

SENSIENT TECHNOLOGIES CORP

Form 10-K

March 01, 2007

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

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**FORM 10-K**

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

**For the Fiscal Year Ended December 31, 2006**

**OR**

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

**Commission File Number 1-7626**

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**Sensient Technologies Corporation**

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**WISCONSIN**  
**(State of Incorporation)**

**39-0561070**  
**(IRS Employer Identification Number)**

**777 EAST WISCONSIN AVENUE**

**MILWAUKEE, WISCONSIN 53202-5304**

**(414) 271-6755**

**(Address of Principal Executive Offices)**

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

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

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

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

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

The aggregate market value of the voting Common Stock held by non-affiliates of the Registrant as of June 30, 2006 was \$961,686,738. For purposes of this computation only, the Registrant's directors and executive officers were considered to be affiliates of the Registrant. Such characterization shall not be construed to be an admission or determination for any other purpose that such persons are affiliates of the Registrant.

There were 46,766,828 shares of Common Stock outstanding as of February 15, 2007.

#### DOCUMENTS INCORPORATED BY REFERENCE

Portions of: (1) the Company's Annual Report to Shareholders for the fiscal year ended December 31, 2006 (see Parts I, II and IV of this Form 10-K), and (2) the Company's Notice of Annual Meeting and Proxy Statement of the Company dated March 15, 2007 (see Part III of this Form 10-K).

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**FORWARD-LOOKING STATEMENTS**

This document contains forward-looking statements that reflect management's current assumptions and estimates of future economic circumstances, industry conditions, Company performance and financial results. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for such forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors that could cause actual events to differ materially from those expressed in those statements. A variety of factors could cause the Company's actual results and experience to differ materially from the anticipated results. These factors and assumptions include the pace and nature of new product introductions by the Company and the Company's customers; the Company's ability to successfully implement its growth strategies; the outcome of the Company's various productivity-improvement and cost-reduction efforts; changes in costs of raw materials, including energy; industry and economic factors related to the Company's domestic and international business;

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growth in markets for products in which the Company competes; industry and customer acceptance of price increases; actions by competitors; currency exchange rate fluctuations; and the matters discussed below under the heading **Risk Factors** and under Part II, including the critical accounting policies described therein. The Company does not undertake to publicly update or revise its forward-looking statements even if experience or future changes make it clear that any projected results expressed or implied therein will not be realized.

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### **PART I**

#### **Item 1. Business General**

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

The Company is subject to the informational and reporting requirements of the Securities Exchange Act of 1934, as amended (the Act), and, in accordance with the Act, has filed annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission (the Commission). These reports and other information may be read and copied at the public reference facilities of the Commission at its principal offices at 100 F Street, N.E., Washington, D.C. 20549, and can also be accessed from the website maintained by the Commission at <http://www.sec.gov>. The public may obtain information on operations of the public reference room by calling the Commission at (800) SEC-0330.

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

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

#### **Description of Business**

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

The Company's principal products include:

flavors, flavor enhancers and bionutrients;

fragrances and aroma chemicals;

dehydrated vegetables and other food ingredients;

natural and synthetic food colors;

cosmetic and pharmaceutical additives;

technical colors, inkjet colors and aftermarket inks, and specialty dyes and pigments; and

chemicals for laser printing and flat screen displays.

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On October 12, 2006 the Company announced an increase in its cash dividend on its common stock from an annual rate of 60 cents per share to 64 cents per share, commencing with the quarterly dividend paid on December 1, 2006 to shareholders of record on November 8, 2006.

The Company's operations, except for the Asia Pacific Group, are managed on a products-and-services basis. The Company's two reportable segments are the Flavors & Fragrances Group and the Color Group. The Company realigned its segments in 2005. As a result, Japan and China, previously included in the Asia Pacific Group, are now reported as part of the Flavors & Fragrances Group. Financial information regarding the Company's two reportable segments is incorporated by reference to the information set forth on pages 39 through 41 of the Company's 2006 Annual Report to Shareholders under the heading Segment and Geographic Information.

### **Flavors & Fragrances Group**

The Company is a global developer, manufacturer and supplier of flavor and fragrance systems for the food, beverage, pharmaceutical, personal care and household-products industries. The Company's flavor formulations are used in many of the world's best-known consumer products. Under the unified brand names of Sensient Flavors, Sensient Dehydrated Flavors and Sensient Fragrances, the Group is a supplier to multinational companies.

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

During 2000, the Company integrated its former Dehydrated Products Division into the Flavors & Fragrances Group. Operating through its Sensient Dehydrated Flavors business, the Company believes it is the second largest producer (by sales) of dehydrated onion and garlic products in the United States. The Company is also one of the largest producers and distributors of chili powder, paprika, chili pepper and dehydrated vegetables such as parsley, celery and spinach. Domestically, the Company sells dehydrated products to food manufacturers for use as ingredients and also for repackaging under private labels for sale to the retail market and to the food service industry. In addition, Sensient Dehydrated Flavors is one of the leading dehydrators of specialty vegetables in Europe. Advanced dehydration technologies utilized by Sensient Dehydrated Flavors permit fast and effective rehydration of ingredients used in many of today's popular convenience foods.

