reserves. The reduction of purchase accounting reserves in 2004 was due to lower than expected environmental costs, shutdown costs and inventory-related costs associated with the closure of two manufacturing sites. The unfavorable impact of these two items was partially offset by improved profits from higher sales of food and beverage colors ($6.5 million) and the favorable impact of exchange rates ($0.5 million). Operating income as a percent of revenue was 15.9%, a decrease of 180 basis points from last year. This change was primarily a result of the reasons provided above.

2004 vs. 2003

Revenue for 2004 was $1,047.1 million, an increase of $59.9 million, or 6.1%, over 2003. Revenue for the Flavors & Fragrances Group increased by $38.8 million, or 6.4%, over 2003, to $648.3 million for 2004. The Color Group increased revenue by $23.1 million, or 6.4%, over 2003, to

$383.8 million for 2004. The Asia Pacific Group revenue increased 1.7%. The increase in consolidated revenue was primarily as a result of the favorable impact of exchange rates ($33.0 million), an acquisition ($3.4 million) and increases in sales of flavors in North America and Latin America ($9.9 million) as well as higher sales of technical colors ($7.1 million). Additional information on Group results can be found in the Segment Information section.

The Company's gross margin decreased 160 basis points to 29.8% in 2004, versus 31.4% in 2003. Approximately one-half of the margin decrease was due to lower pricing in the dehydrated flavors business and in technical colors. The decrease in selling prices was a result of increased competitive activity. The remainder of the decrease primarily related to lower production costs in 2003 from the buildup of inventory in anticipation of manufacturing consolidations at the Company, which were completed in the first half of 2004.

Selling and administrative expenses as a percent of revenue increased to 17.5% in 2004, versus 16.8% in 2003. The increase in percentage was the result of a postretirement credit recorded in 2003 of $13.3 million, partially offset by savings in 2004 from the cost reduction programs initiated in 2003 and 2004. The postretirement credit recorded in 2003 was the result of the Company's decision to end its subsidy of retiree health care coverage.

Operating income in 2004 was $129.2 million compared to $137.5 million in 2003. Favorable exchange rates increased operating income by $3.5 million compared to 2003. A separately stated charge of $6.5 million recorded in 2003 and the postretirement credit discussed above had the effect of increasing 2003 operating income by a net amount of $6.8 million.

Interest expense increased to $31.3 million in 2004 from $29.1 million in 2003. The increase was primarily the result of higher interest rates.

The effective income tax rate was 24.5% and 24.8% in 2004 and 2003, respectively. The effective tax rates for both 2004 and 2003 were reduced as a result of discrete items, including favorable resolution of certain prior years' tax matters and the reduction of the valuation allowance related to the planned use of foreign tax losses. These discrete items reduced the effective tax rate for 2004 and 2003 by 4.2% and 6.2%, respectively.

	2004	2003
Rate excluding discrete items	28.7%	31.0%
Discrete items	(4.2%)	(6.2%)
Reported effective tax rate	24.5%	24.8%

Book Value Per Share (at December 31)

Segment Information

Results for 2004 and 2003 have been restated to reflect the changes in segments noted previously.

Flavors & Fragrances For the year ended December 31, 2004, revenue for the Flavors & Fragrances segment increased 6.4%, to $648.3 million. The increase of $38.8 million was primarily as a result of the favorable impact of exchange rates ($21.4 million), higher sales of traditional flavors in North America and Latin America ($ 9.9 million) and higher fragrance sales due to the expansion in the aroma chemical product line ($2.3 million).

Gross margin was 26.7% in 2004, a 50 basis point decrease from the 27.2% gross margin in 2003. This change was primarily a result of more competitive pricing in the dehydrated flavors business.

Operating income for 2004 was $84.8 million compared to $86.7 million in 2003. The decrease in operating income was primarily attributable to two events. In the fourth quarter of 2004, operating income was reduced by the write-off of a $3.0 million receivable related to a previously divested product line. The $2.9 million postretirement credit recorded in the fourth quarter of 2003 also unfavorably impacted comparability. In addition to these items, operating income was impacted by favorable product mix and increased sales of traditional flavors in North America ($ 8.6 million) and the favorable impact of exchange rates ($1.3 million), partially offset by lower profits in the dehydrated flavors business due to lower pricing ($3.7 million), and lower profits in fragrances due to lower pricing and higher costs of production ($3.1 million). Operating income as a percent of revenue was 13.1%, a decrease of 110 basis points from 2003. This change was primarily a result of the reasons provided above.

COLOR For the year ended December 31, 2004, revenue for the Color segment increased 6.4% to $383.8 million. The increase in revenue was primarily due to the favorable impact of exchange rates ($11.9 million) and an acquisition ($3.4 million) combined with revenue increases in technical colors ($7.1 million), cosmetic colors ($4.8 million) and pharmaceuticals ($1.0 million). These revenue increases were partially offset by lower volumes and prices in food and beverage colors ($5.2 million). Cosmetic colors and pharmaceuticals each showed double-digit growth. Within technical colors, revenue related to inkjet ink products increased in advance of the wind-up of a supply agreement by a major customer. The customer decided to consolidate inkjet ink purchases with other suppliers, but increased purchases in advance of the changeover. During 2004, this customer represented 12% or approximately $47.5 million and 15% or approximately $10.3 million of Sensient's Color Group total revenue and operating income, respectively. The increase in sales to this customer was offset by lower sales of technical colors due to competitive pressures reducing pricing and volume.

Gross margin was 33.2% in 2004, a 340 basis point decrease from Color's 36.6% gross margin in 2003. Approximately one-half of this change was a result of more competitive pricing in synthetic colors and in technical colors. The remainder of the decrease was related primarily to lower production costs in 2003 from the buildup of inventory in anticipation of manufacturing consolidations at the Company, which were completed in the first half of 2004.

CAPITAL EXPENDITURES/DEPRECIATION
(in millions)

Operating income for 2004 was $68.0 million versus $71.6 million for 2003. The $3.6 million decrease in operating income was the result of several factors. These factors include the $1.1 million post-retirement credit recorded in 2003, declines in the food and beverage colors business in North America and Europe ($7.2 million and $2.7 million, respectively) and lower margins from the paper/industrial colors business ($3.6 million). These lower margins were attributable to pricing declines and a change in product mix to lower-margin products. These items were partially offset by continued growth in the cosmetic color business ($1.2 million), the reduction of purchase accounting reserves ($6.8 million) and the favorable impact of exchange rates ($2.0 million) and acquisitions ($0.8 million). The reduction of purchase accounting reserves was related to lower than expected environmental costs, shutdown costs and inventory-related costs associated with the closure of two manufacturing sites. Operating income as a percent of revenue was 17.7%, a decrease of 220 basis points from 2003. This change was primarily a result of the reasons provided above.

Liquidity and Financial Position

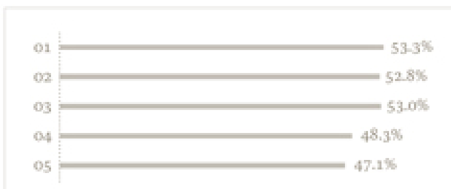
The Company's financial position remains strong, enabling it to meet cash requirements for operations, capital expansion programs and dividend payments to shareholders. The Company intends to fund working capital requirements, principal and interest payments, acquisitions (if any) and other liabilities with cash provided by operations, to the extent available, and short-term and long-term borrowings under new and existing credit facilities. The Company intends to finance current maturities of long-term debt of $207.3 million by using existing bank facilities and by utilizing new sources of financing with banks and other financial institutions.

In the Consolidated Statements of Cash Flows, the changes in operating assets and liabilities are presented excluding the effects of changes in foreign currency exchange rates, as these do not reflect actual cash flows. Accordingly, the amounts in the Consolidated Statements of Cash Flows do not agree with changes in the operating assets and liabilities that are presented in the Consolidated Balance Sheets.

The Company's ratio of debt to total capital improved to 47.1% at December 31, 2005, compared to 48.3% and 53.0% at December 31, 2004 and 2003, respectively. The improvement resulted primarily from a reduction in debt. Debt was reduced $61.5 million since December 31, 2004, and over $100 million since December 31, 2003. The reduction of debt resulted from strong net cash provided by operating activities.

Net cash provided by operating activities was $110.3 million in 2005, $125.7 million in 2004 and $56.5 million in 2003. Operating cash flow provided the primary source of funds to finance operating needs, capital expenditures, share repurchases and shareholder dividends, and to reduce net borrowings. The decrease in net cash provided by operating activities in 2005 was primarily due to lower net earnings.

Net cash used in investing activities was $34.0 million in 2005, $44.8 million in 2004 and $85.2 million in 2003. Cash proceeds from the sale of assets were $1.1 million in 2005, $2.0 million in 2004 and $8.2 million in 2003. Capital expenditures were $36.1 million in 2005, $49.8 million in 2004 and $74.2 million in 2003. Capital expenditures decreased in 2005 and 2004 primarily due to the completion of several large facility improvements and the integration of certain acquired companies. Net cash used in investing activities in 2003 also included $19.3 million for the acquisitions of a manufacturer and marketer of specialty inks in Spain and a Japanese flavor producer.



