THRIVING
TRANSFORMED

SENSIENT TECHNOLOGIES CORPORATION

2002 ANNUAL REPORT

SENSIENT TECHNOLOGIES CORPORATION IS A LEADING GLOBAL MANUFACTURER AND MARKETER OF COLORS, FLAVORS AND FRAGRANCES. TODAY OUR COMPANY PROVIDES INNOVATIVE VALUE-ADDED PRODUCTS TO SEVERAL FAST-GROWING INTERNATIONAL MARKETS. USING ADVANCED TECHNOLOGIES AT FACILITIES AROUND THE WORLD, WE DEVELOP UNIQUE FORMULATIONS FOR THE DIGITAL IMAGING, SPECIALTY PRINTING, FOOD AND BEVERAGE, COSMETICS, PERSONAL AND HOME CARE PRODUCTS AND PHARMACEUTICAL INDUSTRIES. SENSIENT'S INKJET INKS, SYNTHETIC AND NATURAL COLORS, FRAGRANCES AND FLAVOR SYSTEMS SUPPLY MANY OF THE WORLD'S LEADING MANUFACTURERS. WE ARE DELIVERING STRONG RESULTS BY DEVELOPING HIGH-PERFORMANCE PRODUCTS, ACCESSING NEW MARKETS AND ENHANCING OPERATIONS.

IT'S A CHANGED WORLD.

WE'RE A CHANGED COMPANY.

CONTENTS

SENSIENT™

FINANCIAL HIGHLIGHTS

IN THOUSANDS EXCEPT PER SHARE, EMPLOYEE AND SHAREHOLDER DATA

Years ended December 31,	2002	2001	*% Change*
RESULTS OF OPERATIONS			
Revenue	$939,886	$816,947	15.0
Operating Income	146,495	121,490	20.6
Earnings from Continuing Operations	80,690	64,963	24.2
PER COMMON SHARE			
Earnings from Continuing Operations:			
Basic	$ 1.70	$ 1.36	25.0
Diluted	1.69	1.36	24.3
Dividends	0.54	0.53	1.9
Book Value	10.58	9.09	16.4
OTHER INFORMATION			
Capital Expenditures for Continuing Operations	$ 47,317	$ 38,001	24.5
Depreciation and Amortization	$ 41,290	$ 46,290	-10.8
Number of Employees	3,572	3,454	3.4
Number of Shareholders of Record	4,390	4,586	-4.3
Average Common Shares Outstanding – *Basic*	47,379	47,671	-0.6
Average Common Shares Outstanding – *Diluted*	47,788	47,926	-0.3

LETTER TO SHAREHOLDERS

Sensient is a new Company in every sense of the word. Our outstanding results in 2002 demonstrate that our strategy for growth continues to deliver success.

RECORD GROWTH IN 2002

Sensient Technologies Corporation achieved record revenue and earnings per share in 2002, and we expect solid growth to continue in 2003. We increased revenue for the year by 15% over 2001, with total revenue reaching $939.9 million. Earnings in 2002 from continuing operations were $80.7 million, an increase of 24.2% over 2001.

Our strong results led the Company's Board of Directors to vote to increase our annual cash dividend on common stock from $.53 to $.56 per share. This dividend increase enables our shareholders to participate directly and immediately in the Company's success. The increase became effective with the quarterly dividend paid on December 2, 2002.

The coming year will mark an important milestone in the Company's history: I am confident that in 2003 Sensient's revenue will exceed $1 billion. This achievement reflects the successful effort of Sensient's leadership to transform a 120-year-old domestic food business into a world-leading developer and supplier of sophisticated color, flavor and fragrance systems.

A NEW COMPANY WITH NEW PRODUCTS

Sensient's record performance in 2002 is the result of a well-planned and disciplined strategy to build this Company into a global business with high-margin, technology-driven products. We embarked on an aggressive acquisition program six years ago that accelerated our movement into new markets. As important, we exited slow-growth, commodity businesses.

Today we are a whole new Company with an exceptional product mix that emphasizes value-added technologies and ingredient systems.

KENNETH P. MANNING *Chairman, President and Chief Executive Officer*

Six years ago, we had no Technical Colors business. In 2002, this business reached $115 million in revenue. We expect strong growth to continue in this market in 2003 and beyond. Within the Sensient Technical Colors business, the Imaging Technologies products include inkjet inks, color systems for industrial applications and highly purified organic chemicals called OLED (Organic Light-Emitting Diodes). OLED provides the foundation of an innovative flat panel display technology for use in PDAs, wireless phones, digital cameras, laptop computers and other devices.

Four years ago, we recognized opportunities for growth in the cosmetic ingredients business and invested significant resources into this fast-growing market. As a result, we have achieved double-digit growth year after year in this business.

Today our aroma chemicals and fragrance systems go into some of the world's best-known consumer brands, including personal and home care products. In food, we are providing customers with sophisticated color and flavor systems that offer the best returns in this market.

All of these markets are contributing to our growth today, and we expect that they will continue to deliver strong returns in the future. We will grow each of these businesses in the coming years by leveraging our past acquisitions to their fullest extent.

In 2002, we completed four acquisitions that add new products and technologies in display imaging, specialty inks, cosmetic ingredients, flavors and fragrances. These acquisitions enable us to further improve

ACQUISITIONS WILL STILL BE PART OF OUR OVERALL GROWTH STRATEGY, BUT WE WILL FOCUS ON STRENGTHENING OUR OPERATIONS, INCREASING SALES VOLUME AND DEVELOPING NEW PRODUCTS.

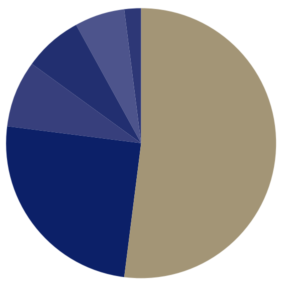
our position in our newest, most dynamic markets. They also strengthen our standing with leading customers and give us access to new markets.

Sensient has built a solid foundation for growth through our strategic acquisition program. Acquisitions will still be part of our overall growth strategy, but we will focus on strengthening our operations, increasing sales volume and developing new products.

We are linking all of our businesses together through the Sensient name. Our unified brand expresses the Company's global leadership, technical expertise and product depth. In early 2003, we launched a redesigned Web site that further leverages the strength of our name. The Sensient Web site provides a detailed picture of our business and presents a Company that has transformed itself into a market leader with global reach.

A DYNAMIC CORPORATE CULTURE

Sensient is thriving today on the strength of a superior international workforce of more than 3,500 employees. When I became president of this Company in 1992, 95 percent of our employees were U.S. citizens and 90 percent of our business was domestic. We rarely sought opportunities beyond our own borders.



REVENUE BY REGION

52%	*United States*
25%	*Europe*
8%	*Asia-Pacific*
8%	*Latin America*
6%	*Canada*
1%	*Other*

One decade later, almost two-thirds of our employees are citizens of other nations, and nearly half of our revenues come from international business. We operate from 77 locations in 30 countries. Our leadership uncovers opportunities and looks for growth in markets around the world.

The new vision and energy of our corporate leadership extends to the entire Company. We have built a highly skilled workforce that provides our customers with technical expertise and superior service.

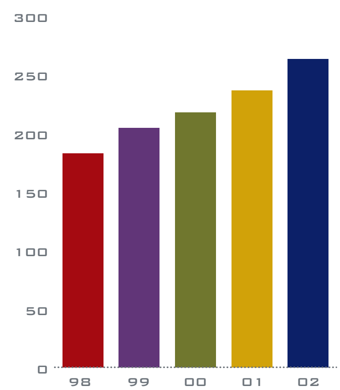
We have state-of-the-art facilities and technology that cannot be matched by our competitors. Automation and operational improvements have substantially increased revenue per employee over the last several years. In 2002, revenue per employee reached $263,000, compared to $168,000 in 1996.

BENEFITING FROM A CHANGING WORLD

Sensient's new products, proprietary technologies and strong workforce enable us to thrive in a fast-changing world. People in markets around the globe are enjoying greater access to consumer products, and Sensient is perfectly positioned to benefit.

In China, a growing middle class promises expanding markets for digital imaging, beverages and household products. Developing markets in Latin America and Eastern Europe also continue to provide opportunities for growth.

The increasingly competitive marketplace for consumer products also benefits Sensient. The accelerating pace of product releases means that customers frequently turn to us for assistance with product development. Sensient's research facilities enable us to meet this need and set us apart from our competitors. We help our customers succeed by supplying higher-margin formulations and technologies that differentiate their products in the marketplace.



REVENUE PER EMPLOYEE
dollars in thousands

As a transformed and thriving Company, Sensient will continue to succeed as the decade unfolds. Our customers, employees and shareholders all stand to benefit from this new chapter in our Company's history.

Sincerely,

Kenneth P. Manning

KENNETH P. MANNING
Chairman, President and Chief Executive Officer

COLOR

SENSIENT IS A LEADING DEVELOPER, MANUFACTURER AND SUPPLIER OF COLORS FOR BUSINESSES WORLDWIDE. THE COMPANY PROVIDES TECHNICAL COLORS FOR INDUSTRIAL APPLICATIONS AND DIGITAL IMAGING, INCLUDING INKJET INKS AND DISPLAY IMAGING; COLORS AND FORMULATIONS FOR COSMETICS; AND NATURAL AND SYNTHETIC COLOR SYSTEMS FOR PHARMACEUTICALS, FOODS AND BEVERAGES.

estimated global market:

$5.1 BILLION

COMPETITIVE ADVANTAGES

Tightly integrated, global operations

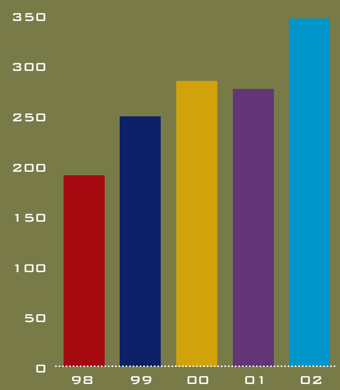
Leading worldwide supplier of synthetic colors

Exceptional technical and customer service

Strong presence in dynamic specialty printing market, including inkjet inks

REVENUE

dollars in millions



GROWTH STRATEGIES

Accelerate pace of new product development

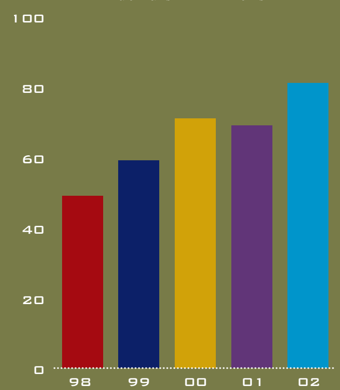
Increase technical color business in key geographic markets

Broaden pharmaceutical product line and business

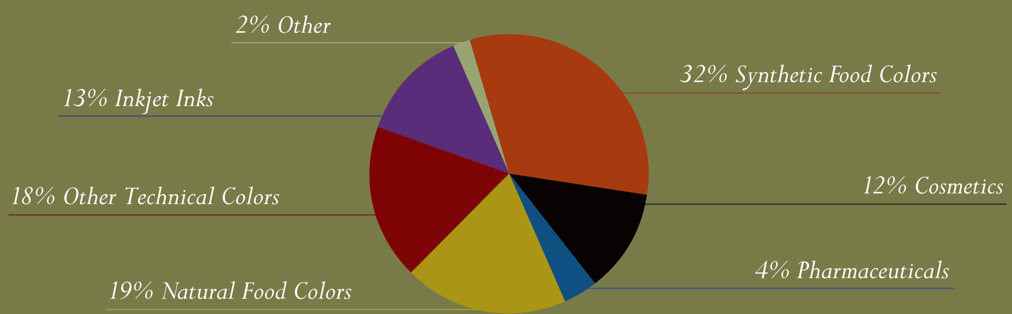
Promote organic chemical capabilities

OPERATING PROFIT

dollars in millions



REVENUE BY PRODUCT LINE



FLAVORS & FRAGRANCES

SENSIENT IS A LEADING GLOBAL DEVELOPER, MANUFACTURER AND SUPPLIER OF FLAVOR AND FRAGRANCE SYSTEMS FOR THE FOOD, BEVERAGE, PHARMACEUTICAL, PERSONAL AND HOME CARE PRODUCTS INDUSTRIES. THE COMPANY'S UNIQUE FORMULATIONS ADD VALUE TO MANY OF THE WORLD'S BEST-KNOWN CONSUMER PRODUCTS.