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

### **Color Group**

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

The Company believes that it is one of the world's largest producers (by sales) of synthetic and natural colors, and that it is the world's largest manufacturer (by sales) of certified food colors. The Company sells its

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synthetic and natural colors to domestic and international producers of beverages, bakery products, processed foods, confections, pet foods, cosmetics and pharmaceuticals. The Company also makes inkjet inks and other dyes and pigments used in a variety of non-food applications.

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

The Color Group operates under the following trade names:

Sensient Food Colors (food and beverage colors);

Sensient Pharmaceutical Technologies (pharmaceutical colors and coatings);

Sensient Paper Colors (paper dyes and colorants);

Sensient Cosmetic Technologies (cosmetic colors and ingredients and systems); and

Sensient Technical Colors (including paper colors; industrial colors for plastics, leather, wood stains, antifreeze and other uses; inkjet colors and aftermarket inks; specialty inks; and display imaging).

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

## **Asia Pacific Group**

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

The Company maintains an office for research and development, as well as sales, in Jakarta, Indonesia. Additional sales offices are located in Australia, India, Singapore and Thailand.

As indicated above, operations in China and Japan are now included in the Company's Flavors and Fragrances Group.

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

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

The Company's research, development and quality assurance personnel support the Company's efforts to improve existing products and develop new products tailored to customer needs, while providing on-going technical support and know-how to the Company's manufacturing activities. As of December 31, 2006, the Company employed approximately 446 people in research, development and quality assurance.

Expenditures for research and development related to continuing operations in calendar year 2006 were \$24.8 million, compared with \$26.4 million in the year ended December 31, 2005 and \$24.3 million in the year ended December 31, 2004. As part of its commitment to quality as a competitive advantage, the Company has achieved certification under the requirements established by the International Organization for Standardization in Geneva, Switzerland, through its ISO 9000 series of quality standards. Certified sites include Flavors & Fragrances Group plants in the United States, Spain, Italy, Mexico, Belgium, Germany, the United Kingdom, Canada, the Netherlands and France, and Color



Group plants in the United States, Mexico and the United Kingdom.

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### **Products and Application Activities**

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

Within the Flavors & Fragrances Group, development activity is focused on ingredients, flavors and flavor systems that are responsive to consumer trends and the processing needs of our food and beverage customers. These activities include the development of functional ingredient systems for foods and beverages, savory flavors, and ingredient systems for prepared foods and flavors and ingredients for dairy, confectionery and other applications. The Company believes that the development of yeast derivatives and other specialty ingredients also provides growth opportunities in bionutrients and biotechnology markets, such as pharmaceuticals, vitamins, vaccines and bioremediation.

Within the Color Group, development activity for food and beverage product lines is focused on value-added products derived from synthetic dyes and pigments and natural food and beverage colors and on color systems. The Company also produces a diverse line of colors and ingredients for cosmetics and pharmaceutical applications and technical colors for industrial applications, specialty chemicals for digital imaging, and photographic chemicals.

### **Raw Materials**

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

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

### **Competition**

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

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

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*Color.* Competition in the color market is diverse, with the majority of the Company's competitors specializing in either synthetic dyes or natural colors. The Company believes that it gains a competitive advantage as the only major basic manufacturer of a full range of color products, including synthetic dyes and pigments as well as natural colors. Competition in the supply of inkjet inks is based principally upon price, quality and service, as well as product development and technical capabilities. The Company competes against a number of large and small suppliers of inkjet inks.

*Asia Pacific.* Because of the broad array of products available to customers of the Asia Pacific Group, the Company believes that it is able to offer a wider product base than many of its competitors. Competition is based upon reliability in product quality, service and price as well as technical support available to customers.

## **Foreign Operations**

The information appearing under the heading "Geographic Information" in Note 8 to the Consolidated Financial Statements of the Company, which appears on page 41 of the 2006 Annual Report to Shareholders, is incorporated herein by reference.

## **Patents, Formulae and Trademarks**

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

## **Employees**

As of December 31, 2006, the Company employed 3,582 persons worldwide.

## **Regulation**

Compliance with government provisions regulating discharges into the environment, or otherwise relating to the protection of the environment, did not have a material adverse effect on the Company's operations for the year covered by this report. Current compliance is not expected to have a material adverse effect in the next two years. Certain legal proceedings discussed in Item 3 of this Report pertain to environmental compliance. The production, packaging, labeling and distribution of certain of the products of the Company are subject to the regulations of various federal, state and local governmental agencies, in particular the U.S. Food & Drug Administration.

## **Item 1A. Risk Factors.**

As with any business, the Company's business and operations involve risks and uncertainties. In addition to the other discussions in, and incorporated by reference in, this Report, particularly those in "Management's Discussion & Analysis of Operations & Financial Condition" incorporated by reference from pages 17 through 24 of the 2006 Annual Report to Shareholders and "Forward Looking Statements" on page 2 of this Report, the following factors should be considered:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

*Environmental compliance may be costly to us.*

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

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

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

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

Our success depends in large part on the continued service and availability of our key management and technical personnel, and on our ability to attract and retain qualified new personnel. The competition for these individuals can be significant, and the loss of key employees could harm our business. In addition, as some of these persons approach retirement age, we need to provide for smooth transitions, and our operations and results may be negatively affected if we are not able to do so.