DEBT TO TOTAL CAPITAL *(at December 31)*

Net cash used in financing activities was $71.2 million in 2005 and $83.5 million in 2004, compared to net cash provided of $28.4 million in 2003. The Company had net reductions in debt of $28.5 million in 2005 and $59.7 million in 2004, versus net borrowings of $69.7 million in 2003. In 2005 and 2004, the Company's net cash provided by operating activities was more than adequate to finance capital expenditures, share repurchases and dividend payments.

On August 18, 2005, the Company amended its unsecured revolving credit facility which increased the available credit to $225 million from $150 million and extended the term to August 2010. At December 31, 2005, the Company had outstanding commercial paper backed by the revolving credit facility of $50.9 million and no direct borrowings under the facility. The Company has available credit facilities with domestic and foreign banks for various purposes. The amount of unused credit facilities at December 31, 2005, was $217.3 million. Additional information on the amended facility and the Company's borrowings and available credit is included in Note 4 to the Consolidated Financial Statements. 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 has paid uninterrupted quarterly cash dividends since commencing public trading in its stock in 1962. In 2005 and 2004, dividends paid per share were $0.60 each year, or $28.3 million and $28.1 million, respectively.

With the exception of the increase in energy and raw material costs discussed above, 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 2006 results.

Issuer Purchases of Equity Securities

During 2005, the Company repurchased 1.1 million shares of Company stock at a total cost of $18.9 million. The Company did not repurchase any shares of Company stock during 2004. During 2003, the Company repurchased 0.9 million shares at a cost of $17.9 million. On April 27, 2001, the Board approved a share repurchase program under which the Company is authorized to repurchase up to 5.0 million shares of Company stock in addition to amounts remaining from prior Board authorizations. As of December 31, 2005, 3.2 million shares were authorized to be repurchased. The Company's share repurchase program has no expiration date.

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, that 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, property, plant and equipment, and prepaid expenses. Management believes the Company's most critical accounting estimates and assumptions are in the following areas:

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.

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 its cash flow assumptions would result in impairment.

INCOME TAXES The Company 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.

COMMITMENTS AND CONTINGENCIES The Company is subject to litigation and other legal proceedings arising in the ordinary course of its businesses or arising under provisions related to the protection of the environment. Estimating liabilities and costs associated with these matters requires the judgment of management, which relies in part on information from Company counsel. When it is probable that the Company has incurred a liability associated with claims or pending or threatened litigation matters and the Company's exposure is reasonably estimable, the Company records a charge against earnings. The estimate of any exposure to the Company may change as further facts and circumstances become known.

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 offsets. 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 5 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 Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended. At December 31, 2005 and 2004, the fair values of these instruments, based on dealer quotes, were an asset of $0.1 million and a liability of $0.7 million, respectively. At December 31, 2005 and 2004, 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 $2.2 million and $4.7 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 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, Euros and British Pounds. These non-derivative debt instruments have been designated as partial hedges of the Company's Swiss Franc, Euro and British Pound net asset positions. 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 $1.0 million and $1.1 million at December 31, 2005 and 2004, 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 may use 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. In October 2003 and September 2005, the Company settled all of the outstanding swap agreements. At December 31, 2005, there were no outstanding interest rate swaps. At December 31, 2004, the notional principal amounts of outstanding interest rate swap agreements were $177.1 million with varying maturities through 2011. These instruments were accounted for as fair value hedges under SFAS No. 133. The fair value of the swaps at December 31, 2004, based on dealer quotes, was an asset of $2.6 million, which was recorded in the other assets line on the consolidated balance sheets. The potential gain or loss in the fair value of the outstanding interest rate swaps at December 31, 2004, assuming a hypothetical 10% fluctuation in interest rates of such contracts, would be approximately $2.9 million. At December 31, 2005 and 2004, 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 $0.3 million and $0.7 million, respectively.

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, manufacturing purchases and pension benefit obligations. The following table summarizes the Company's significant contractual obligations as of December 31, 2005.

Payments due by period

(in Thousands)	TOTAL	≤1 YEAR	2-3 YEARS	4-5 YEARS	>5 YEARS
Long-term debt	$490,464	$207,341	$ 97,225	$ 181,222	$ 4,676
Interest payments on long-term debt	61,467	27,612	29,134	4,592	129
Operating lease obligations	26,544	7,650	9,168	4,392	5,334
Manufacturing purchase commitments	56,810	30,419	15,055	11,336	—
Pension benefit obligations	30,506	1,590	8,352	6,864	13,700
Total contractual obligations	$665,791	$274,612	$ 158,934	$ 208,406	$ 23,839

New Pronouncements

In December 2004, the Financial Accounting Standards Board ("FASB") issued Statement No. 123 (revised 2004), "Stock Based Compensation." The statement will require the Company to expense its stock options and restricted stock over the requisite service period based on the fair value at the date of grant. This statement is effective for the Company on January 1, 2006. The Company will adopt the statement using the modified prospective method. The impact of adoption of the revised statement in 2006 is anticipated to reduce net earnings by approximately $1.3 million to $1.7 million (approximately $0.03 per share). The actual impact on net earnings in 2006 will depend on a number of factors, including the amount of the awards granted and the fair value of those awards at the time of the grant.

Off-Balance Sheet Arrangements

The Company had no off-balance sheet arrangements as of December 31, 2005.

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. Forward- looking statements include statements in the future tense, statements referring to any period after December 31, 2005, and statements including the terms "expect," "believe," "anticipate" and other similar terms that express expectations as to future events or conditions. 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 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 and energy; industry and economic factors related to the Company's domestic and international business; competition from other suppliers of color and flavors and fragrances; growth or contraction in markets for products in which the Company competes; terminations and other changes in customer relationships; industry acceptance of price increases; currency exchange rate fluctuations; and the matters discussed above 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.

(in thousands except per share amounts) Years ended December 31,	2005	2004	2003
REVENUE	**$1,023,930**	$1,047,133	$987,209
Cost of products sold (includes restructuring charges of $4,340 in 2005 – see Note 11)	**731,253**	734,596	677,414
Selling and administrative expenses	**189,998**	183,381	165,835
Restructuring and other charges (see Note 11)	**8,465**	—	6,476
OPERATING INCOME	**94,214**	129,156	137,484
Interest expense	**35,737**	31,265	29,140
EARNINGS BEFORE INCOME TAXES	**58,477**	97,891	108,344
Income taxes	**14,282**	23,973	26,912
NET EARNINGS	**$ 44,195**	$ 73,918	$ 81,432
Earnings per share			
Basic	**$ .95**	$ 1.59	$ 1.74
Diluted	**$ .94**	$ 1.58	$ 1.73
Average common shares outstanding – basic	**46,746**	46,562	46,741
Average common shares outstanding – diluted	**47,067**	46,877	47,041

See notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

(in thousands except share and per share amounts) December 31,	2005	2004
ASSETS		
Current Assets:		
Cash and cash equivalents	**$ 7,068**	$ 2,243
Trade accounts receivable, less allowance for losses of $7,327 and $6,629, respectively	**163,724**	172,912
Inventories	**313,513**	328,191
Prepaid expenses and other current assets	**23,188**	24,886
Deferred income taxes	**12,851**	8,012
Total current assets	**520,344**	536,244
Other assets	**63,384**	66,352
Intangible assets – at cost, less accumulated amortization of $6,223 and $4,794, respectively	**14,964**	17,904
Goodwill	**420,201**	452,427
Property, Plant and Equipment:		
Land	**33,351**	33,203
Buildings	**235,802**	230,488
Machinery and equipment	**535,655**	530,922
Construction in progress	**13,779**	40,446
	818,587	835,059
Less accumulated depreciation	**(439,207)**	(419,408)
	379,380	415,651
Total assets	**$1,398,273**	$1,488,578
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Trade accounts payable	**$ 77,080**	$ 75,066
Accrued salaries, wages and withholdings from employees	**15,249**	13,591
Other accrued expenses	**57,589**	58,133
Income taxes	**21,610**	18,392
Short-term borrowings	**63,218**	69,774
Current maturities of long-term debt	**207,341**	20,269
Total current liabilities	**442,087**	255,225
Deferred income taxes	**4,881**	10,470
Other liabilities	**3,974**	4,461
Accrued employee and retiree benefits	**41,980**	34,571
Long-term debt	**283,123**	525,153
Commitments and contingencies	**—**	—
Shareholders' Equity:		
Common stock, par value $.10 a share, authorized 100,000,000 shares; issued 53,954,874 shares	**5,396**	5,396
Additional paid-in capital	**71,582**	72,117
Earnings reinvested in the business	**736,544**	720,625
Treasury stock, 7,620,068 and 6,887,161 shares, respectively, at cost	**(152,727)**	(140,507)
Unearned portion of restricted stock	**(5,965)**	(5,500)
Accumulated other comprehensive (loss) income	**(32,602)**	6,567
	622,228	658,698
Total liabilities and shareholders' equity	**$1,398,273**	$1,488,578

See notes to consolidated financial statements.