estimated global market:

$15.7 BILLION

COMPETITIVE ADVANTAGES

Superior product development capabilities

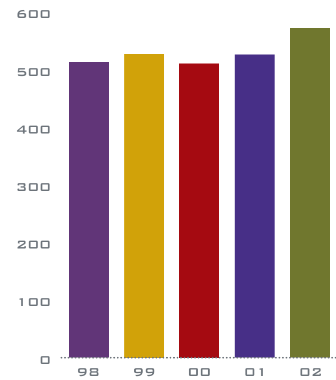
Production facilities near major customers

Expertise in local markets worldwide

Vertical integration in key product areas

REVENUE

dollars in millions



GROWTH STRATEGIES

Emphasize higher-margin, value-added ingredient systems

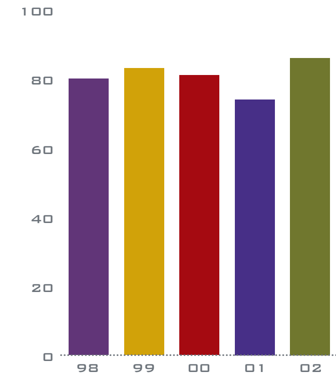
Increase aroma chemical and fragrance product lines

Expand relationships with industry-leading customers

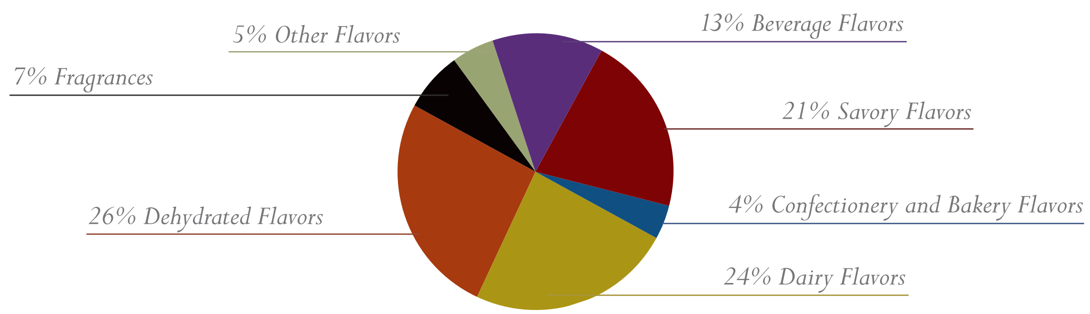
Leverage strength in several fast-growing markets, such as flavors for convenience foods and fortified beverages

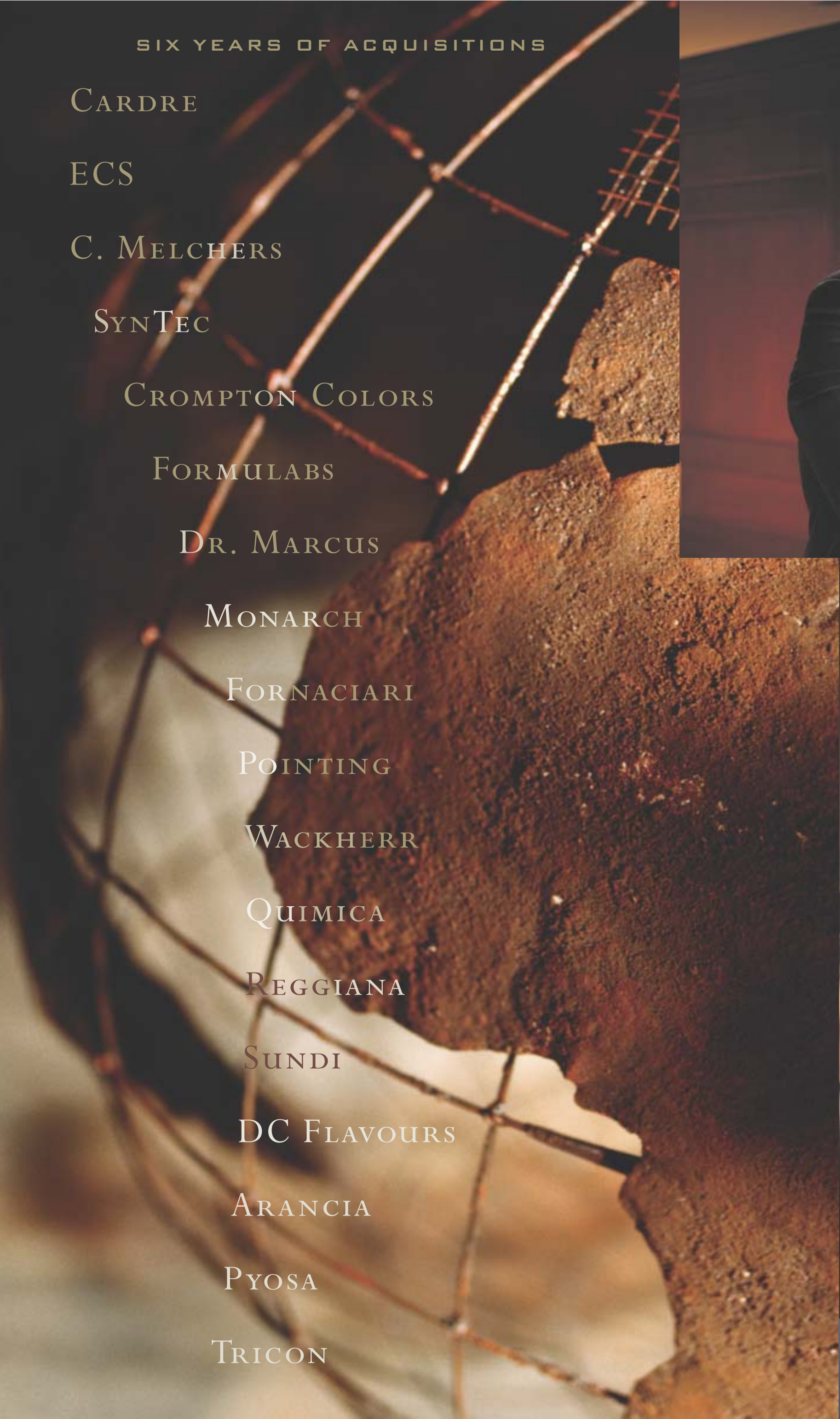
OPERATING PROFIT

dollars in millions



REVENUE BY PRODUCT LINE





EFFECTIVE LEADERSHIP

SENSIENT'S SUCCESSFUL TRANSFORMATION *into a dynamic new Company rests on the strength of our leadership. CEO Kenneth P. Manning has assembled a group of international executives who are streamlining operations, strengthening customer service and aggressively pursuing new opportunities worldwide. Our leadership includes strong managers and highly educated scientists who guide Sensient's development of new technologies and applications.*

INTERNATIONAL PRESENCE

SENSIENT HAS BUILT A CORPORATE CULTURE *that draws on the strengths of regions around the world. With operations in 77 locations in 30 countries, our Company provides local expertise on a global scale. Our international workforce enables us to help customers develop products that match the preferences of consumers in virtually any geographic market. In addition, our global network of R&D, manufacturing and distribution facilities allows us to serve large multinational customers that demand a supplier with worldwide reach.*

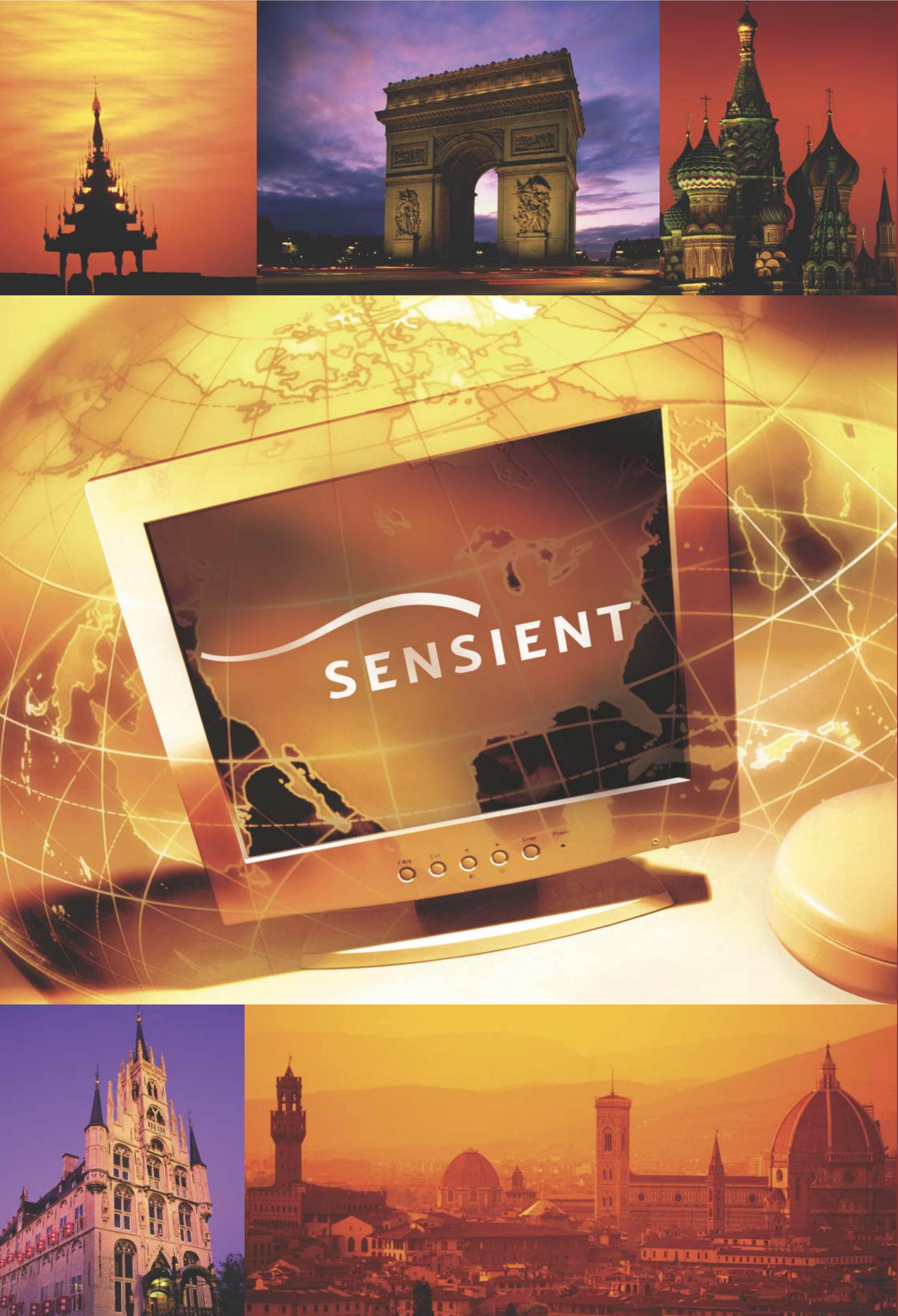



GROWING OPERATIONS

SENSIENT IS LEVERAGING CORE TECHNOLOGIES, *scientific expertise and state-of-the-art facilities to drive new growth. We are also accelerating the pace of new product development, streamlining operations and strengthening sales and marketing. With our new software-based Project Control System, we are improving communications and information sharing across the Company. The results are clear: Current and potential customers increasingly recognize Sensient's ability to deliver innovative products and ingredient systems that cannot be matched by our competitors.*

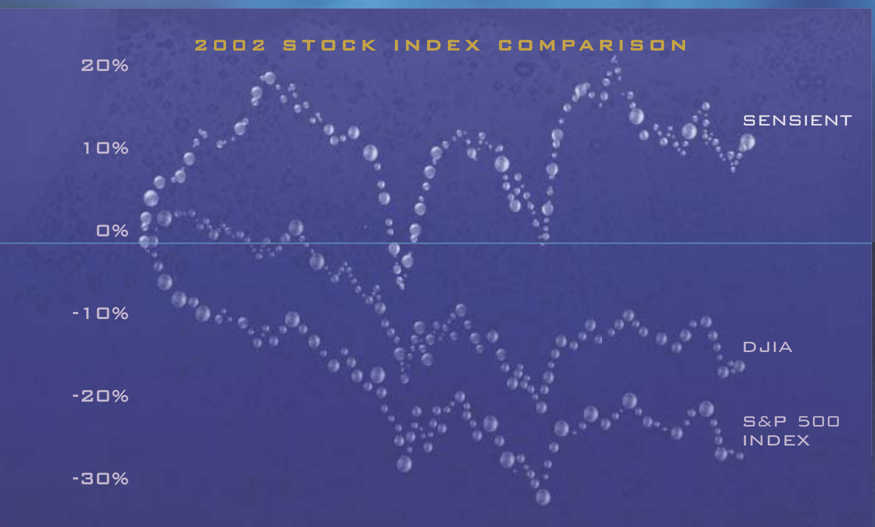
DYNAMIC MARKETS

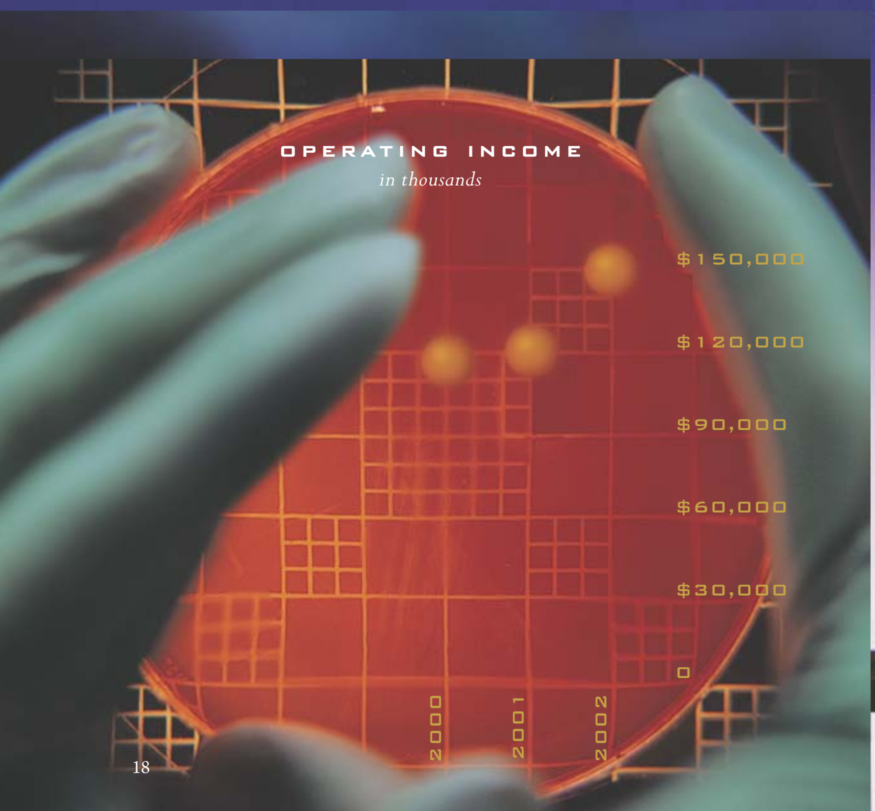
INKJET INKS. COSMETICS. DISPLAY IMAGING CHEMICALS. *Today Sensient has a strong presence in several fast-growing, high-margin markets with international appeal. Sensient's highly purified inkjet inks continue to achieve double-digit annual growth. Our cosmetic ingredient systems supply a growing worldwide market for beauty products and skin creams. And in the coming years, our organic chemical technology could play a critical role in the production of flat panel displays for PDAs, wireless phones, digital cameras, laptop computers, global positioning systems and other devices.*

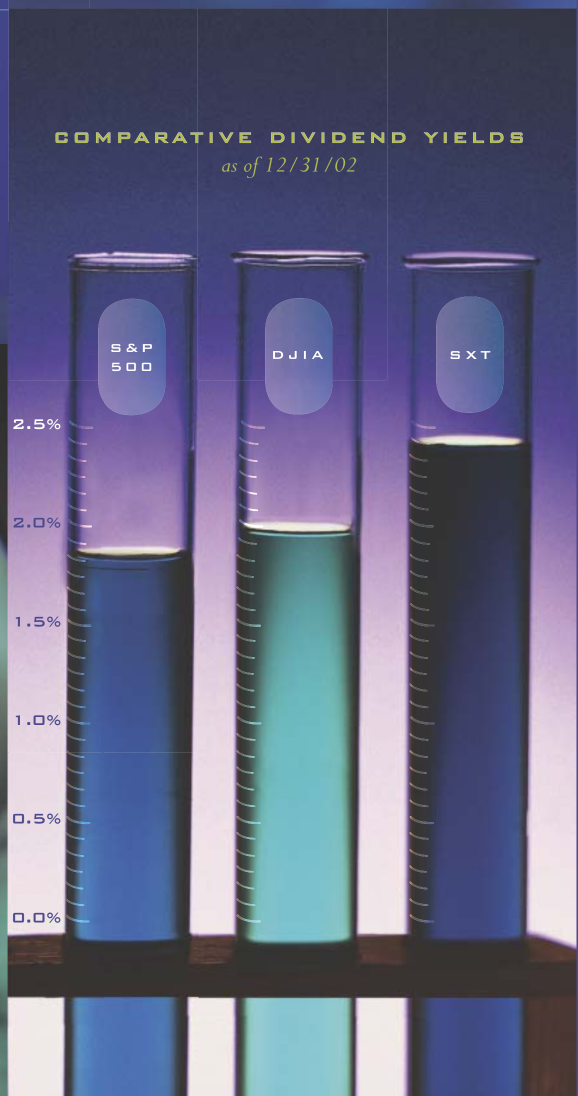


A UNIFIED BRAND

SENSIENT HAS BROUGHT TOGETHER *all our businesses as a unified brand. The Sensient name communicates that we are a leading international supplier of high-performance color, flavor and fragrance systems for food and non-food markets. The identifiable Sensient brand increases our visibility in new markets and strengthens the Company's leadership in our traditional businesses. As important, it aligns our workforce into a single, global Company.*







PERFORMANCE

PROVEN

SENSIENT'S BOTTOM LINE demonstrates that our strategy for growth is succeeding. We increased our dividend in 2002 to enable shareholders to benefit immediately from the Company's results. Our stock has outperformed benchmark indices and most competitors over the last five years. More importantly, we are well positioned for future success. Sensient's global presence, new technologies and higher-margin products are driving growth in revenue and profit. We will continue to deliver strong results that build value for our shareholders.

"Our new acquisitions, cost reduction programs and market leadership in our traditional businesses all contributed to Sensient's strong results in 2002. Emphasis on improving productivity, opening new markets and developing technology-based products will drive growth in 2003."

— Kenneth P. Manning

TABLE OF CONTENTS

OVERVIEW

2002 was a successful year of growth for Sensient Technologies Corporation ("the Company"). For the year, the Company reported record levels of revenue, earnings per share and cash flow from the operating activities of continuing operations. The Company also increased the annual cash dividend paid on its common stock from 53 cents per share to 56 cents per share in order to allow shareholders to participate immediately and directly in the Company's success.

The Company completed four acquisitions during 2002 that have added new products and technologies in display imaging, specialty inks, cosmetic ingredients, flavors and fragrances. The Company also implemented a number of specific initiatives to improve profitability and growth opportunities within its businesses. Both acquisitions and improvements in core operations contributed to strong growth in revenue and earnings during the year.

2002 marked the completion of the Company's cost reduction programs that began with the facilities consolidation plan announced in December of 2000. The cost savings achieved from this and subsequent actions have dramatically improved the Company's cost structure. During 2002, an additional $10.5 million of savings were achieved, resulting in total annual savings of $20 million under these programs.

The Company achieved operating income in 2002 of $146.5 million, an increase of $25.0 million, or 20.6% over 2001 operating income of $121.5 million. 2002 earnings from continuing operations of $80.7 million represent a $15.7 million, or a 24.2% improvement compared to 2001 earnings of $65.0 million. Diluted earnings per share from continuing operations were $1.69 in 2002, an increase of 24.3% over 2001 diluted earnings per share of $1.36.

RESULTS OF OPERATIONS

2002 vs. 2001 — continuing operations

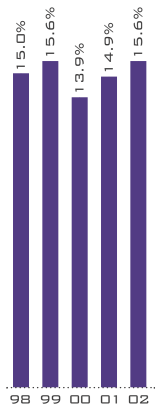
Revenue from continuing operations for 2002 was $939.9 million, an increase of $123.0 million, or 15.0%, over 2001. The Color Group increased revenue by $70.5 million, or 25.5% over 2001, to $346.5 million for 2002. This increase was driven by the recently acquired technical color businesses, as well as growth in the pharmaceutical, cosmetic and natural color product lines. The increase was partially offset by lower sales of synthetic dyes to food and beverage customers. Revenue for the Flavors & Fragrances Group increased by $46.5 million, or 8.8%, over 2001, to $572.2 million for 2002. Revenue increased in all major categories, with strong growth in fragrances and beverage flavors. The March 2002 acquisition of the flavors and essential oils operations of C. Melchers GmbH & Company also contributed to the Flavors & Fragrances Group's increase in revenue.

Gross profit for 2002 was $308.3 million, an increase of $40.7 million, or 15.2%, over 2001. The Color Group increased gross profit 29.3%, to $136.1 million in 2002, primarily as a result of recently acquired businesses and growth in key product categories. Gross profit for the Flavors & Fragrances Group increased 6.3%, to $156.6 million in 2002. This increase was the result of higher revenue and realized cost savings, partially offset by increased material costs. The Company's gross margin was 32.8% for both 2002 and 2001. The Color Group increased its gross margin 120 basis points, to 39.3% of revenue, primarily as a result of recently acquired higher-margin businesses. The Flavors & Fragrances Group gross margin decreased 60 basis points, to 27.4% of revenue, which resulted from increased material costs and changes in product mix.

Selling and administrative expenses were $161.8 million in 2002, a 10.7% increase over 2001. The increase was primarily attributable to the higher selling and administrative expenses of acquired businesses, as well as increased employee benefit expense and increased salary expense from newly created management positions in the Color and Flavors & Fragrances Groups. For the year, selling and administrative expenses as a percent of revenue decreased to 17.2% versus 17.9% in 2001. The mandatory adoption of Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets," reduced selling and administrative expenses in 2002. On a comparable basis, assuming SFAS No. 142 had been adopted in 2001, selling and administrative expenses, as a percent of revenue, would have been 16.8%. See "Critical Accounting Policies" for additional details on SFAS No. 142.

Operating income was $146.5 million compared to $121.5 million in 2001, an increase of 20.6%. The increase in operating income was driven by the combination of higher revenue and realized cost savings. The adoption of SFAS No. 142 also increased operating income by $8.9 million. On a comparable basis, assuming SFAS No. 142 had been adopted in 2001, operating income would have increased by 12.3%.

Favorable exchange rates increased revenue by approximately 1% for the year. The impact of exchange rates on earnings for the year was minimal.



OPERATING MARGINS

Interest expense decreased $2.0 million to $29.5 million in 2002. The decrease was a result of lower interest rates more than offsetting higher average outstanding debt balances.

The effective income tax rate on continuing operations was 31.0% in 2002. The 2002 tax rate was reduced as a result of the expected settlement of certain tax liabilities. Excluding this reduction, the effective tax rate in 2002 would have been approximately 31.8%. The effective tax rate was 27.8% in 2001. The 2001 tax rate was reduced as a result of the expected settlement of certain tax liabilities and an adjustment of the valuation allowance made possible by the ability to utilize state and foreign net operating loss carryforwards. Without the adjustment for these factors, and had SFAS No. 142 been adopted in 2001, the 2001 effective tax rate would have been 31.6%.

Earnings from continuing operations were $80.7 million, or $1.69 per share diluted, in 2002 compared to $65.0 million, or $1.36 per share diluted, in 2001. Diluted earnings per share from continuing operations in 2002 included a benefit of $.17 from the required adoption of SFAS No. 142.