(in thousands) Years ended December 31,	2005	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES			
Net earnings	**$ 44,195**	$ 73,918	$ 81,432
Adjustments to arrive at net cash provided by operating activities:			
Depreciation and amortization	**46,769**	46,243	43,098
Restructuring and other charges	**5,390**	—	6,476
Gain on sale of assets	**(389)**	(437)	(4,368)
Changes in operating assets and liabilities (net of effects from acquisition of businesses):			
Trade accounts receivable	**8,941**	3,999	1,236
Inventories	**(616)**	1,186	(31,334)
Prepaid expenses and other assets	**(3,460)**	(7,542)	(13,240)
Accounts payable and other accrued expenses	**6,285**	(284)	(6,447)
Accrued salaries, wages and withholdings from employees	**2,302**	108	(2,407)
Income taxes	**4,050**	6,306	(9,270)
Deferred income taxes	**(10,105)**	4,738	10,538
Other liabilities	**6,928**	(2,503)	(19,171)
Net cash provided by operating activities	**110,290**	125,732	56,543
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	**(36,102)**	(49,845)	(74,208)
Acquisition of businesses – net of cash acquired	**—**	—	(19,307)
Proceeds from sale of assets	**1,101**	2,016	8,223
Decrease in other assets	**1,033**	3,065	112
Net cash used in investing activities	**(33,968)**	(44,764)	(85,180)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from additional borrowings	**80,652**	199,760	121,761
Debt and capital lease payments	**(109,163)**	(259,420)	(52,044)
Purchase of treasury stock	**(18,005)**	—	(17,931)
Dividends paid	**(28,276)**	(28,096)	(28,154)
Proceeds from options exercised and other equity transactions	**3,630**	4,213	4,809
Net cash (used in) provided by financing activities	**(71,162)**	(83,543)	28,441
Effect of exchange rate changes on cash and cash equivalents	**(335)**	1,568	1,343
Net increase (decrease) in cash and cash equivalents	**4,825**	(1,007)	1,147
Cash and cash equivalents at beginning of year	**2,243**	3,250	2,103
Cash and cash equivalents at end of year	**$ 7,068**	$ 2,243	$ 3,250
Cash paid during the year for:			
Interest	**$ 34,816**	$ 30,788	$ 29,544
Income taxes	**16,850**	13,870	23,482
Liabilities assumed in acquisitions	**—**	—	992
Capitalized interest	**908**	1,152	2,081

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
BALANCES AT DECEMBER 31, 2002	$ 5,396	$ 72,390
Net earnings		
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		
Total comprehensive income		
Cash dividends paid – $.59 a share		
Redemption of rights – $.01 a share		
Stock options exercised		(285)
Benefit plans		216
Restricted stock		(127)
Purchase of treasury stock		
Other		
BALANCES AT DECEMBER 31, 2003	5,396	72,194
Net earnings		
Unrealized gain on cash flow hedges, arising during the period, net of tax of $205		
Reclassification adjustment for cash flow hedges included in net income, net of tax of $223		
Minimum pension liability, net of tax of $418		
Foreign currency translation		
Total comprehensive income		
Cash dividends paid – $.60 a share		
Stock options exercised		(378)
Benefit plans		(2)
Restricted stock		302
Other		1
BALANCES AT DECEMBER 31, 2004	5,396	72,117
Net earnings		
Unrealized gain on cash flow hedges, arising during the period, net of tax of $529		
Reclassification adjustment for cash flow hedges included in net income, net of tax of $598		
Minimum pension liability, net of tax of $2,162		
Foreign currency translation		
Total comprehensive income		
Cash dividends paid – $.60 a share		
Stock options exercised		(350)
Benefit plans		39
Restricted stock		(223)
Purchase of treasury stock		
Other		(1)
BALANCES AT DECEMBER 31, 2005	**$ 5,396**	**$ 71,582**

See notes to consolidated financial statements.

EARNINGS REINVESTED IN THE BUSINESS	TREASURY STOCK SHARES	TREASURY STOCK AMOUNT	UNEARNED PORTION OF RESTRICTED STOCK	ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME	TOTAL COMPREHENSIVE INCOME (LOSS)
$621,525	6,746,164	$ (137,074)	$ (2,951)	$ (59,928)	
81,432					$ 81,432
				16,330	16,330
				(14,741)	(14,741)
				(84)	(84)
				37,464	37,464
					$ 120,401
(27,688)					
(466)					
	(235,004)	4,781			
	(108,307)	2,201			
	(89,200)	1,821	(893)		
	856,000	(17,931)			
	61,128	(1,270)			
674,803	7,230,781	(147,472)	(3,844)	(20,959)	
73,918					$ 73,918
				1,850	1,850
				(2,005)	(2,005)
				(1,814)	(1,814)
				29,495	29,495
					$ 101,444
(28,096)					
	(204,927)	4,137			
	(16,693)	340			
	(121,200)	2,472	(1,656)		
	(800)	16			
720,625	6,887,161	(140,507)	(5,500)	6,567	
44,195					$ 44,195
				5,996	5,996
				(5,378)	(5,378)
				(3,191)	(3,191)
				(36,596)	(36,596)
					$ 5,026
(28,276)					
	(173,534)	3,540			
	(26,000)	530			
	(129,700)	2,620	(465)		
	1,062,541	(18,918)			
	(400)	8			
$736,544	**7,620,068**	**$(152,727)**	**$ (5,965)**	**$ (32,602)**	

(in thousands except employee and per share data) Years ended December 31, 2005, 2004 and 2003

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 PRODUCT 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. Market is determined on the basis of estimated realizable values. Cost is determined using the first-in, first-out ("FIFO") method. Inventories include finished and in-process products totaling $234.1 million and $242.8 million at December 31, 2005 and 2004, respectively, and raw materials and supplies of $79.4 million and $85.4 million at December 31, 2005 and 2004, respectively.

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 20 years.

GOODWILL AND OTHER INTANGIBLE ASSETS The carrying value of goodwill and other intangible assets with indefinite lives is evaluated for impairment on an annual basis. The impairment assessment includes 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.

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. These assets include technological know-how, customer relationships, patents, trademarks and non-compete agreements among others.

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.

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 ongoing basis. Any ineffective portions are to be recognized in earnings immediately.

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 may include 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.

The Company did not have any interest rate swaps outstanding at December 31, 2005.

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. Gains and losses on these instruments are deferred in accumulated other comprehensive income (loss) ("OCI") until the underlying transaction is recognized in earnings.

The Company's existing cash flow hedges are highly effective. As a result, any current impact on earnings due to cash flow hedge ineffectiveness is immaterial.

Net Investment 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, 2005.

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, 2005. 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 pro-forma amounts indicated below:

(in thousands except per share data)	2005	2004	2003
Net earnings:			
As reported	$ 44,195	$73,918	$81,432
Reported stock compensation expense–net of tax	**1,167**	693	493
Less: fair value stock compensation expense–net of tax	**(3,403)**	(2,371)	(2,442)
Pro forma net earnings	**$41,959**	$72,240	$79,483
Earnings per common share:			
Basic as reported	**$ .95**	$ 1.59	$ 1.74
Less: net impact of fair value stock expense–net of tax	**(.05)**	(.04)	(.04)
Basic pro forma	**$ .90**	$ 1.55	$ 1.70
Diluted as reported	**$ .94**	$ 1.58	$ 1.73
Less: net impact of fair value stock expense – net of tax	**(.05)**	(.04)	(.04)
Diluted pro forma	**$ .89**	$ 1.54	$ 1.69

The weighted-average fair value per share of options granted was $4.79 in 2005, $4.81 in 2004 and $4.68 in 2003.

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:

	2005	2004	2003
Dividend yield	**3.1%**	2.8%	2.9%
Volatility	**28.3%**	27.3%	29.0%
Risk-free interest rate	**4.3%**	3.2%	3.1%
Expected term (years)	**5.1**	5.4	5.5

The pro-forma expense for 2005 includes $1.0 million after-tax compensation expense related to accelerated amortization for retirement eligible participants. Beginning in the first quarter of 2005, stock compensation expense for retirement eligible participants was reported in pro-forma net earnings and recognized over six months. Previously, this expense was recognized over the vesting period, which is three years.

See New Pronouncements below for further discussion of stock-based compensation.

INCOME TAXES The Company accounts for income taxes under SFAS No. 109, “Accounting for Income Taxes.” The Company recognizes a current tax liability or asset for the estimated taxes payable or refundable on tax returns for the current year and a deferred tax liability or asset for the estimated future tax effects attributable to temporary differences and carryforwards. The measurement of current and deferred tax liabilities and assets is based on provisions of enacted tax law. Deferred tax assets are reduced, if necessary, by the amount of any tax benefits for which the utilization of the asset is not likely.

EARNING PER SHARE The difference between basic and diluted earnings per share (“EPS”) is the dilutive effect of stock options and restricted stock. Diluted earnings per share assume that restricted stock has vested and all dilutive stock options, for which the average market price exceeds the exercise price (in-the-money), are exercised. Stock options for which the exercise price exceeds the average market price (out-of-the-money options) have an anti-dilutive effect on EPS, and accordingly, are excluded from the calculation. For the years ended December 31, 2005, 2004 and 2003, options for 1.9 million, 1.2 million and 1.2 million shares were excluded from the diluted EPS calculation because they were anti-dilutive. All earnings per share amounts are presented on a diluted basis unless otherwise noted.

ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME OCI is comprised primarily of foreign currency translation, minimum pension liability and unrealized losses on cash flow hedges. The components of OCI at December 31 were:

(in thousands)	2005	2004
Foreign currency translation	**$(27,539)**	$ 9,057
Minimum pension liability (net of tax)	**(5,089)**	(1,898)
Unrealized gains (losses) on cash flow hedges (net of tax)	**26**	(592)
Accumulated other comprehensive (loss) income	**$(32,602)**	$ 6,567

RESEARCH AND DEVELOPMENT Research and development costs are recorded in selling and administrative expenses in the year they are incurred. Research and development costs were $26.4 million, $24.3 million and $22.9 million during the years ended December 31, 2005, 2004 and 2003, respectively.

ADVERTISING Advertising costs are recorded in selling and administrative expenses as they are incurred. Advertising costs were $1.5 million, $1.6 million and $1.7 million during the years ended December 31, 2005, 2004 and 2003, respectively.

ENVIRONMENTAL LIABILITIES The Company records liabilities related to environmental remediation obligations when estimated future expenditures are probable and reasonably estimable. Such accruals are adjusted as further information becomes available or as circumstances change. Estimated future expenditures are discounted to their present value when the timing and amount of future cash flows are fixed and readily determinable. Recoveries of remediation costs from other parties, if any, are recognized as assets when their receipt is assured.

NEW PRONOUNCEMENTS In December 2004, the FASB issued Statement No. 123 (revised 2004), "Stock Based Compensation." The statement will require the Company to expense its stock options and restricted stock over the requisite service period based on the fair value at the date of grant. This statement is effective for the Company on January 1, 2006. The Company will adopt the statement using the modified prospective method. The impact of adoption of the revised statement in 2006 is anticipated to reduce net earnings by approximately $1.3 million to $1.7 million ($0.03 per share). The actual impact on net earnings in 2006 will depend on a number of factors, including the amount of awards granted and the fair value of those awards at the time of the grant.

RECLASSIFICATIONS Certain amounts related to segment disclosures have been restated to conform to the current year presentation.

2. Acquisitions

There were no acquisitions during 2005 or 2004.

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 Japanese flavor producer. The allocation of the purchase price resulted in intangible assets with determinable useful lives of $2.6 million, amortizable over a weighted average period of 20 years, and goodwill of $9.1 million.

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 Company does not have any intangible assets other than goodwill that are not subject to amortization. The following table summarized intangible assets with determinable useful lives by major category as of December 31, 2005 and 2004:

(in thousands except weighted average amortization years)	WEIGHTED AVERAGE AMORTIZATION YEARS	2005 COST	2005 ACCUMULATED AMORTIZATION	2004 COST	2004 ACCUMULATED AMORTIZATION
Technological know-how	20.0	**$ 7,610**	**$ (1,951)**	$ 8,216	$ (1,687)
Customer relationships	20.0	**6,256**	**(1,076)**	6,808	(822)
Patents, trademarks, non-compete agreements and other	18.0	**7,321**	**(3,196)**	7,674	(2,285)
Total finite-lived intangibles	19.3	**$21,187**	**$ (6,223)**	$22,698	$ (4,794)

Amortization of intangible assets was $1.4 million, $1.2 million and $1.0 million in 2005, 2004 and 2003, respectively. Estimated amortization expense each year for the five years subsequent to December 31, 2005, is as follows: 2006, $1.2 million; 2007, $1.2 million; 2008, $1.2 million; 2009, $1.1 million; and 2010, $1.1 million.

The changes in goodwill for the years ended December 31, 2005 and 2004, by reportable business segment were as follows (the balances as of December 31, 2004 and 2003, and the 2004 activity have been restated to reflect the changes in the Company's segments discussed in Note 10):

(in thousands)	FLAVORS & FRAGRANCES	COLOR	CORPORATE & OTHER	CONSOLIDATED
Balance as of December 31, 2003	$ 132,930	$295,439	$ 553	$ 428,922
Goodwill of acquired businesses	—	1,070	—	1,070
Currency translation impact	7,736	14,610	89	22,435
Balance as of December 31, 2004	140,666	311,119	642	452,427
Currency translation impact	(8,964)	(23,252)	(10)	(32,226)
Balance as of December 31, 2005	$ 131,702	$287,867	$ 632	$ 420,201

4. Debt

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

(in thousands)	2005	2004
6.68% senior notes due through January 2011	**$ 12,857**	$ 15,000
6.77% senior notes due through January 2010	**15,000**	15,000
6.60% notes due through April 2009	**149,553**	149,434
7.59% senior notes due through December 2008	**12,857**	17,143
6.99% senior notes due through December 2007	**30,000**	40,000
4.57% senior notes due December 2007	**38,000**	38,000
Floating rate Swiss Franc-denominated senior notes due December 2007	**24,803**	28,582
5.63% Euro-denominated senior notes due November 2006	**158,694**	181,839
5.85% senior notes due November 2006	**30,000**	30,000
Various other notes	**17,563**	24,774
Deferred realized gains on interest rate swaps	**1,137**	3,034
Fair value of interest rate swaps	**—**	2,616
	490,464	545,422
Less current maturities	**207,341**	20,269
Total long-term debt	**$283,123**	$525,153

The floating rate Swiss Franc-denominated notes had an average coupon rate of 1.67% and 1.40% for the years ended December 31, 2005 and 2004, respectively.

The aggregate amounts of maturities on long-term debt each year for the five years subsequent to December 31, 2005, are as follows: 2006, $207.3 million; 2007, $90.4 million; 2008, $6.9 million; 2009, $163.4 million; and 2010, $17.8 million.

Substantially all of the senior loan agreements contain restrictions concerning interest coverage, borrowings, investments and tangible net worth amounts. Earnings reinvested of $178 million at December 31, 2005, were unrestricted.

On August 18, 2005, the Company amended its unsecured revolving credit facility with a group of seven banks. The amendment increases the aggregate facility from $150 million to $225 million and extends the term to August 2010 from September 2007. The amendment also permits the Company to request an increase in the aggregate facility amount to $300 million subject to the banks' approval. Interest rates are determined based upon LIBOR plus a margin subject to adjustment on the basis of the rating accorded the Company's senior debt by S&P and Moody's. In addition, the Company pays a facility fee on the total amount of the facility and a utilization fee. In addition to customary restrictions, the Company must maintain a minimum fixed charge coverage ratio and may not exceed a stated funded debt to capital ratio. The Company must also maintain a total funded debt to earnings before interest, taxes, depreciation and amortization (EBITDA) ratio. The credit facility will be used for working capital, commercial paper back-up and other general corporate purposes. The Company is in compliance with all requirements as of December 31, 2005.

The Company's short-term borrowings consisted of the following items at December 31:

(in thousands)	2005	2004
Direct borrowings under the revolver	**$ —**	$17,637
Commercial paper	**50,912**	49,779
Uncommitted loans	**11,375**	1,425
Loans of foreign subsidiaries	**931**	933
Total	**$63,218**	$69,774

The weighted-average interest rates on short-term borrowings were 4.60% and 2.75% at December 31, 2005 and 2004, respectively.

The Company has $174.1 million available under the revolving credit facility and $43.2 million available under other lines of credit from several banks at December 31, 2005.

5. 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. In October 2003, the Company settled certain interest rate swaps and the remainder of the interest rate swaps were settled in September 2005. At December 31, 2005, there are no outstanding interest rate swaps. At December 31, 2004, the notional principal amounts of outstanding interest rate swap agreements (accounted for as fair value hedges) were $177.1 million with varying maturities through January 2011. The notional amounts were used to calculate interest payments, which were exchanged over the life of the swap transactions prior to settlement and were equal to the dollar principal exchanged. The fair value of the swaps at December 31, 2004, based on dealer quotes, was an asset of $2.6 million, which was recorded in the other assets line on the consolidated balance sheet.

As a result of the October 2003 settlements, the counterparty paid the Company $4.8 million. As a result of the September 2005 settlements, the Company paid the counterparty $0.5 million. The net realized gains and losses on the swaps have been deferred, classified as a separate component of debt and are being amortized to income as a reduction or increase 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, 2005 and 2004, the Company had forward exchange contracts (accounted for as cash flow hedges), with maturities of one year or less, of $49.3 million and $96.9 million, respectively. The fair values of these instruments, based on dealer quotes, were an asset of $0.1 million at December 31, 2005, and a liability of $0.7 million at December 31, 2004.

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 these counterparties may expose the Company to potential losses due to the credit risk of non-performance, 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, 2005 and 2004.

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, 2005 and 2004 was $490.5 million and $545.4 million, respectively. The fair value of long-term debt at December 31, 2005 and 2004 was approximately $483.0 million and $556.6 million, respectively.

6. 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. Stock options become exercisable over a three-year vesting period or upon retirement and expire 10 years from the date of grant.

Awarded shares of restricted stock become freely transferable at the earlier of five years from the date of grant or upon retirement after the participant attains age 65. During the period of restriction, the holder of restricted stock has voting rights and is entitled to receive all dividends and other distributions paid with respect to the stock.