2001 VS. 2000 — CONTINUING OPERATIONS

Revenue from continuing operations for 2001 was $816.9 million, an increase of $7.8 million, or 1.0%, over 2000. The increase in revenue is attributable to an increase of $14.5 million, or 2.8%, in the Flavors & Fragrances Group. Color Group revenue was 2.7% lower than 2000 due to the strengthening U.S. dollar and the divestiture of non-strategic businesses in 2000. Excluding foreign exchange and the divestitures, revenue for the Company would have increased approximately 4%. Both the Flavors & Fragrances and Color Groups were negatively impacted by lower demand as customers had fewer new product introductions and reduced inventory levels. Sales initiatives in the fourth quarter resulted in improved revenue. Fourth quarter 2001 revenue increased 10.6% over the fourth quarter of the prior year.

Gross margin for 2001 was 32.8% compared to 35.1% in 2000. Gross margin in the Flavors & Fragrances Group declined 2.7% primarily due to the impact of higher energy costs in the dehydrated flavors business. In November 2001, the dehydrated flavors business implemented price increases to mitigate the negative effect of higher energy costs. The gross margin for the Color Group declined 1.6% due to a shift in product mix.

Selling and administrative expenses were $146.1 million in 2001, a decrease of $6.9 million, or 4.5%, from 2000. The Company's December 2000 and April 2001 programs to consolidate facilities and streamline the workforce were the primary reasons for this reduction in expenses. Lower contributions to benefit plans in 2001 and continued emphasis on controlling costs also reduced selling and administrative expenses.

Operating income was $121.5 million compared to $131.2 million in 2000, excluding special charges of $19 million in 2000. The strengthening of the U.S. dollar reduced 2001 operating income by $1.4 million. Operating income decreased $6.4 million in the Flavors & Fragrances Group primarily due to the increase in energy costs. Operating income decreased $1.5 million in the Color Group due to a shift in product mix. Both Groups reported increases in operating income in the fourth quarter of 2001 compared to the same period in 2000.

Interest expense decreased $2.6 million to $31.5 million in 2001. The decrease was due to lower average outstanding debt and lower average interest rates. The proceeds from the Red Star Yeast divestiture were used primarily to reduce outstanding debt, repurchase the Company's stock and to fund acquisitions of companies with high growth potential.

The effective tax rate was 27.8% in 2001. The 2001 tax rate was reduced as a result of the expected settlement of certain tax liabilities and an adjustment of the valuation allowance made possible by the ability to utilize state and foreign net operating loss carryforwards. Excluding these reductions, the effective tax rate in 2001 would have been approximately 33.8%. The effective tax rate in 2000 was also 27.8%, which included a one-time tax benefit realized from ceasing dehydrated operations in Ireland. Excluding this benefit and other minor one-time items, the effective tax rate would have been approximately 32.6% in 2000.

Earnings from continuing operations were $65.0 million, or $1.36 per share diluted, in 2001 compared to $1.15 in 2000. Diluted earnings per share from continuing operations in 2000 included special charges of $19.0 million ($13.3 million, or $.27 per share, after tax). Without the special charges, 2000 diluted earnings per share from continuing operations were $1.42.

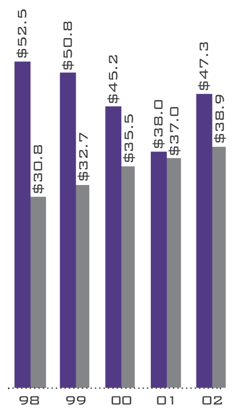
LIQUIDITY AND FINANCIAL POSITION

The Company generated a record level of operating cash from continuing operations in 2002. The Company also took advantage of strong investor demand and historically low interest rates by issuing approximately $60 million of privately placed debt in December 2002.

Cash provided by operating activities of continuing operations was $94.1 million in 2002, $58.9 million in 2001 and $75.1 million in 2000. Operating cash flow provided the primary source of funds to finance operating needs, capital expenditures and shareholder dividends. The increase in cash provided by continuing operations in 2002 was the result of increased earnings and working capital reductions as compared to 2001.

Cash provided by operating activities of continuing operations in 2001 was reduced as a result of tax payments and other transactional costs from the disposal of the Yeast business and costs paid as part of the December 2000 and April 2001 programs that consolidated facilities and streamlined the workforce. Excluding these items, cash provided by continuing operations in 2001 would have been approximately $86.7 million, a 15.4% increase over 2000.

Cash used for investing activities was $88.2 million in 2002, compared to cash provided of $25.2 million in 2001 and cash used of $90.1 million in 2000. Cash proceeds from the sale of assets were $8.9 million in 2002, $114.6 million in 2001 and $11.7 million in 2000. The 2001 proceeds were primarily a result of the sale of Red Star Yeast. Cash used for acquisitions was $48.5 million in 2002, $50.7 million in 2001 and $50.2 million in 2000. 2002 acquisitions include Cardre, Inc., a Plainfield, New Jersey, manufacturer of specialty ingredients used in cosmetics; ECS Specialty Inks and Dyes, a Morges, Switzerland, producer and marketer of inks for specialty printing applications; SynTec GmbH, a Wolfen, Germany, manufacturer of specialty dyes and chemicals for the imaging industry; and the flavors and essential oils operations of C. Melchers GmbH & Company, based in Bremen, Germany. The Company may be required to pay up to €4.6 million Euro ($4.8 million) of additional cash consideration for the 2002 acquisitions subject to specific performance targets in the first two years following the acquisitions. The Company is still evaluating the amount of any additional consideration that it may be required to pay for the 2001 acquisitions, up to $9.0 million subject to specific 2002 performance targets. Capital expenditures for continuing operations were $47.3 million in 2002, $38.0 million in 2001 and $45.2 million in 2000.



CAPITAL EXPENDITURES/ DEPRECIATION
(for continuing operations, in millions)

Cash used in financing activities was $6.8 million in 2002 and $85.5 million in 2001, compared to cash provided by financing activities of $1.4 million in 2000. The Company had net borrowings of $25.5 million in 2002 compared to a reduction in debt of $31.9 million in 2001 and net borrowings of $56.1 million in 2000. In December 2002, the Company issued $38 million of U.S. dollar-denominated notes with a coupon rate of 4.57% and SFr. 33 million of floating rate Swiss Franc-denominated notes, which mature December 2007. The Swiss Franc-denominated notes had an average coupon rate of 1.57% at December 31, 2002. Cash proceeds received from the additional borrowings were used to refinance current maturities of long-term debt and fund acquisitions, as well as for general corporate purposes. The Company maintains debt levels it considers prudent based on its cash flows, interest coverage and percentage of total debt to total capital.

The Company has a share repurchase program under which it is authorized to repurchase up to 10.0 million shares of Company stock. As of December 31, 2002, 5.2 million shares were available under the authorization. During 2002, 2001 and 2000, the Company repurchased 0.9 million, 1.7 million and 2.4 million shares at a cost of $18.9 million, $37.0 million and $46.7 million, respectively.

The Company has paid uninterrupted quarterly cash dividends since commencing public trading in its stock in 1962. On October 18, 2002, the Company announced an increase in its quarterly cash dividend on its common stock from 13.25 cents per share to 14 cents per share, commencing with the dividend paid on December 2, 2002. On an annualized basis, this announcement will increase the Company's dividend from 53 cents per share to 56 cents per share. In 2002 and 2001, total dividends paid per share were $0.5375 and $0.53, respectively.

The impact of inflation on both the Company's financial position and its results of operations has been minimal and is not expected to adversely affect 2003 results.

The Company's debt to total capital was 52.8% as of December 31, 2002, down from 53.3% as of December 31, 2001. The decrease resulted from a slightly greater increase in shareholders' equity compared to the increase in debt. The current ratio was 2.3:1 at December 31, 2002, which is consistent with 2.2:1 at December 31, 2001.

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

CRITICAL ACCOUNTING POLICIES

Revenue Recognition The Company recognizes revenue, net of any discounts, 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 and Other Intangible Assets On January 1, 2002, the Company adopted SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 142 requires that upon adoption, amortization of goodwill and other intangible assets with indefinite useful lives cease and instead, the carrying value of goodwill is evaluated for impairment on an annual basis. The Company performed the transitional impairment assessment of goodwill on January 1, 2002, and the annual assessment on July 1, 2002. The assessments included comparing the carrying amount of net assets, including goodwill, of each reporting unit to their respective fair value as of the date of the assessment. Fair value was estimated based upon an evaluation of future discounted cash flow as well as the public trading and private transaction valuation multiples for comparable companies. Such determination of fair value yielded no impairment. In the future, the Company will assess impairment annually.

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 impairment exists. If impairment is determined to exist, any related impairment loss is calculated based on discounted operating cash flows.

MARKET RISK FACTORS

The Company is exposed to market risks, including changes in interest rates, currency exchange rates and commodity prices. To manage the volatility relating to these exposures on a consolidated basis, the Company nets the exposures to take advantage of natural offset. The Company also enters into various derivative transactions for some of the remaining exposures pursuant to the Company's policies covering hedging practices. The financial impacts of these hedging instruments are offset by corresponding changes in the underlying exposures being hedged. The Company does not hold or issue derivative financial instruments for trading purposes. Note 1 to the Consolidated Financial Statements includes 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 in the normal course of business. The Company utilizes foreign exchange contracts with durations of generally less than 12 months that qualify as cash flow hedges under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended. At December 31, 2002 and 2001, the fair values of these instruments, based on dealer quotes, were liabilities of $2.3 million and $0.5 million, respectively. At December 31, 2002 and 2001, 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 $6.1 million and $6.4 million, respectively. However, any change in the value of the contracts, real or hypothetical, would be significantly offset by an inverse 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.

In December 2002, the Company entered into a SFr. 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. At December 31, 2002 and 2001, 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 $0.8 million, respectively. However, any change in interest expense from fluctuations in currency, real or hypothetical, would be offset by an inverse change in the value of the foreign income before interest. In addition, this hypothetical calculation assumes that each exchange rate would change in the same direction relative to the U.S. dollar.

The Company manages its debt structure and interest rate risk through the use of fixed rate and floating rate debt and through the use of derivatives. The Company's primary exposure is to interest rates in the U.S. and Western Europe. The Company uses interest rate swaps to hedge its exposure to interest rate changes, manage the level of fixed and floating interest exposure and also to lower its financing costs. During 2002 and 2001, the Company entered into a series of interest rate swap agreements to manage the mix of fixed and floating interest rate debt. These instruments are accounted for as fair value hedges under SFAS No. 133. As of December 31, 2002 and 2001, the notional amount of the interest rate swaps was $197.7 million and $148.0 million, respectively, with varying maturities through January 2011. The fair value of the swaps, based on dealer quotes, was an asset of

$13.2 million, which was recorded primarily in the "Other assets" line on the consolidated balance sheet at December 31, 2002. The fair value of the interest rate swaps at December 31, 2001, was not material. The potential gain or loss in the fair value of the outstanding interest rate swaps at December 31, 2002 and 2001, assuming a hypothetical 10% fluctuation in interest rates of such contracts, would be approximately $3.4 million for each year. At December 31, 2002 and 2001, the potential increase or decrease in annual interest expense, assuming a hypothetical 10% fluctuation in interest rates of floating rate debt, including the impact of swap contracts, would be approximately $0.4 million for each year.

The Company is the purchaser of certain commodities such as corn, sugar, soybean meal and fruits. The Company generally purchases these commodities based upon market prices that are established with the vendor as part of the purchase process. In general, the Company does not use commodity financial instruments to hedge commodity prices due to a high correlation between the commodity cost and the ultimate selling price of the product. 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 and operating leases. The following table summarizes the Company's significant contractual obligations as of December 31, 2002.

PAYMENTS DUE BY PERIOD

(IN THOUSANDS)	TOTAL	≤ 1 YEAR	2-3 YEARS	4-5 YEARS	> 5 YEARS
Long-Term Debt	$524,081	$12,374	$31,035	$283,927	$196,745
Operating Lease Obligations	20,889	5,449	6,878	3,216	5,346
Total Contractual Obligations	$544,970	$17,823	$37,913	$287,143	$202,091

NEW PRONOUNCEMENTS

In June 2002 the Financial Accounting Standards Board ("FASB") issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." This pronouncement is effective for exit or disposal activities that are initiated after December 31, 2002, and requires these costs to be recognized when the liability is incurred and not at project initiation. The Company does not anticipate that the adoption of this statement will have a significant impact on the Company's financial statements.