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 were available for employee awards, of which no more than 0.6 million shares may be restricted stock. Under the 1994 Stock Option Plan, which expired in January 2004, up to 2.4 million shares of common stock were available for employee awards, of which no more than 0.5 million shares may be restricted stock. The 1994 Plan also authorized the grant of up to 0.8 million stock appreciation rights in connection with stock options. Under the amended 2002 Non-Employee Director Stock Plan, up to 0.09 million shares of common stock are available for director awards of restricted stock. Under the 1999 Non-Employee Director Stock Option Plan, up to 0.25 million shares of common stock are available for director awards.

The changes in outstanding stock options during the three years ended December 31, 2005, as well as details on exercisable options were as follows:

(in thousands of shares)	OUTSTANDING OPTIONS	WEIGHTED-AVERAGE PRICE	EXERCISABLE OPTIONS	WEIGHTED-AVERAGE PRICE
Balances at December 31, 2002	2,922	$ 19.88	1,808	$ 19.46
Granted	492	20.38		
Exercised	(236)	17.99		
Cancelled	(157)	21.23		
Balances at December 31, 2003	3,021	$ 20.04	2,041	$ 19.76
Granted	445	21.82		
Exercised	(219)	17.29		
Cancelled	(144)	20.55		
Balances at December 31, 2004	3,103	$ 20.46	2,233	$ 20.10
Granted	367	20.48		
Exercised	(174)	17.12		
Cancelled	(65)	21.67		
Balances at December 31, 2005	**3,231**	**$ 20.62**	**2,499**	**$ 20.54**

The following summarizes information concerning outstanding and exercisable stock options at December 31, 2005:

	RANGE OF EXERCISE PRICE		
(in thousands of shares)	$15.56-19.50	$19.51-22.00	$22.01-25.19
Number outstanding	1,173	1,113	945
Weighted-average remaining contractual life, in years	5.8	5.1	6.7
Weighted-average exercise price	$ 18.25	$ 21.05	$ 23.05
Number exercisable	891	946	662
Weighted-average exercise price	$ 18.08	$ 21.11	$ 23.05

The closing price of our common stock on December 31, 2005 was $17.90.

The following summarizes information concerning shares available to be granted as future stock options under existing plans:

(in thousands of shares)	AVAILABLE
December 31, 2003	2,544
December 31, 2004	1,892
December 31, 2005	1,455

7. 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 for the Company’s defined contribution plans was $2.9 million, $2.7 million and $2.7 million in 2005, 2004 and 2003, 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 was as follows at December 31:

(in thousands)	2005	2004
Benefit obligation at beginning of year	**$ 37,386**	$ 34,536
Service cost	**1,038**	923
Interest cost	**2,328**	1,685
Benefits paid	**(1,924)**	(1,948)
Actuarial loss	**4,869**	2,190
Benefit obligation at end of year	**43,697**	37,386
Plan assets at beginning of year	**11,300**	10,878
Company contributions	**2,143**	2,081
Benefits paid	**(1,924)**	(1,948)
Actual gain on plan assets	**677**	289
Plan assets at end of year	**12,196**	11,300
Funded status	**(31,501)**	(26,086)

Unrecognized prior service cost	**13,073**	14,354
Unrecognized net actuarial loss	**9,333**	4,292
Additional minimum liability	**(20,642)**	(16,560)
Accrued benefit liability	**$(29,737)**	$(24,000)
Accumulated benefit obligation	**$(41,933)**	$(35,300)

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)	2005	2004	2003
Service cost	**$1,038**	$ 922	$ 937
Interest cost	**2,328**	1,685	1,633
Expected return on plan assets	**(813)**	(333)	(254)
Amortization of prior service cost	**1,281**	1,281	1,192
Recognized actuarial loss	**186**	77	—
Settlement expense	**—**	56	—
Defined benefit expense	**$4,020**	$3,688	$3,508

Weighted-average liability assumptions as of December 31:

	2005	2004
Discount rate	**5.50%**	6.00%
Expected return on plan assets	**7.00%**	8.00%
Rate of compensation increase	**5.00%**	5.00%

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

	2005	2004
Discount rate	**6.00%**	6.25%
Expected return on plan assets	**8.00%**	8.00%
Rate of compensation increase	**5.00%**	5.00%

The aggregate amounts of benefits expected to be paid from defined benefit plans in each of the next five years subsequent to December 31, 2005, which include employees' expected future service are as follows: 2006, $1.6 million; 2007, $5.4 million; 2008, $2.9 million; 2009, $3.1 million; 2010, $3.8 million and $13.7 million in total for the years 2011 through 2015.

The Company expects to contribute $2.2 million to defined benefit plans in 2006.

8. 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 onetime, 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 post-retirement credit for 2003 of $13.3 million ($8.2 million after-tax, $0.17 per share), which has been included in the Selling and Administrative Expenses line of the 2003 Statement of Earnings. The $13.3 million postretirement credit was recorded in the following segments: $9.3 million in Corporate & Other, $2.9 million in Flavors & Fragrances and $1.1 million in Color.

Components of net annual benefit cost (credit) were:

(in thousands)	2003
Interest cost	$ 627
Amortization of prior service credit	(651)
Recognized actuarial loss	163
Termination of benefits	(13,629)
Postretirement income	$(13,490)

9. Income Taxes

The provision for income taxes was as follows:

(in thousands)	2005	2004	2003
Currently payable (refundable):			
Federal	**$ 7,999**	$ 8,747	$ (1,538)
State	**(42)**	1,355	1,246
Foreign	**15,377**	14,171	19,028
	23,334	24,273	18,736
Deferred (benefit):			
Federal	**(6,845)**	(2,939)	10,399
State	**566**	(1,229)	(565)
Foreign	**(2,773)**	3,868	(1,658)
	(9,052)	(300)	8,176

	$14,282	$23,973	$26,912

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

(in thousands)	2005	2004
Deferred tax assets:		
Benefit plans	**$ 9,597**	$ 7,989
Liabilities and reserves	**12,842**	6,899
Foreign operating loss carryovers	**32,396**	31,744
Other	**19,889**	13,371
Gross deferred tax assets	**74,724**	60,003
Valuation allowance	**(25,983)**	(18,790)
Net deferred tax assets	**48,741**	41,213
Deferred tax liabilities:		
Property, plant and equipment	**(21,292)**	(25,163)
Other assets	**(6,253)**	(5,586)
Other	**(13,226)**	(12,922)
Total deferred tax liabilities	**(40,771)**	(43,671)
Net deferred tax assets (liabilities)	**$ 7,970**	$ (2,458)

At December 31, 2005, foreign operating loss carryovers were $109.5 million. Included in the total net operating loss carryovers are losses of $6.7 million that expire through 2020 and $102.8 million that do not have an expiration date.

The effective tax rate differed from the statutory federal income tax rate of 35% as described below:

	2005	2004	2003
Taxes at statutory rate	**35.0%**	35.0%	35.0%
State income taxes, net of federal income tax benefit	**1.5**	0.8	1.0
Tax credits	**(2.5)**	(4.6)	(4.0)
Foreign tax rate	**0.1**	(2.0)	3.7
Foreign sales corporation/extraterritorial income tax benefit	**(2.3)**	(1.6)	(2.3)
Resolution of prior years' issues	**(4.2)**	(0.9)	(3.1)
Valuation allowance adjustments	**(1.1)**	(0.3)	(3.1)
Other, net	**(2.1)**	(1.9)	(2.4)
Effective tax rate	**24.4%**	24.5%	24.8%

The effective tax rates for all years presented were reduced by favorable resolutions of prior years' tax matters.

Earnings before income taxes were as follows:

(in thousands)	2005	2004	2003
United States	**$13,432**	$41,263	$ 59,997
Foreign	**45,045**	56,628	48,347
	$58,477	$97,891	$108,344

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.

10. 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 restructuring charges, 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 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 acquisitions.

SEGMENT INFORMATION The Company's operations, except for the Asia Pacific Group, are managed on a products and services basis. The Company determines its operating segments based on information utilized by senior management to allocate resources and assess performance. 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 natural and synthetic color systems for pharmaceuticals, foods and beverages; colors and formulations for cosmetics; and technical colors for industrial applications and digital imaging. The Asia Pacific Group, which is reported in the Corporate and Other segment was realigned during the third quarter of 2005.

As a result, the operations in Japan and China, previously included within the Asia Pacific Group, are now reported as part of the Flavors & Fragrances Group. In addition, the sales of dehydrated flavors products within the Asia Pacific region are now included in the Flavors & Fragrances segment. These changes in reporting segments have been reflected in the results for 2005. Results for 2004 and 2003 have also been restated to reflect this change.