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

OUTLOOK

The Company seeks to increase revenue and profits through a number of strategic actions. Strategies for growth include further development of existing markets and entry into new product and geographic markets. In addition, the Company continues to enhance its technologies and broaden its product base. The Company has built strong relationships with market leaders in each of the industries that it serves by providing superior technical support and service.

The Company continues to seek opportunities to grow in both food and non-food markets. Current non-food applications include cosmetics, personal care products, pharmaceutical ingredients, inks for ink-jet printers and a variety of other products. The Company believes that the technologies of the Color Group provide the greatest opportunities for growth in non-food applications. In the food markets, the Company is continually developing new products to provide higher-margin ingredient systems to its customers.

The Company completed four acquisitions in 2002 and two acquisitions in 2001. The 2002 acquisition of SynTec GmbH and ECS Specialty Inks and Dyes expanded the Company's technical color business. In 2002, the Company also completed the acquisition of Cardre, Inc., a manufacturer of specialty colors and ingredients used in cosmetics. The Company also acquired the flavors and essential oils operations of C. Melchers GmbH & Company, which will broaden product offerings and strengthen European operations. The 2001 acquisitions of Formulabs and the technical dye business of Crompton Colors Incorporated, increased the Company's market position in technical colors and ink-jet inks and will allow the Company to enter new specialty markets.

FORWARD-LOOKING STATEMENTS

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

CONSOLIDATED STATEMENTS OF EARNINGS

IN THOUSANDS EXCEPT PER SHARE AMOUNTS *Years ended December 31,*	2002	2001	2000
REVENUE	$939,886	$816,947	$809,163
Cost of products sold	631,581	549,327	524,960
Selling and administrative expenses	161,810	146,130	153,010
Special charges (see Note 14)	—	—	19,000
OPERATING INCOME	146,495	121,490	112,193
Interest expense	29,523	31,531	34,165
EARNINGS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	116,972	89,959	78,028
Income taxes	36,282	24,996	21,681
Earnings from continuing operations	80,690	64,963	56,347
Earnings from discontinued operations	—	8,639	3,265
Accounting change	—	—	2,431
NET EARNINGS	$ 80,690	$ 73,602	$ 62,043
Basic earnings per share			
Continuing operations	$ 1.70	$ 1.36	$ 1.15
Discontinued operations	—	.18	.07
Accounting change	—	—	.05
Net earnings	$ 1.70	$ 1.54	$ 1.27
Diluted earnings per share			
Continuing operations	$ 1.69	$ 1.36	$ 1.15
Discontinued operations	—	.18	.07
Accounting change	—	—	.05
Net earnings	$ 1.69	$ 1.54	$ 1.26
Average common shares outstanding – basic	47,379	47,671	48,898
Average common shares outstanding – diluted	47,788	47,926	49,166

See notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

IN THOUSANDS EXCEPT SHARE AND PER SHARE AMOUNTS *December 31,*	2002	2001
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 2,103	$ 2,317
Trade accounts receivable less allowance for losses of $4,885 and $4,060	160,155	134,626
Inventories	269,701	240,955
Prepaid expenses and other current assets	26,275	29,473
Deferred income taxes	17,344	7,851
Total current assets	475,578	415,222
Other assets	85,679	76,197
Goodwill	384,241	298,732
Intangible assets – at cost, less accumulated amortization of $4,089 and $3,244	13,235	6,442
Property, Plant and Equipment:		
Land and buildings	192,308	169,491
Machinery and equipment	443,475	410,370
	635,783	579,861
Less accumulated depreciation	304,545	267,561
	331,238	312,300
Total assets	$1,289,971	$1,108,893
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Trade accounts payable	$ 55,546	$ 53,295
Accrued salaries, wages and withholdings from employees	14,197	10,164
Other accrued expenses	65,069	42,602
Income taxes	27,526	17,661
Short-term borrowings	34,618	26,672
Current maturities of long-term debt	12,374	41,794
Total current liabilities	209,330	192,188
Deferred income taxes	10,942	18,071
Other liabilities	18,694	8,603
Accrued employee and retiree benefits	39,940	36,078
Long-term debt	511,707	423,137
Commitments and contingencies	—	—
Shareholders' Equity:		
Common stock, par value $.10 a share, authorized 250,000,000 shares; issued 53,954,874 shares	5,396	5,396
Additional paid-in capital	72,390	72,493
Earnings reinvested in the business	621,525	566,374
Treasury stock, 6,746,164 and 6,545,176 shares, respectively, at cost	(137,074)	(132,355)
Unearned portion of restricted stock	(2,951)	(2,623)
Accumulated other comprehensive income (loss)	(59,928)	(78,469)
	499,358	430,816
Total liabilities and shareholders' equity	$1,289,971	$1,108,893

See notes to consolidated financial statements.

IN THOUSANDS EXCEPT PER SHARE AMOUNTS	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	EARNINGS REINVESTED IN THE BUSINESS	TREASURY STOCK SHARES	TREASURY STOCK AMOUNT	UNEARNED PORTION OF RESTRICTED STOCK	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TOTAL COMPREHENSIVE INCOME (LOSS)
BALANCES AT DECEMBER 31, 1999	$5,396	$74,279	$482,080	4,090,351	$ (81,046)	$(1,871)	$(47,966)	
Net earnings			62,043					$ 62,043
Foreign currency translation							(22,934)	(22,934)
Total comprehensive income								$ 39,109
Cash dividends paid – $.53 a share			(25,997)					
Stock options exercised		(1,931)		(722,654)	14,126			
Benefit plans		493		(348,441)	6,865			
Restricted stock		31		(21,000)	445	(93)		
Other		(2)	2	5,859	(113)			
Purchase of treasury stock				2,398,900	(46,749)			
BALANCES AT DECEMBER 31, 2000	5,396	72,870	518,128	5,403,015	(106,472)	(1,964)	(70,900)	
Net earnings			73,602					$ 73,602
Cumulative effect of accounting change, net of tax of $363							(3,264)	(3,264)
Unrealized gain on cash flow hedges, net of tax of $289							2,837	2,837
Foreign currency translation							(7,142)	(7,142)
Total comprehensive income								$ 66,033
Cash dividends paid – $.53 a share			(25,356)					
Stock options exercised		(552)		(416,323)	8,022			
Benefit plans		261		(105,716)	2,087			
Restricted stock		(86)		(52,000)	970	(659)		
Other				(200)	4			
Purchase of treasury stock				1,716,400	(36,966)			
BALANCES AT DECEMBER 31, 2001	5,396	72,493	566,374	6,545,176	(132,355)	(2,623)	(78,469)	
Net earnings			80,690					$ 80,690
Unrealized loss on cash flow hedges, net of tax of $152							(1,599)	(1,599)
Foreign currency translation							20,140	20,140
Total comprehensive income								$ 99,231
Cash dividends paid – $.5375 a share			(25,539)					
Stock options exercised		(342)		(563,441)	11,332			
Benefit plans		54		(98,155)	1,985			
Restricted stock		185		(43,000)	868	(328)		
Other				584	(12)			
Purchase of treasury stock				905,000	(18,892)			
BALANCES AT DECEMBER 31, 2002	$5,396	$72,390	$621,525	6,746,164	$(137,074)	$(2,951)	$(59,928)	

See notes to consolidated financial statements.

IN THOUSANDS *Years ended December 31,*	2002	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES			
Earnings from continuing operations	$ 80,690	$ 64,963	$ 56,347
Adjustments to arrive at net cash provided by operating activities:			
Depreciation and amortization	41,290	46,290	45,554
Special charges	—	—	19,000
Gain on sale of assets	(1,907)	(3,230)	(4,211)
Changes in operating assets and liabilities (net of effects from acquisition of businesses):			
Trade accounts receivable	(8,922)	(9,865)	(4,002)
Inventories	(17,377)	8,007	(17,363)
Prepaid expenses and other assets	(13,695)	(1,528)	(7,357)
Accounts payable and other accrued expenses	3,239	(28,691)	(7,595)
Accrued salaries, wages and withholdings from employees	3,521	(1,762)	(621)
Income taxes	7,303	(3,580)	(7,672)
Deferred income taxes	(2,592)	(9,496)	4,829
Other liabilities	2,551	(2,237)	(1,818)
Net cash provided by operating activities of continuing operations	94,101	58,871	75,091
Net cash provided by operating activities of discontinued operations	—	707	16,554
	94,101	59,578	91,645
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	(47,317)	(38,001)	(55,525)
Acquisition of businesses – net of cash acquired	(48,450)	(50,749)	(50,190)
Proceeds from sale of assets	8,908	114,606	11,681
(Increase) decrease in other assets	(1,322)	(671)	3,951
Net cash (used in) provided by investing activities	(88,181)	25,185	(90,083)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from additional borrowings	74,004	254,179	131,337
Reduction in debt	(48,550)	(286,051)	(75,188)
Purchase of treasury stock	(18,892)	(37,385)	(47,531)
Dividends	(25,539)	(25,356)	(25,997)
Proceeds from options exercised and other equity transactions	12,204	9,115	18,776
Net cash (used in) provided by financing activities	(6,773)	(85,498)	1,397
Effect of exchange rate changes on cash and cash equivalents	639	(165)	144
Net (decrease) increase in cash and cash equivalents	(214)	(900)	3,103
Cash and cash equivalents at beginning of year	2,317	3,217	114
Cash and cash equivalents at end of year	$ 2,103	$ 2,317	$ 3,217
Cash paid during the year for:			
Interest	$ 30,729	$ 32,102	$ 33,054
Income taxes	23,743	35,986	28,349
Liabilities assumed in acquisitions	12,683	23,903	1,841

See notes to consolidated financial statements.

1] SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Revenue Recognition The Company recognizes revenue, net of any discounts, 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.

Cash Equivalents Highly liquid investments with maturities of three months or less when acquired are considered cash equivalents.

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

Property, Plant and Equipment Property, plant and equipment are recorded at cost reduced by accumulated depreciation. Depreciation is provided over the estimated useful life using the straight-line method for financial reporting. The estimated useful lives range from 3 years to 35 years.

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

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

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

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

On January 1, 2001, the Company adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended, which requires that all derivative instruments be reported on the consolidated balance sheet at fair value and establishes criteria for designation and effectiveness of hedging relationships. The cumulative effect of adopting SFAS No. 133 was a decrease in accumulated other comprehensive income (loss) ("OCI") at January 1, 2001 of $3,264, net of tax of $363.

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

Currency Rate Hedging The primary objectives of the foreign exchange risk management activities are to understand and mitigate the impact of potential foreign exchange fluctuations on the Company's financial results and its economic well-being. Generally, these risk management transactions involve the use of foreign currency derivatives to protect against exposure resulting from recorded accounts receivable and payable.

The Company primarily utilizes forward exchange contracts with maturities of less than 12 months, which qualify as cash flow hedges. These foreign exchange contracts are intended to offset the effect of exchange rate fluctuations on recorded intercompany receivables and payables. Effective January 1, 2001, gains and losses on these instruments are deferred in accumulated OCI until the underlying transaction is recognized in earnings.

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 hedge and on an on-going basis. Any ineffective portions are to be recognized in earnings immediately. The Company's existing cash flow hedges are 100% effective. As a result, there is no current impact to earnings due to hedge ineffectiveness.

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

Commodity Purchases The Company purchases certain commodities during the normal course of business which result in physical delivery 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, 2002.

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 the stock options (see Note 8).

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

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

	2002	2001
Currency translation	$(57,902)	$(78,042)
Unrealized losses on cash flow hedges (net of tax)	(2,026)	(427)
Accumulated other comprehensive income (loss)	$(59,928)	$(78,469)

Shipping and Handling Fees and Costs The Company records fees billed to customers for shipping and handling as revenue and the Company records costs incurred for shipping and handling in cost of products sold.

Research and Development Research and development costs are charged to selling and administrative expenses in the year they are incurred. Research and development costs related to continuing operations were $21,195, $16,705 and $18,294 during the years ended December 31, 2002, 2001 and 2000, respectively.

New Pronouncements On January 1, 2002, the Company adopted SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 addresses the accounting for and the reporting of the impairment or disposal of long-lived assets. The impact of this pronouncement on the Company's consolidated financial statements was not significant.

In June 2002, the Financial Accounting Standards Board ("FASB") issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." This pronouncement is effective for exit or disposal activities that are initiated after December 31, 2002, and requires these costs to be recognized when the liability is incurred and not at project initiation. The Company does not anticipate that the adoption of this statement will have a significant impact on the Company's financial statements.