(in thousands)	FLAVORS & FRAGRANCES	COLOR	CORPORATE & OTHER	CONSOLIDATED
2003				
Revenue from external customers	$ 597,876	$ 350,239	$ 39,094	$ 987,209
Intersegment revenue	11,574	10,438	681	22,693
Total revenue	609,450	360,677	39,775	1,009,902
Operating income (loss)	86,675	71,607	(20,798)	137,484
Interest expense	—	—	29,140	29,140
Earnings (loss) before income taxes	86,675	71,607	(49,938)	108,344
Assets	710,682	622,258	120,588	1,453,528
Capital expenditures	44,518	22,993	6,697	74,208
Depreciation and amortization	25,349	12,624	5,125	43,098
Restructuring charges	—	—	6,476	6,476
2004				
Revenue from external customers	$ 636,195	$ 372,178	$ 38,760	$ 1,047,133
Intersegment revenue	12,070	11,620	1,061	24,751
Total revenue	648,265	383,798	39,821	1,071,884
Operating income (loss)	84,812	67,991	(23,647)	129,156
Interest expense	—	—	31,265	31,265
Earnings (loss) before income taxes	84,812	67,991	(54,912)	97,891
Assets	744,159	641,344	103,075	1,488,578
Capital expenditures	25,770	19,649	4,426	49,845
Depreciation and amortization	27,619	13,731	4,893	46,243
2005				
Revenue from external customers	**$ 657,747**	**$327,447**	**$ 38,736**	**$ 1,023,930**
Intersegment revenue	**12,847**	**12,492**	**2,790**	**28,129**
Total revenue	**670,594**	**339,939**	**41,526**	**1,052,059**
Operating income (loss)	**82,473**	**54,197**	**(42,456)**	**94,214**
Interest expense	**—**	**—**	**35,737**	**35,737**
Earnings (loss) before income taxes	**82,473**	**54,197**	**(78,193)**	**58,477**
Assets	**699,792**	**595,859**	**102,622**	**1,398,273**
Capital expenditures	**20,870**	**12,447**	**2,785**	**36,102**
Depreciation and amortization	**26,686**	**14,366**	**5,717**	**46,769**
Restructuring and other charges	**—**	**—**	**12,805**	**12,805**

GEOGRAPHIC INFORMATION The Company has manufacturing facilities or sales offices in North America, South America, Europe, Asia, Australia and Africa.

(in thousands)	2005	2004	2003
Revenue from external customers:			
North America	**$ 569,319**	$ 566,915	$558,953
Europe	**304,936**	318,007	286,857
Asia Pacific	**94,999**	110,735	86,492
Other	**54,676**	51,476	54,907
Consolidated	**$1,023,930**	$1,047,133	$987,209
Long-lived assets:			
North America	**$ 410,202**	$ 420,095	$431,722
Europe	**448,462**	510,850	465,748
Asia Pacific	**18,995**	21,100	18,841
Other	**270**	289	487
Consolidated	**$ 877,929**	$ 952,334	$916,798

Sales in the United States, based on the final country of destination of the Company's products, were $418.7 million, $426.3 million and $436.9 million in 2005, 2004 and 2003, respectively. No other country of destination exceeded 10% of consolidated sales. Total long-lived assets in the United States amounted to $339.4 million, $352.2 million and $366.0 million at December 31, 2005, 2004 and 2003, respectively.

11. Restructuring and Other Charges

The Company recorded restructuring and other charges of $12.8 million ($9.8 million after tax, or $0.21 per share) in the fourth quarter of 2005 related to a cost reduction plan and an impairment charge to write-down the value of a minority investment as a result of a change in plans for that company by its majority investor.

The Company's cost reduction plan is intended to improve profitability and mitigate the impact of higher costs within its businesses. The plan also addresses the need to close facilities and reduce headcount in response to lower inkjet ink volumes. The plan will result in the closure of two excess manufacturing facilities, a total reduction in global headcount of approximately 140 employees across all segments and the elimination of three product lines. Activities to relocate production equipment and prepare excess facilities and excess equipment for sale or disposal began in the fourth quarter of 2005 and are anticipated to be completed by the end of the second quarter of 2006. Costs to be incurred in 2006 as a result of this plan are not expected to be significant.

Detail of the restructuring and other charges and the line items in which they were recorded in the Corporate and Other segment is as follows:

(in thousands)	RESTRUCTURING AND OTHER CHARGES	COSTS OF PRODUCTS SOLD	TOTAL
Employee termination expenses	$ 6,402	$ —	$ 6,402
Long-lived asset impairment charges for excess equipment	492	—	492
Write-down of inventory to net realizable value	—	4,340	4,340
Contract terminations	461	—	461
Write-down of minority investment	558	—	558
Other costs, including the dismantling of equipment	552	—	552
Total	$ 8,465	$ 4,340	$12,805

The company recorded restructuring 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 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.

The following table summarizes the changes to the accrual for restructuring and other charges:

(in thousands)	EMPLOYEE SEPARATIONS	ASSET-RELATED AND OTHERS	TOTAL
December 2003 charge	$ 3,952	$ 2,524	$ 6,476
Cash spent	(1,184)	—	(1,184)
Reductions of assets	—	(2,524)	(2,524)
Balances at December 31, 2003	2,768	—	2,768
Cash spent	(2,411)	—	(2,411)
Balances at December 31, 2004	357	—	357
December 2005 charge	6,402	6,403	12,805

Cash spent	(1,952)	(181)	(2,133)
Reductions of assets	—	(5,390)	(5,390)
Balances at December 31, 2005	$ 4,807	$ 832	$ 5,639

12. Commitments and Contingencies

LEASES

The Company leases certain facilities and equipment under operating lease arrangements. Aggregate minimum rental commitments at December 31, 2005, for all noncancelable operating leases with an initial lease term greater than one year were as follows for the years ending December 31,

(in thousands)	
2006	$ 7,650
2007	5,710
2008	3,458
2009	2,402
2010	1,990
Thereafter	5,334
	$26,544

Rent expense totaled $11.4 million, $10.6 million and $9.2 million during the years ended December 31, 2005, 2004 and 2003, respectively.

GUARANTEES

In connection with the sale of substantially all of the Company's Yeast business on February 23, 2001, the Company provided the buyer 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 certain of these provisions is capped at approximately 35% of the consideration received in the transaction. Liability related to certain matters, including claims relating to pre-closing environmental liabilities, is not capped. In cases where the Company believes it is probable that payments would be required under these provisions, the Company has recognized a liability.

ENVIRONMENT MATTER

The Company is involved in two significant environmental cases, which are described below. The Company is also involved in other site closure and related environmental remediation and compliance activities at manufacturing sites primarily related to a 2001 acquisition for which reserves for environmental matters were established as of the date of purchase. Actions that are legally required or necessary to prepare the sites for sale are currently being performed.

Clean Air Act NOV

On June 24, 2004, the United States Environmental Protection Agency (the "EPA") issued a Notice of Violation/ Finding of Violation ("NOV") to Lesaffre Yeast Corporation ("Lesaffre") for alleged violations of the Wisconsin air emission requirements. The NOV generally alleges that Lesaffre's Milwaukee, Wisconsin, facility violated air emissions limits for volatile organic compounds during certain periods from 1999 through 2003. Some of these violations allegedly occurred before Lesaffre purchased Red Star Yeast & Products ("Red Star Yeast") from the Company.

On June 30, 2005, the EPA issued a second NOV to Lesaffre and Sensient which alleged that certain operational changes were made during Sensient's ownership of the Milwaukee facility without complying with the new source review procedures and without the required air pollution control permit. While the Company's evaluation is continuing, there appear to be significant legal defenses available to the Company in connection with the alleged violations.

The Company has met with the EPA in an attempt to resolve the NOVs. In September 2005, as a follow up to one of those meetings, the Company submitted information to refute the allegations of the June 30, 2005 NOV and requested that the NOV be withdrawn. The Company is awaiting the EPA's response to that submission.

In connection with the sale of Red Star Yeast, the Company provided Lesaffre and certain of its affiliates with indemnification against environmental claims attributable to the operation, activities or ownership of Red Star Yeast prior to February 23, 2001, the closing date of the sale. The Company has not received a claim for indemnity from Lesaffre with respect to this matter. In December 2005, Lesaffre closed the Milwaukee plant. The Company informed the EPA of this development.

Superfund Claim

On July 6, 2004, the EPA notified the Company's Sensient Colors Inc. subsidiary that it may be a potentially responsible party ("PRP") under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") for activities at the General Color Company Superfund Site in Camden, New Jersey. The EPA requested reimbursement of $10.9 million in clean-up costs, plus interest. Sensient Colors Inc. advised the EPA that this site had been expressly excluded from the Company's 1988 stock purchase of H. Kohnstamm & Company, Inc. (now Sensient Colors Inc.). The selling shareholders had retained ownership of and liability for the site, and some became owners of General Color Company, which continued to operate there until the mid-1990s. The Company's legal defense costs are being paid by an insurer with a reservation of coverage rights. Litigation to resolve coverage rights is pending. The Company continues to assess the existence and solvency of other PRPs, additional insurance coverage, the nature of the alleged contamination, and the extent to which the EPA's activities satisfy the requirements for reimbursement under CERCLA, as well as the legal sufficiency of excluding this site from the 1988 transaction. In a letter to the EPA dated January 31, 2005, the Company outlined legal challenges to the recoverability of certain costs and urged the EPA to pursue General Color Company and related parties. The EPA subsequently informed the Company that it is unwilling to discuss these legal challenges without prior conditions and may refer this matter to the Department of Justice, which would evaluate the referral for potential civil litigation under applicable environmental laws.