In December 2002, the FASB issued FASB Interpretation ("FIN") No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." This is an interpretation of FASB Statements No. 5, 57, and 107 and rescission of FASB interpretation of No. 34. This interpretation elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. This pronouncement is effective on a prospective basis for guarantees issued or modified after December 31, 2002. The Company does not anticipate that the adoption of this interpretation will have a significant impact on its consolidated financial statements.

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

2] ACQUISITIONS

During 2002, the Company acquired four businesses for cash in an aggregate amount of $48,450 (net of cash acquired). The businesses acquired were Cardre, Inc., a manufacturer of specialty ingredients used in cosmetics, ECS Specialty Inks and Dyes, a producer and marketer of inks for specialty printing applications, the flavors and essential oils operations of C. Melchers GmbH & Company, and SynTec GmbH, a manufacturer of specialty dyes and chemicals for the imaging industry. The Company may be required to pay up to €4,600 Euro ($4,800) of additional cash consideration for the 2002 acquisitions subject to specific performance targets in the first two years following the acquisitions. The preliminary allocation of the purchase prices resulted in finite-lived intangibles of $9,306 amortizable over a period of 19 years and goodwill of $37,157. The Company has not yet obtained all information required to complete the purchase price allocation related to these acquisitions. The final allocation will be completed in 2003.

In the fourth quarter of 2001, the Company acquired two businesses for cash in an aggregate amount of $50,749 (net of cash acquired). Acquisitions made during 2001 were Formulabs, a manufacturer of specialty inks for ink-jet and industrial applications, and the technical dye business of Crompton Colors Incorporated, a manufacturer of technical dyes and colors for paper, ink-jet printing applications, plastics and a number of specialty markets. The allocation of the purchase prices resulted in finite-lived intangibles of $4,400 amortizable over a period of 19 years and goodwill of $51,334, which includes final purchase price allocations made in 2002. The finite-lived intangibles were primarily customer lists and technology. The Company is still evaluating the amount of any additional consideration that it may be required to pay, up to $9,000 subject to specific 2002 performance targets.

During 2000, the Company acquired two businesses for cash of $49,425. The allocation of purchase price resulted in goodwill of $43,505. Acquisitions made during 2000 were Dr. Marcus GmbH, a leading manufacturer of natural colors, and Monarch Food Colors, L.P., a color manufacturer for the food, pharmaceutical and cosmetic industries.

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. On an unaudited pro-forma basis, the effects of the acquisitions were not significant to the Company's results of operations.

3] GOODWILL AND INTANGIBLE ASSETS

The following table reflects consolidated results as if the adoption of SFAS No. 142 had occurred on January 1, 2000. Discontinued operations did not have any goodwill amortization in 2001 or 2000; therefore, separate disclosure for these operations is not presented.

Years ended December 31,	2002	2001	2000
Earnings from Continuing Operations:			
Reported earnings from continuing operations	$80,690	$64,963	$56,347
Goodwill amortization, net of tax	—	8,035	8,426
Proforma earnings from continuing operations	$80,690	$72,998	$64,773
Net Earnings:			
Reported net earnings	$80,690	$73,602	$62,043
Goodwill amortization, net of tax	—	8,035	8,426
Proforma net earnings	$80,690	$81,637	$70,469
Basic earnings per share:			
Continuing operations:			
As reported	$1.70	$1.36	$1.15
Proforma	$1.70	$1.53	$1.32
Net earnings:			
As reported	$1.70	$1.54	$1.27
Proforma	$1.70	$1.71	$1.44
Diluted earnings per share:			
Continuing operations:			
As reported	$1.69	$ 1.36	$ 1.15
Proforma	$1.69	$ 1.52	$ 1.32
Net earnings:			
As reported	$1.69	$ 1.54	$ 1.26
Proforma	$1.69	$ 1.70	$ 1.43

The Company does not have any intangible assets other than goodwill that are not subject to amortization. The following table summarizes finite-lived intangible assets by major asset class as of December 31, 2002 and 2001:

	AVERAGE	2002		2001	
	AMORTIZATION PERIOD	CARRYING AMOUNT	ACCUMULATED AMORTIZATION	CARRYING AMOUNT	ACCUMULATED AMORTIZATION
Technological know-how	20.0	$ 7,317	$ (886)	$2,700	$ (600)
Customer relationships	20.0	4,360	(184)	1,500	—
Patents, non-compete agreements and other	17.6	5,647	(3,019)	5,486	(2,644)
Total Finite-Lived Intangibles	19.3	$17,324	$(4,089)	$9,686	$(3,244)

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

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

	FLAVORS & FRAGRANCES	COLOR	CORPORATE & OTHER	CONSOLIDATED
Balance as of December 31, 2001	$102,986	$193,825	$1,921	$298,732
Goodwill of acquired businesses	9,162	48,137	—	57,299
Currency translation impact	5,131	23,036	43	28,210
Balance as of December 31, 2002	$117,279	$264,998	$1,964	$384,241

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

4] INVENTORIES

Inventories include finished and in-process products totaling $195,895 and $173,223 at December 31, 2002 and 2001, respectively, and raw materials and supplies of $73,806 and $67,732 at December 31, 2002 and 2001, respectively.

5] DEBT

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

	2002	2001
9.06% senior notes due through July 2004	$ 12,000	$ 18,000
7.59% senior notes due through December 2008	25,714	30,000
7.06% senior notes paid in December 2002	—	30,000
6.99% senior notes due through December 2007	40,000	40,000
6.77% senior notes due through January 2010	15,000	15,000
6.68% senior notes due through January 2011	15,000	15,000
6.60% notes due through April 2009	149,217	149,118
5.85% senior notes due November 2006	30,000	30,000
5.63% Euro-denominated senior notes due November 2006	140,735	119,491
4.57% senior notes due December 2007	38,000	—
Floating rate Swiss Franc-denominated senior notes due December 2007	23,587	—
Various other notes	21,616	18,322
Fair value of interest rate swaps	13,212	—
	524,081	464,931
Less current maturities	12,374	41,794
Total long-term debt	$511,707	$423,137

In December 2002, the Company issued notes totaling approximately $60 million, through a private placement of debt. The debt offering consisted of $38 million of U.S. dollar-denominated notes with a coupon rate of 4.57% and SFr. 33 million of floating rate Swiss Franc-denominated notes with an average coupon rate of 1.57% at December 31, 2002. The notes mature December 2007.

In November 2001, the Company issued notes totaling approximately $150 million, through a private placement of debt. The debt offering consisted of $30 million of U.S. dollar-denominated notes with a coupon rate of 5.85% and €134 million of Euro-denominated notes with a coupon rate of 5.63%. The notes mature November 2006.

The Company has a $150 million multi-currency unsecured revolving loan agreement with a group of five banks, of which $100 million matures in June 2005 and $50 million matures in June 2003. Interest rates are determined based upon the LIBOR rate plus a margin. A facility fee is payable on the total amount of the commitment. The Company issues short-term commercial paper obligations supported by committed lines of credit included in the revolving loan agreement.

The Company had outstanding commercial paper obligations of $19.2 million and $21.4 million at December 31, 2002 and 2001, respectively. Direct borrowings under the revolving loan agreement were $6.2 million and $0 at December 31, 2002 and 2001, respectively.

The Company has $124.6 million available under the revolving loan agreement and $37.6 million available under other uncommitted lines of credit from several banks at December 31, 2002.

The aggregate amounts of maturities on long-term debt each year for the five years subsequent to December 31, 2002 are as follows: 2003, $12.4 million; 2004, $12.1 million; 2005, $19.0 million; 2006, $192.5 million; and 2007, $91.4 million.

Substantially all of the senior loan agreements contain restrictions concerning interest coverage, borrowings, investments and tangible net worth amounts. Earnings reinvested of $104.5 million at December 31, 2002 were unrestricted.

Short-term borrowings consist of commercial paper, uncommitted loans and loans of foreign subsidiaries denominated in local currencies which are borrowed under various foreign uncommitted lines of credit. The weighted-average interest rates on short-term borrowings were 2.51% and 3.84% at December 31, 2002 and 2001, respectively.

6] FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Interest Rate Swap Agreements During 2002 and 2001, the Company entered into a series of interest rate swap agreements to manage the level of fixed and floating interest rate debt. As of December 31, 2002 and 2001, the notional principal amounts of outstanding interest rate swap agreements (accounted for as fair value hedges) were $197.7 million and $148.0 million, respectively, with varying maturities through January 2011. The notional amounts are used to calculate interest payments which are exchanged over the life of the swap transactions and are equal to the dollar principal exchanged. The fair value of the swaps, based on dealer quotes, was an asset of $13.2 million which was recorded primarily in the other assets line on the consolidated balance sheet at December 31, 2002. The fair value of the swaps at December 31, 2001 was not significant.

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, 2002 and 2001, the Company had forward exchange contracts (accounted for as cash flow hedges), generally with maturities of one year or less, of $105.4 million and $115.6 million, respectively. The fair values of these instruments, based on dealer quotes, were liabilities of $2.3 million and $0.5 million at December 31, 2002 and 2001, respectively.

Foreign-denominated Debt In December 2002, the Company entered into a SFr. 33 million Swiss Franc-denominated note agreement. In November 2001, the Company entered into a €134 million Euro-denominated note agreement (see Note 5). These non-derivative instruments have been designated as partial hedges of the Company's Swiss Franc and Euro net asset positions.

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

Fair Values The carrying amount of cash and cash equivalents, trade accounts receivable, accounts payable, accrued expenses and short-term borrowings approximated fair value as of December 31, 2002 and 2001.

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, 2002 and 2001 was $524.1 million and $464.9 million, respectively. The fair value of long-term debt at December 31, 2002 and 2001 was approximately $547.9 million and $465.3 million, respectively.

7] SHAREHOLDERS' EQUITY

On June 25, 1998, the Board of Directors declared a dividend of one preferred share purchase right (a "Right") for each outstanding share of common stock, par value of $.10 per share, of the Company. The dividend was paid on August 6, 1998, to the shareholders of record on that date. Each Right entitles the registered holder to purchase from the Company one one-thousandth of a share of Series A Participating Cumulative Preferred Stock, without par value (the "Preferred Share"), of the Company at a price of $125 per one one-thousandth of a Preferred Share, subject to adjustment. The Right becomes exercisable and tradable ten days after a person or group acquires beneficial ownership of 20% or more, or makes an offer to acquire 20% or more of the Company's outstanding common stock. When exercisable, each Right entitles the holder to purchase $250 worth of Company common stock for $125. Further, upon the occurrence of a merger or transfer of more than 50% of the Company's assets, the Right entitles the holder to purchase common stock of an acquiring company having a market value equivalent to two times the exercise price of the Right. At no time does the Right have any voting power. The Right is subject to redemption by the Company's Board of Directors for $.01 per Right at any time prior to the date on which a person or group acquires beneficial ownership of 20% or more of the Company's common stock. The Rights expire on September 30, 2008. The Rights replace rights issued under a prior rights plan, which were redeemed on August 6, 1998.

The Company is authorized to issue 250,000 shares of cumulative preferred stock, of which 100,000 shares are classified as Series A Participating Cumulative Preferred Stock and were initially reserved for issuance under the Rights plan.

8] STOCK PLANS

Under the 2002 Stock Option Plan, up to 2,400,000 shares of common stock are available for awards, of which no more than 600,000 shares may be restricted stock. The Company may also issue up to 2,400,000 shares of common stock pursuant to the exercise of stock options or the grant of restricted stock under the 1998 Stock Option Plan. Under the 1998 Plan, up to 600,000 shares may be awarded as restricted stock. The Company may also issue up to 2,400,000 shares of common stock pursuant to the exercise of stock options or the grant of restricted stock under the 1994 Employee Stock Plan. Under the 1994 Plan, up to 500,000 shares may be awarded as restricted stock. Generally, stock options become exercisable over a three year vesting period and expire 10 years from the date of grant. Awarded shares of restricted stock become freely transferable at the end of five years. During the period of restriction, the employee has voting rights and is entitled to receive all dividends and other distributions paid with respect to the stock. The 1994 Plan also authorizes the grant of up to 800,000 stock appreciation rights in connection with stock options.

The Company has adopted the disclosure-only provisions of SFAS No. 123, "Accounting for Stock-Based Compensation." Stock options are granted at prices equal to the fair market value of the Company's common stock on the dates of grant. Accordingly, no significant compensation cost has been recognized for the grant of stock options under the Company's stock option plans. If the Company had elected to recognize compensation cost based on the fair value of the options granted at grant date as prescribed by SFAS No. 123, net earnings and earnings per share would have been reduced to the proforma amounts indicated below:

	2002	2001	2000
Proforma net earnings	$79,101	$71,864	$60,542
Proforma net earnings per share:			
Basic	$ 1.67	$ 1.51	$ 1.24
Diluted	$ 1.66	$ 1.50	$ 1.23

The weighted-average fair value per share of options granted was $5.23 in 2002, $6.40 in 2001 and $7.06 in 2000.

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

	2002	2001	2000
Dividend yield	2.4%	2.5%	2.3%
Volatility	28.8%	39.5%	36.1%
Risk-free interest rate	2.9%	4.5%	5.0%
Expected term (years)	5.4	6.0	6.0

The changes in outstanding stock options during the three years ended December 31, 2002 are summarized below:

	Shares (in thousands) Outstanding Options	Available	Weighted-Average Price
Balances at			
December 31, 1999	3,677	1,825	$18.53
Granted	693	(693)	20.60
Restricted stock	—	(41)	22.00
Exercised	(783)	—	16.28
Cancelled	(219)	219	21.30
Balances at			
December 31, 2000	3,368	1,310	19.30
Granted	624	(624)	18.31
Restricted stock	—	(75)	18.54
Exercised	(498)	—	17.89
Cancelled	(277)	277	20.64
Balances at			
December 31, 2001	3,217	888	19.22
Authorized under the 2002 Plan	—	2,400	—
Granted	609	(609)	21.74
Restricted stock	—	(52)	23.59
Exercised	(579)	—	18.02
Cancelled	(379)	379	20.13
Balances at			
December 31, 2002	2,868	3,006	$19.86

	Options Exercisable	Weighted-Average Price
December 31, 2000	2,226	$18.25
December 31, 2001	2,140	$19.00
December 31, 2002	1,808	$19.46

The following summarizes information concerning currently outstanding and exercisable options:

	Range of Exercise Price $14.13-18.00	$18.01-21.50	$21.51-23.50
Number outstanding	758	1,013	1,097
Weighted-average remaining contractual life, in years	4.2	7.2	7.0
Weighted-average exercise price	$16.68	$19.34	$22.55
Number exercisable	618	540	650
Weighted-average exercise price	$16.37	$19.58	$22.28

9] RETIREMENT PLANS

The Company provides benefits under defined contribution plans including a savings plan and an employee stock ownership plan ("ESOP"). The savings plan covers substantially all domestic salaried and certain non-union hourly employees and provides for matching contributions up to 4% of each employee's salary. The ESOP covers substantially all domestic employees not covered by a defined benefit plan and provides for contributions based on a percentage of each employee's compensation as determined by the Board of Directors. Total expense related to continuing operations for the Company's defined contribution plans was $6,667, $2,263 and $6,402 in 2002, 2001 and 2000, respectively.

The Company also has certain defined benefit plans with a recorded liability balance of $19,008 which included an additional liability of $15,800 as of December 31, 2002. The net unfunded benefit obligation was $19,256, which was comprised of a projected benefit obligation of $22,556 less assets of $3,300 as of December 31, 2002. Total expenses recognized with respect to these plans was $2,730 during the year ended December 31, 2002.

10] OTHER POSTRETIREMENT BENEFITS

The Company provides certain health insurance benefits to eligible retirees and their dependents. Effective January 1, 2000 the Company began amortizing unrecognized net actuarial gains over a five year period. Prior to 2000, net actuarial gains were amortized over the average remaining service lives of active employees of approximately 19 years. The new method is preferable because it accelerates recognition of events that have already occurred. The cumulative effect of this change was a pre-tax credit in 2000 of $3,953 ($2,431 after-tax).

During the fourth quarter of 2000, the Company amended the plan to require future retirees to pay 100% of the cost of health care coverage. This amendment resulted in a curtailment gain of $4,251 relating to continuing operations and $2,459 relating to discontinued operations in 2000. The net unrecognized prior service credit will be amortized over the estimated remaining lives of the retirees. The Company funds benefit costs on a pay-as-you-go basis.

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

	2002	2001
Benefit obligation at beginning of year	$ 7,793	$ 5,928
Interest cost	565	406
Benefits paid	(1,859)	(1,641)
Actuarial loss	2,758	3,100
Benefit obligation at end of year	9,257	7,793
Plan assets	—	—
Funded status	(9,257)	(7,793)
Unrecognized prior service credit	(6,506)	(7,157)
Unrecognized net actuarial loss (gain)	1,160	(1,803)
Net amount recognized	$(14,603)	$(16,753)

Components of net periodic benefit cost for continuing operations were:

	2002	2001	2000
Service cost	$ —	$ —	$ 253
Interest cost	565	406	526
Amortization of prior service credit	(651)	(651)	(343)
Curtailment	—	—	(4,251)
Recognized actuarial gain	(205)	(1,077)	(674)
Postretirement benefit income	$(291)	$(1,322)	$(4,489)

The weighted-average discount rates used in determining the accumulated postretirement benefit obligation at December 31, 2002 and 2001 were 6.75% and 7.25%, respectively. The health care cost trend rates were assumed to be 6.25% in 2001 and 11.00% in 2002, declining to 5.00% in the year 2008 and remaining at that level thereafter.

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

	1% Increase	1% Decrease
Effect on interest cost component	$ 62	$ (56)
Effect on postretirement benefit obligation	2,009	(551)

11] INCOME TAXES

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

	2002	2001	2000
Currently payable:			
Federal	$16,330	$ 4,961	$ 2,603
State	4,089	(108)	1,152
Foreign	18,316	13,445	16,659
Deferred (benefit):			
Federal	(772)	6,432	3,932
State	(1,029)	243	534
Foreign	(652)	23	(3,199)
	$36,282	$24,996	$21,681

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

	2002	2001
Deferred tax assets:		
Benefit plans	$ 11,140	$ 10,375
Liabilities and reserves	14,964	5,028
Foreign operating loss carryovers	21,996	17,241
Other	11,077	8,601
Gross deferred tax assets	59,177	41,245
Valuation allowance	(13,427)	(11,536)
Net deferred tax assets	45,750	29,709
Deferred tax liabilities:		
Property, plant and equipment	(22,601)	(19,987)
Other assets	(13,046)	(12,875)
Other	(3,701)	(7,067)
Total deferred tax liabilities	(39,348)	(39,929)
Net deferred tax assets (liabilities)	$ 6,402	$(10,220)

At December 31, 2002 foreign operating loss carryovers were $59.8 million. Included in the total are losses of $19.7 million that expire through 2012 and $40.1 million that do not expire.

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

	2002	2001	2000
Taxes at statutory rate	35.0%	35.0%	35.0%
State income taxes, net of federal income tax benefit	1.4	1.2	1.9
Tax credits	(6.3)	(5.7)	(6.4)
Foreign tax rate	3.4	4.3	2.8
Tax benefit of business closure	—	—	(4.1)
Actual and expected settlements of prior years' issues	(0.8)	(3.4)	—
Valuation allowance adjustments	—	(2.5)	(0.7)
Other, net	(1.7)	(1.1)	(0.7)
Effective tax rate	31.0%	27.8%	27.8%

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

	2002	2001	2000
United States	$ 78,051	$58,575	$45,730
Foreign	38,921	31,384	32,298
	$116,972	$89,959	$78,028

Domestic income taxes have not been provided on undistributed earnings of foreign subsidiaries which are considered to be permanently invested. If undistributed foreign earnings were to be remitted, foreign tax credits would substantially offset any resulting domestic tax liability. Tax benefits associated with the exercise of employee stock options were credited directly to additional paid-in capital and amounted to $936, $526 and $662 during the years ended December 31, 2002, 2001 and 2000, respectively.

12] SEGMENT AND GEOGRAPHIC INFORMATION

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

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

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

	FLAVORS & FRAGRANCES	COLOR	CORPORATE & OTHER	CONSOLIDATED
2000				
Revenue from external customers	$488,976	$263,813	$ 56,374	$ 809,163
Intersegment revenue	22,148	19,838	—	41,986
Total revenue	511,124	283,651	56,374	851,149
Operating income (loss)	80,598	70,986	(39,391)	112,193
Interest expense	—	—	34,165	34,165
Earnings (loss) from continuing operations before income taxes	80,598	70,986	(73,556)	78,028
Assets	561,160	416,337	95,679	1,073,176
Capital expenditures	26,546	12,834	5,819	45,199
Depreciation and amortization	23,117	9,712	12,725	45,554
Special charges	—	—	19,000	19,000
2001				
Revenue from external customers	$505,197	$255,131	$ 56,619	$ 816,947
Intersegment revenue	20,476	20,864	—	41,340
Total revenue	525,673	275,995	56,619	858,287
Operating income (loss)	74,209	69,443	(22,162)	121,490
Interest expense	—	—	31,531	31,531
Earnings (loss) from continuing operations before income taxes	74,209	69,443	(53,693)	89,959
Assets	538,467	465,752	104,674	1,108,893
Capital expenditures	22,099	10,498	5,404	38,001
Depreciation and amortization	24,298	9,830	12,162	46,290
2002				
Revenue from external customers	$548,889	$331,533	$ 59,464	$ 939,886
Intersegment revenue	23,298	14,919	—	38,217
Total revenue	572,187	346,452	59,464	978,103
Operating income (loss)	85,523	80,741	(19,769)	146,495
Interest expense	—	—	29,523	29,523
Earnings (loss) from continuing operations before income taxes	85,523	80,741	(49,292)	116,972
Assets	586,207	551,457	152,307	1,289,971
Capital expenditures	32,188	11,758	3,371	47,317
Depreciation and amortization	24,666	11,000	5,624	41,290

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

	2002	2001	2000
Revenue from external customers:			
U.S.A.	$488,424	$397,268	$407,329
Europe, excluding the United Kingdom	203,211	176,568	166,786
Asia Pacific	75,103	67,356	65,708
United Kingdom	32,165	32,480	37,666
Other	140,983	143,275	131,674
Consolidated	$939,886	$816,947	$809,163

Long-lived assets:			
U.S.A.	$368,816	$349,716	$298,081
Europe, excluding the United Kingdom	277,065	168,424	187,105
Asia Pacific	10,610	11,104	11,829
United Kingdom	96,212	93,195	94,533
Other	61,690	71,232	73,072
Consolidated	$814,393	$693,671	$664,620

13] DISCONTINUED OPERATIONS

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

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

	2002	2001	2000
Revenue	—	$16,810	$120,232
Earnings before income taxes	—	15,399	5,264
Income taxes	—	6,760	1,999
Earnings from discontinued operations	—	$ 8,639	$ 3,265

Earnings from July 1, 2000 to December 31, 2000 were $2,188. The effective tax rates for all years presented is higher than the statutory rate of 35% because of state income taxes.

14] SPECIAL CHARGES

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

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

The following summarizes the programs:

	SEPARATIONS	ASSET IMPAIRMENTS	OTHER	TOTAL
December 2000 facilities consolidation plan				
Charges	$10,500	$ 6,500	$ 2,000	$19,000
Cash spent	(850)	—	(2,000)	(2,850)
Reductions of assets	—	(6,500)	—	(6,500)
Balances at December 31, 2000	9,650	—	—	9,650
Reversal of special charges reserve	(3,200)	—	—	(3,200)
Cash spent	(6,150)	—	—	(6,150)
Balances at December 31, 2001	300	—	—	300
Cash spent	(300)	—	—	(300)
Balances at December 31, 2002	$ —	$ —	$ —	$ —
April 2001 workforce reduction program				
Charges	$ 3,000	$ —	$ —	$ 3,000
Cash spent	(3,000)	—	—	(3,000)
Balances at December 31, 2001	$ —	$ —	$ —	$ —

15] COMMITMENTS AND CONTINGENCIES

The Company leases certain facilities and equipment under operating lease arrangements. Aggregate minimum rental commitments at December 31, 2002 for all noncancelable operating leases with an initial lease term greater than one year are as follows for the years ending December 31,

2003	$ 5,449
2004	4,468
2005	2,410
2006	1,792
2007	1,424
Thereafter	5,346
	$20,889

Rent expense totaled $7,859, $7,629 and $6,554 during the years ended December 31, 2002, 2001 and 2000, respectively.