As of December 31, 2005, the liabilities related to environmental remediation obligations could range from $1.6 million to $15.8 million. As of December 31, 2005, the Company has accrued $2.6 million for environmental matters, of which $2.2 million is related to the environmental reserves established in connection with the 2001 acquisition discussed above. This accrual represents management's best estimate of these liabilities. Although costs could be significantly higher, it is the opinion of Company management that the probability that costs in excess of those accrued will have a material adverse impact on the Company's consolidated financial statements is remote. There can be no assurance, however, that additional environmental matters will not arise in the future. The Company has not recorded any potential recoveries related to these matters, as receipts are not yet assured.

LITIGATION

There are three significant commercial cases pending against the Company, which are disclosed below.

Remmes v. Sensient Flavors Inc. et al.

In June 2004, the Company and certain other flavor manufacturers were sued in Iowa state court by Kevin Remmes, who alleged that while working at American Popcorn Company of Sioux City, Iowa, he was exposed to butter flavoring vapors that caused injury to his lungs and respiratory system. The Company, among others, sold butter flavoring used in the manufacture of microwave popcorn to American Popcorn Company. The suit was removed to the Federal District Court for the Northern District of Iowa, Western Division. The Company believes that plaintiff's claims are without merit and is vigorously defending this case. A trial date has been set in March 2007. One of the Company's insurers has acknowledged coverage and is paying defense costs since the deductible has been exceeded.

Fults et al. v. Sensient Flavors Inc. et al.

In August 2005, the Company and certain other flavoring manufacturers were sued in the City of St. Louis, Missouri, Circuit Court by Elizabeth Fults (as administrator for the Estate of Dixie Asbury), Nancy Lee Dudley and Jill Roth, all of whom allege that they suffered damage as a result of work-related exposure to butter flavoring vapors at the Gilster Mary Lee microwave popcorn plant in McBride, Missouri. At present, it is unclear whether and to what extent the Company ever sold butter flavoring products to this facility. The Company intends to file a motion to dismiss and will vigorously defend its interests in this case. A trial date has been set in this matter for May 2007.

Kuiper et al. v. Sensient Flavors Inc. et al.

In late January 2006, the Company and certain other flavor manufacturers were sued in the Federal District Court for the Northern District of Iowa, Western Division, by Ronald Kuiper and his spouse, Conley Kuiper. Mr. Kuiper claims that while working at American Popcorn Company of Sioux City, Iowa, he was exposed to butter flavoring vapors that caused injury to his lungs and respiratory system. Ms. Kuiper's claim is for loss of consortium. The allegations of this Complaint are virtually identical to those contained in the Remmes Complaint. Plaintiffs' counsel moved to consolidate the Kuiper case with the Remmes case for discovery purposes; the Court denied the motion on procedural grounds. The Company believes that plaintiffs' claims are without merit and is vigorously defending this case. A trial date has not yet been set in this matter.

The Company is involved in various other claims and litigation arising in the normal course of business. In the judgment of management, which relies in part on information from Company counsel, the ultimate resolution of these actions will not materially affect the consolidated financial statements of the Company except as described above.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Sensient Technologies Corporation is responsible for establishing and maintaining adequate internal control over financial reporting. 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 designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Management has assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2005. In making its assessment of internal control over financial reporting, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control – Integrated Framework. Based on that assessment, management has concluded that the Company's internal control over financial reporting was effective as of December 31, 2005.

The Company's independent registered public accounting firm has issued their attestation report on management's assessment of internal control over financial reporting. This report appears on page 44.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Sensient Technologies Corporation
Milwaukee, Wisconsin

We have audited the accompanying consolidated balance sheets of Sensient Technologies Corporation and subsidiaries (the "Company") as of December 31, 2005 and 2004, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2005. 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 the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 Sensient Technologies Corporation and subsidiaries as of December 31, 2005 and 2004, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2005, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 31, 2005, based on the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 17, 2006 expressed an unqualified opinion on management's assessment of the effectiveness of the Company's internal control over financial reporting and an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Deloitte & Touche LLP

Milwaukee, Wisconsin
February 17, 2006

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Directors and Stockholders of
Sensient Technologies Corporation
Milwaukee, Wisconsin

We have audited management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting, that Sensient Technologies Corporation and subsidiaries (the "Company") maintained effective internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that the Company maintained effective internal control over financial reporting as of December 31, 2005, is fairly stated, in all material respects, based on the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedules as of and for the year ended December 31, 2005 of the Company and our report dated February 17, 2006 expressed an unqualified opinion on those financial statements and financial statement schedules.

Deloitte & Touche LLP

Milwaukee, Wisconsin
February 17, 2006

CHANGE IN INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

On February 17, 2006, the Audit Committee notified Deloitte & Touche LLP ("Deloitte") that upon completion of the 2005 engagement and the filing of the Company's 2005 Form 10-K, Deloitte would be dismissed as the Company's independent registered public accounting firm. The engagement was completed and the dismissal occurred shortly before the mailing of this annual report. Deloitte's reports on the Company's consolidated financial statements as of and for the fiscal years ended December 31, 2004 and 2005, did not contain any adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principle.

During the years ended December 31, 2004 and 2005, and the subsequent period through February 17, 2006, there were no reportable events described in Item 304(a)(1)(v) of Regulation S-K and there were no disagreements with Deloitte on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to Deloitte's satisfaction, would have caused Deloitte to make reference thereto in their reports on the financial statements for such years except as described in this paragraph. With respect to 2004 there were disagreements with Deloitte with respect to the impairment of a receivable and the recording of an income tax benefit. The disagreements were resolved and the Company recorded corresponding adjustments prior to finalizing its 2004 audited financial statements. The Audit Committee discussed these matters with Deloitte. Also, the Company reported a material weakness in the Company's internal controls at December 31, 2004, with respect to inadequate support for management's estimates regarding the impairment of the receivable, and with respect to the Company's documentation related to the income tax benefit. The Company determined that the documentation in these regards was not sufficient to support the accounting treatment originally proposed, and described the related weakness in the Company's internal controls at December 31, 2004. There were no disagreements or reportable events with respect to the 2005 financial statements, and no material weaknesses in internal controls at December 31, 2005, were identified.

On February 17, 2006, the Audit Committee appointed Ernst & Young LLP ("E&Y") as the Company's new independent registered public accounting firm, subject to that firm's acceptance of the appointment and to shareholder ratification. The engagement letter was signed on February 24, 2006. During the fiscal years ended December 31, 2003, 2004 and 2005, and through February 24, 2006, neither the Company nor anyone acting on its behalf consulted with E&Y regarding any of the matters or events described in Items 304(a)(2)(i) and (ii) of Regulation S-K. The Company has authorized Deloitte to respond fully to any inquiries by E&Y regarding matters related to the disagreements described above.

QUARTERLY DATA

(in thousands except per share amounts) (unaudited)	REVENUE	GROSS PROFIT	NET EARNINGS	NET EARNING PER SHARE BASIC	NET EARNING PER SHARE DILUTED
2005					
First Quarter	**$250,877**	**$74,580**	**$ 12,831**	**$ .27**	**$ .27**
Second Quarter	**263,750**	**79,430**	**15,863**	**.34**	**.34**
Third Quarter	**256,416**	**73,046**	**14,128**	**.30**	**.30**
Fourth Quarter	**252,887**	**65,621**	**1,373**	**.03**	**.03**
2004					
First Quarter	$ 254,140	$ 74,365	$ 14,960	$ .32	$ .32
Second Quarter	263,830	80,397	18,249	.39	.39
Third Quarter	256,849	77,562	21,592	.46	.46
Fourth Quarter	272,314	80,213	19,117	.41	.41

The fourth quarter of 2005 includes restructuring and other charges of $12.8 million pre-tax, $9.8 million after-tax or $0.21 per share (see Note 11).

COMMON STOCK PRICES AND DIVIDENDS

	MARKET PRICE HIGH	MARKET PRICE LOW	DIVIDENDS PER SHARE
2005			
First Quarter	**$23.97**	**$20.20**	**$ .15**
Second Quarter	**21.91**	**19.55**	**.15**
Third Quarter	**22.13**	**18.04**	**.15**
Fourth Quarter	**19.66**	**16.82**	**.15**
2004			
First Quarter	$ 21.12	$ 17.91	$ .15
Second Quarter	21.84	18.28	.15
Third Quarter	22.43	18.95	.15
Fourth Quarter	24.25	20.53	.15

FIVE YEAR REVIEW

(in thousands except employee and per share data) Years ended December 31,	2005	
SUMMARY OF OPERATIONS		
Revenue	**$ 1,023,930**	**100.0%**
Cost of products sold	**731,253**	**71.4**
Selling and administrative expenses	**189,998**	**18.6**
Restructuring and other charges	**8,465**	**.8**
Operating income	**94,214**	**9.2**
Interest expense	**35,737**	**3.5**
Earnings from continuing operations before income taxes	**58,477**	**5.7**
Income taxes	**14,282**	**1.4**
Earnings from continuing operations	**44,195**	**4.3**
Earnings from discontinued operations	**—**	**—**
Net earnings	**$ 44,195**	**4.3%**
Basic earnings per share		
Continuing operations	**$ 0.95**	
Discontinued operations	**—**	
Net earnings	**$ 0.95**	
Diluted earnings per share		
Continuing operations	**$ 0.94**	
Discontinued operations	**—**	
Net earnings	**$ 0.94**	
OTHER RELATED DATA		
Dividends per share, declared and paid	**$ .60**	
Average common shares outstanding:		
Basic	**46,746**	
Diluted	**47,067**	
Book value per common share	**$ 13.43**	
Price range per common share	**16.82-23.97**	
Share price at December 31	**17.90**	
Capital expenditures for continuing operations	**36,102**	
Depreciation for continuing operations	**43,502**	
Amortization for continuing operations	**3,267**	
Total assets	**1,398,273**	
Long-term debt	**283,123**	
Total debt	**553,682**	
Shareholders' equity	**622,228**	
Return on average shareholders' equity	**6.8%**	
Total debt to total capital	**47.1%**	
Employees	**3,518**	

The 2005 results include restructuring and other charges of $12.8 million ($9.8 million after tax, or $0.21 per share) related to a cost reduction program and an impairment charge (see Note 11). The charges were recorded in cost of products sold ($4.3 million) and in restructuring and other charges ($8.5 million).