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

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

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

Years ended December 31, 2002, 2001 and 2000

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

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

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

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

Kenneth P. Manning
Chairman, President and Chief Executive Officer

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

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of Sensient Technologies Corporation and subsidiaries (the "Company") as of December 31, 2002 and 2001, and the related consolidated statements of earnings, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2002 and 2001, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3 to the Consolidated Financial Statements, on January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets." Also, as discussed in Note 10 to the Consolidated Financial Statements, effective January 1, 2000, the Company changed its method of amortizing unrecognized net gains and losses related to the Company's obligation for postretirement benefits.

Deloitte & Touche LLP

Milwaukee, Wisconsin
February 13, 2003

QUARTERLY DATA

IN THOUSANDS EXCEPT PER SHARE AMOUNTS *(unaudited)*	REVENUE	GROSS PROFIT	EARNINGS FROM CONTINUING OPERATIONS	NET EARNINGS	CONTINUING OPERATIONS EARNINGS PER SHARE BASIC	CONTINUING OPERATIONS EARNINGS PER SHARE DILUTED
2002						
First Quarter	$213,123	$70,597	$16,945	$16,945	$.36	$.36
Second Quarter	239,576	78,333	21,185	21,185	.44	.44
Third Quarter	237,995	79,609	20,186	20,186	.43	.42
Fourth Quarter	249,192	79,766	22,374	22,374	.47	.47
2001						
First Quarter	$195,693	$62,900	$11,004	$18,784	$.23	$.23
Second Quarter	203,927	69,955	18,273	18,273	.38	.38
Third Quarter	204,083	65,582	15,729	16,588	.33	.33
Fourth Quarter	213,244	69,183	19,957	19,957	.42	.42

COMMON STOCK PRICES AND DIVIDENDS

	MARKET PRICE HIGH	MARKET PRICE LOW	DIVIDENDS PER SHARE
2002			
First Quarter	$23.39	$18.06	$.1325
Second Quarter	25.25	22.37	.1325
Third Quarter	23.49	17.95	.1325
Fourth Quarter	25.96	19.33	.1400
2001			
First Quarter	$23.99	$20.50	$.1325
Second Quarter	22.79	17.00	.1325
Third Quarter	22.65	18.15	.1325
Fourth Quarter	21.15	15.55	.1325

FIVE YEAR REVIEW

IN THOUSANDS EXCEPT EMPLOYEE AND PER SHARE DATA *Years ended December 31,*	2002		2001		2000		1999		1998	
SUMMARY OF OPERATIONS										
Revenue	$939,886	100.0%	$816,947	100.0%	$809,163	100.0%	$796,250	100.0%	$719,808	100.0%
Cost of products sold	631,581	67.2	549,327	67.2	524,960	64.9	526,367	66.1	475,330	66.0
Selling and administrative expenses	161,810	17.2	146,130	17.9	153,010	18.9	145,618	18.3	136,633	19.0
Special charges	—	0.0	—	0.0	19,000	2.3	—	0.0	—	0.0
Operating income	146,495	15.6	121,490	14.9	112,193	13.9	124,265	15.6	107,845	15.0
Interest expense	29,523	3.1	31,531	3.9	34,165	4.3	27,425	3.4	21,977	3.1
Earnings from continuing operations before income taxes	116,972	12.5	89,959	11.0	78,028	9.6	96,840	12.2	85,868	11.9
Income taxes	36,282	3.9	24,996	3.0	21,681	2.6	30,329	3.8	26,467	3.6
Earnings from continuing operations	80,690	8.6	64,963	8.0	56,347	7.0	66,511	8.4	59,401	8.3
Earnings from discontinued operations	—	0.0	8,639	1.0	3,265	0.4	15,250	1.9	14,847	2.0
Accounting change	—	0.0	—	0.0	2,431	0.3	—	0.0	—	0.0
Net earnings	$ 80,690	8.6%	$ 73,602	9.0%	$ 62,043	7.7%	$ 81,761	10.3%	$ 74,248	10.3%
Basic earnings per share										
Continuing operations	$ 1.70		$ 1.36		$ 1.15		$ 1.32		$ 1.16	
Discontinued operations	—		.18		.07		.30		.29	
Accounting change	—		—		.05		—		—	
Net earnings	$ 1.70		$ 1.54		$ 1.27		$ 1.63		$ 1.45	
Diluted earnings per share										
Continuing operations	$ 1.69		$ 1.36		$ 1.15		$ 1.31		$ 1.14	
Discontinued operations	—		.18		.07		.30		.29	
Accounting change	—		—		.05		—		—	
Net earnings	$ 1.69		$ 1.54		$ 1.26		$ 1.61		$ 1.43	
OTHER RELATED DATA										
Dividend per share, declared and paid	$ .5375		$ .53		$ .53		$ .53		$ .53	
Average common shares outstanding:										
Basic	47,379		47,671		48,898		50,296		51,168	
Diluted	47,788		47,926		49,166		50,791		51,883	
Book value per common share	$ 10.58		$ 9.09		$ 8.59		$ 8.64		$ 8.09	
Price range per common share	17.95-25.96		15.55 - 23.99		16.00 - 23.19		18.25 - 27.38		19.44 - 27.75	
Share price at December 31	22.47		20.81		22.75		20.38		27.44	
Capital expenditures for continuing operations	47,317		38,001		45,199		50,820		52,505	
Depreciation for continuing operations	38,899		37,019		35,507		32,709		30,810	
Amortization for continuing operations	2,391		9,271		10,047		8,095		6,229	
Total assets	1,289,971		1,108,893		1,164,248		1,131,713		995,865	
Long-term debt	511,707		423,137		417,141		380,378		291,304	
Shareholders' equity	499,358		430,816		417,058		430,872		412,591	
Return on average shareholders' equity	17.3%		17.7%		14.7%		19.4%		18.5%	
Total debt to total capital	52.8%		53.3%		55.7%		52.1%		45.7%	
Employees	3,572		3,454		3,722		3,900		3,943	

The 2000 results include special charges related to the effect of a postretirement health care plan amendment and a facilities consolidation plan of $19.0 million (see Notes 10 and 14).

The 2002 results exclude amortization of goodwill due to an accounting change. Goodwill amortization, net of tax, was $8.0 million, $8.4 million, $7.0 million, and $5.1 million in 2001, 2000, 1999 and 1998, respectively (see Note 3).

WORLD HEADQUARTERS

777 East Wisconsin Avenue
Milwaukee, Wisconsin 53202-5304
(414) 271-6755
(800) 558-9892
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 4,366 shareholders of record of Common Stock as of January 31, 2003.

ANNUAL MEETING OF SHAREHOLDERS

The Annual Meeting of Shareholders will be held at 2:00 p.m. (EDT) on Thursday, April 24, 2003, at the Four Seasons Hotel Washington, D.C., 2800 Pennsylvania Avenue N.W., Washington, D.C.

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.

DIVIDENDS

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

AUTOMATIC DIVIDEND REINVESTMENT PLAN

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

INVESTOR RELATIONS

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

Other shareholder information, such as news releases, 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.

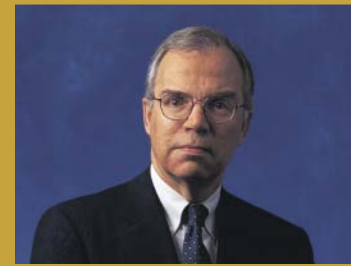
Other requests for information should be directed to the Company's Investor Relations Department at (414) 347-3779.

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.

CORPORATE OFFICERS

KENNETH P. MANNING, 61
Chairman, President and Chief Executive Officer
With the Company 15 years

RICHARD CARNEY, 52
Vice President – Administration
With the Company 21 years



JOHN L. HAMMOND, 56
Vice President, Secretary and General Counsel
With the Company 5 years

RICHARD F. HOBBS, 55
Vice President, Chief Financial Officer and Treasurer
With the Company 29 years

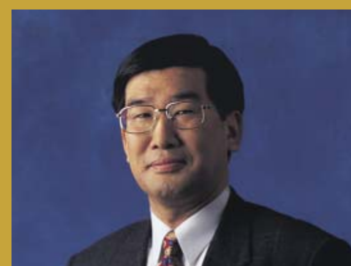
JOHANNES KLEPPERS, 46
President – Flavors & Fragrances Group
With the Company 2 years

RICHARD J. MALIN, 36
Assistant Treasurer
With the Company 11 years

THOMAS J. O'BRIEN, 44
President – Color Group
With the Company 1 year

RALPH G. PICKLES, 56
President – Asia Pacific Division
With the Company 7 years

STEPHEN J. ROLFS, 38
Vice President, Controller and Chief Accounting Officer
With the Company 5 years



DR. HO-SEUNG YANG, 55
Vice President – Technologies
With the Company 7 years

APPOINTED OFFICERS

NEIL G. CRACKNELL, 41
President, Dehydrated Flavors
With the Company 8 years

ROBERT L. MENZL, 46
Vice President, Information Technology
With the Company 7 years

CHRISTOPHER L. LAWLOR, 52
Vice President, Human Resources
With the Company 2 years

LANCE E. SOLTER, 57
Vice President, Manufacturing, Color
With the Company 28 years

HARRY MEGGOS, 60
Vice President, Technical Service, Color
With the Company 32 years

RODERICK W. SOWDERS, 40
Vice President, Flavors - North America
With the Company 4 years

BOARD OF DIRECTORS

KENNETH P. MANNING, 61
Chairman, President and Chief Executive Officer
Sensient Technologies Corporation
Elected Director in 1989 (2, 6)

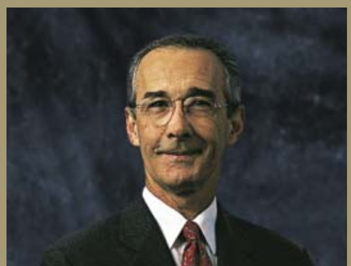
RICHARD A. ABDOO, 59
Chairman, President and Chief Executive Officer
Wisconsin Energy Corp.
Elected Director in 1999 (3, 4)

MICHAEL E. BATTEN, 62
Chairman and Chief Executive Officer
Twin Disc, Inc.
Elected Director in 1980 (4, 5)

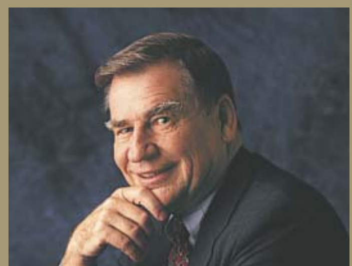
JOHN F. BERGSTROM, 56
Chairman and Chief Executive Officer
Bergstrom Corporation
Elected Director in 1994 (2, 3, 4)

FERGUS M. CLYDESDALE, PHD, 66
Professor and Head of the Department of Food Science
University of Massachusetts–Amherst
Elected Director in 1998 (5, 6)

JAMES A.D. CROFT, 65
Chairman
Bartlodge Limited
Elected Director in 1997 (1, 3)

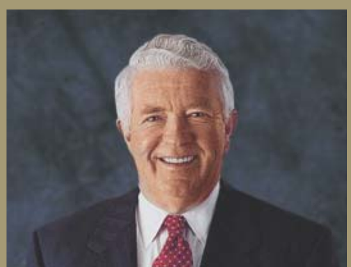


ALBERTO FERNANDEZ, 56
Chief Executive Officer
Pyosa, S.A. de C.V.
Elected Director in 1999 (1, 6)



JAMES L. FORBES, 70
Chairman and Chief Executive Officer
Badger Meter, Inc.
Elected Director in 1989 (1, 2, 5)

WILLIAM V. HICKEY, 58
President and Chief Executive Officer
Sealed Air Corporation
Elected Director in 1997 (1, 2, 5)



ROBERT J. O'TOOLE, 62
Chairman, President and Chief Executive Officer
A.O. Smith Corporation
Elected Director in 2002 (4, 5)

ESSIE WHITELAW, 55
Senior Vice President of Private Sector Claims Administration
Wisconsin Physician Services
Elected Director in 1993 (3, 4)

COMMITTEES

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

SENSIENT TECHNOLOGIES CORPORATION

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