The 2003 results include restructuring charges related to a cost reduction plan of $6.5 million (see Note 11) and a $13.3 million credit related to termination of postretirement health care plan benefits included in selling and administrative expenses (see Note 8).

The 2001 results include goodwill amortization, net of tax, of $8.0 million. Due to an accounting change, goodwill is no longer amortized.

2004		2003		2002		2001	
$ 1,047,133	100.0%	$ 987,209	100.0%	$ 939,886	100.0%	$ 816,947	100.0%
734,596	70.2	677,414	68.6	633,011	67.3	550,331	67.3
183,381	17.5	165,835	16.8	160,380	17.1	145,126	17.8
—	—	6,476	0.7	—	—	—	—
129,156	12.3	137,484	13.9	146,495	15.6	121,490	14.9
31,265	3.0	29,140	2.9	29,523	3.1	31,531	3.9
97,891	9.3	108,344	11.0	116,972	12.5	89,959	11.0
23,973	2.2	26,912	2.8	36,282	3.9	24,996	3.0
73,918	7.1	81,432	8.2	80,690	8.6	64,963	8.0
—	—	—	—	—	—	8,639	1.0
$ 73,918	7.1%	$ 81,432	8.2%	$ 80,690	8.6%	$ 73,602	9.0%
$ 1.59		$ 1.74		$ 1.70		$ 1.36	
—		—		—		.18	
$ 1.59		$ 1.74		$ 1.70		$ 1.54	
$ 1.58		$ 1.73		$ 1.69		$ 1.36	
—		—		—		.18	
$ 1.58		$ 1.73		$ 1.69		$ 1.54	
$ .60		$ .59		$ .5375		$ .53	
46,562		46,741		47,379		47,671	
46,877		47,041		47,788		47,926	
$ 13.99		$ 12.42		$ 10.58		$ 9.09	
17.91-24.25		17.86-24.26		17.95-25.96		15.55-23.99	
23.99		19.77		22.47		20.81	
49,845		74,208		47,317		38,001	
43,900		40,385		38,899		37,019	
2,343		2,713		2,391		9,271	
1,488,578		1,453,528		1,285,685		1,108,893	
525,153		525,924		511,707		423,137	
615,196		654,657		558,699		491,603	
658,698		580,118		499,358		430,816	
12.2%		15.2%		17.3%		17.7%	
48.3%		53.0%		52.8%		53.3%	
3,728		3,845		3,572		3,454	

DIRECTORS AND OFFICERS

board of directors

Kenneth P. Manning, 64
Chairman, President and Chief Executive Officer
Sensient Technologies Corporation
Elected Director in 1989 (2, 6)

Michael E. Batten, 65
Chairman and Chief Executive Officer
Twin Disc, Inc.
Elected Director in 1980 (1, 5)

John F. Bergstrom, 59
Chairman and Chief Executive Officer
Bergstrom Corporation
Elected Director in 1994 (2, 3, 5)

Hank Brown, 66
President
University of Colorado
Elected Director in 2004 (1, 4, 5)

Fergus M. Clydesdale, Ph.D., 69
Distinguished Professor and
Head of the Department of Food Science
University of Massachusetts–Amherst
Elected Director in 1998 (3, 4, 6)

James A.D. Croft, 68
Chairman
Bartlodge Limited
Elected Director in 1997 (1, 2, 3)

William V. Hickey, 61
President and Chief Executive Officer
Sealed Air Corporation
Elected Director in 1997 (1, 2, 4, 5)

Peter M. Salmon, 56
President
International Food Network, Inc.
Elected Director in 2005 (6)

Essie Whitelaw, 58
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 and Corporate Governance Committee

5 Finance Committee

6 Scientific Advisory Committee

elected officers

Kenneth P. Manning, 64
Chairman, President and Chief Executive Officer
With the Company 18 years

Peter Bradley, 46
President – Color Group
With the Company 3 years

Richard Carney, 55
Vice President – Administration
With the Company 24 years

John Collopy, 36
Assistant Treasurer
With the Company 6 years

John L. Hammond, 59
Vice President, Secretary and General Counsel
With the Company 8 years

Richard F. Hobbs, 58
Vice President, Chief Financial Officer
and Treasurer
With the Company 32 years

Richard J. Malin, 39
Assistant Controller
With the Company 14 years

Ralph G. Pickles, 59
President – Flavors & Fragrances Group
With the Company 10 years

Stephen J. Rolfs, 41
Vice President, Controller and
Chief Accounting Officer
With the Company 8 years

Ho-Seung Yang, Ph.D., 58
Vice President – Marketing & Technology
With the Company 10 years

appointed officers

Neil G. Cracknell, 44
President, Dehydrated Flavors
With the Company 11 years

Robert L. Menzl, 49
Vice President, Information Technology
With the Company 10 years

Trevor Rahill, 52
Vice President, Flavors
With the Company 15 years

Robert Wilkins, 38
President, Asia Pacific Group
With the Company 2 years

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
Web site: 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/

COMMON STOCK

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

There were 3,676 shareholders of record of Common Stock as of January 31, 2006.

ANNUAL MEETING OF SHAREHOLDERS

The Annual Meeting of Shareholders will be held at 2:00 p.m. (CDT) on Thursday, April 27, 2006, at InterContinental Chicago, 505 North Michigan Avenue, Chicago, Illinois.

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.

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

Communications 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. 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.

In accordance with New York Stock Exchange rules and pursuant to Rule 13a-14 under the Securities and Exchange Act of 1934, Kenneth P. Manning, as the Company's Chief Executive Officer, and Richard F. Hobbs, as the Company's Chief Financial Officer, have 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, 2005. As Chief Executive Officer, in 2005 Kenneth P. Manning also has certified compliance with New York Stock Exchange corporate governance listing standards.

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Section 3: EX-23 (CONSENT OF DELOITTE & TOUCHE LLP)

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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, 333-45931 and 333-118539 on Form S-8 and Registration Statement No. 333-67015 on Form S-3 of Sensient Technologies Corporation, of our reports dated February 17, 2006, relating to the financial statements and financial statement schedule of Sensient Technologies Corporation, management's report on the effectiveness of internal control over financial reporting and the effectiveness of the Company's internal control over financial reporting, appearing and incorporated by reference in the Annual Report on Form 10-K of Sensient Technologies Corporation for the year ended December 31, 2005.

Deloitte & Touche LLP

Milwaukee, Wisconsin
March 14, 2006

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Section 4: EX-31.1 (CERTIFICATION OF SENSIENT'S CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER)

EXHIBIT 31.1

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

I, Kenneth P. Manning, 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-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer 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 functions):
   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, 2006

/s/ Kenneth P. Manning
Kenneth P. Manning, Chairman,
President & Chief Executive Officer
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Section 5: EX-31.2 (CERTIFICATION OF SENSIENT'S VICE PRESIDENT, CHIEF FINANCIAL OFFICER AND TREASURE)

EXHIBIT 31.2

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-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer 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 functions):
   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, 2006

/s/ Richard F. Hobbs
Richard F. Hobbs, Vice President,
Chief Financial Officer & Treasurer
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Section 6: EX-32.1 (CERTIFICATION OF SENSIENT'S CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER)

EXHIBIT 32.1

CERTIFICATION
Pursuant to 18 United States Code § 1350

The undersigned hereby certifies that the Annual Report on Form 10-K for the fiscal year ended December 31, 2005 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
Name: Kenneth P. Manning
Title: Chairman, President & Chief Executive Officer
Date: March 15, 2006

A signed original of this written statement required by Section 906 has been provided to Sensient Technologies Corporation and will be retained by Sensient Technologies Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

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Section 7: EX-32.2 (CERTIFICATION OF SENSIENT'S VICE PRESIDENT, CHIEF FINANCIAL OFFICER AND TREASURE)

EXHIBIT 32.2

CERTIFICATION
Pursuant to 18 United States Code § 1350

The undersigned hereby certifies that the Annual Report on Form 10-K for the fiscal year ended December 31, 2005 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
Name: Richard F. Hobbs
Title: Vice President, Chief Financial Officer & Treasurer
Date: March 15, 2006

A signed original of this written statement required by Section 906 has been provided to Sensient Technologies Corporation and will be retained by Sensient Technologies Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

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