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

We have acquired many companies and operations in the past and may resume growth by acquisition in the future. Our future growth through acquisitions could involve significant risks that may have a material adverse effect on us. We may also be at risk for factors associated with acquisitions that the Company has made in the

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past. These risks include: inability to integrate successfully our acquired operations' businesses and personnel; the inability to realize anticipated synergies, economies of scale or other value; difficulties coordinating management of operations at new sites; the strain placed on our personnel, systems and resources; possible loss of an acquired business' customer base; and the loss of key employees of acquired businesses. Acquired companies may also have significant latent liabilities which may not be discovered before an acquisition or fully reflected in the price we pay.

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

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

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

**Item 1B. Unresolved Staff Comments.**

None

**Item 2. Properties**

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

LOCATION	GROUP/DIVISION	FUNCTION
<b>UNITED STATES</b>		
California		
Escondido	Color	Sales and R&D/inkjet products and specialty inks
Greenfield	Flavors & Fragrances	Production/dehydrated flavors
Livingston (2)	Flavors & Fragrances	Production and R&D/dehydrated flavors
Turlock	Flavors & Fragrances	Production, R&D and sales/dehydrated flavors
Illinois		
Amboy	Flavors & Fragrances	Production/ingredients and flavors
Indiana		
Indianapolis	Flavors & Fragrances	Production, sales and R&D/flavors
Michigan		
Harbor Beach	Flavors & Fragrances	Production/flavors and flavor enhancers
Missouri		
St. Louis	Color	Production, R&D and sales/food colors

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(Continued)

New Jersey South Plainfield (2) **	Color	Production, R&D and sales/cosmetic and pharmaceutical colors and ingredients
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Wisconsin Juneau Milwaukee*	Flavors & Fragrances Headquarters	Production/flavor enhancers and extracts Administrative offices
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**INTERNATIONAL**

Argentina Buenos Aires*	Color	Sales/food colors
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Australia Keysborough Sydney*	Asia Pacific Asia Pacific	Production, R&D and sales/colors and flavors Sales/food colors and flavors
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Belgium Brussels* Heverlee	Flavors & Fragrances Flavors & Fragrances	Production and sales/natural health ingredients Production and sales/ingredients and flavors
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Brazil São Paulo* São Paulo*	Color Flavors & Fragrances	Production and sales/food colors Production and sales/flavors
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Canada Cornwall, Ontario Delta, British Columbia Kingston, Ontario Mississauga, Ontario (2) Rexdale, Ontario * Tara, Ontario	Flavors & Fragrances Flavors & Fragrances Color Flavors & Fragrances Flavors & Fragrances Flavors & Fragrances	Production/flavor enhancers and extracts Production/ingredients and flavors Production and sales/food colors R&D and sales/flavors Production/ingredients and flavors Production/ingredients and flavors
--	---	---

China Beijing* Guangzhou*	Flavors & Fragrances Flavors & Fragrances	Sales/colors and flavors Production, R&D and sales/flavors and food and pharmaceutical colors
Hong Kong* Qingdao* Shanghai*	Flavors & Fragrances Flavors & Fragrances Flavors & Fragrances	Sales/colors and flavors Production/dehydrated flavors R&D and sales/colors and flavors

Costa Rica San Jose	Flavors & Fragrances	Sales/flavors
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**Table of Contents****INTERNATIONAL  
(Continued)**

Czech Republic Prague*	Color	Sales/food colors
England Kings Lynn *	Color	Production/food colors and dyes
Milton Keynes	Flavors & Fragrances	Production and sales/flavors and extracts
France Marchais	Flavors & Fragrances	Production/dehydrated flavors
Saint-Denis*	Color	Sales/food colors
Saint Ouen	Color	Production, R&D and sales/cosmetic colors and ingredients
L. Aumone* Strasbourg	Flavors & Fragrances	Production and sales/flavor enhancers and extracts
Germany Bremen *	Flavors & Fragrances	Production and sales/flavors, flavored products and essential oils
Geesthacht	Color	Production, R&D and sales/food colors
Wolfen	Color	Production, R&D and sales/specialty dyes and chemicals
Hungary Budapest	Color	Production/food colors
India Mumbai*	Asia Pacific	R&D and sales/colors and flavors
Indonesia Jakarta*	Asia Pacific	R&D and sales/fragrances and cosmetic colors
Italy Milan	Flavors & Fragrances	Production, R&D and sales/flavors
Reggio Emilia (2)	Color	Production and sales/natural colors
Japan Osaka*	Flavors & Fragrances	Sales/flavors and colors
Hitachi	Flavors & Fragrances	Production/flavors and colors
Tokyo*	Flavors & Fragrances	R&D and sales/flavors and colors
Korea Seoul*	Flavors & Fragrances	Sales/flavors, colors and display-imaging chemicals
Mexico Celaya	Flavors & Fragrances	Production and sales/flavor enhancers and extracts
Lerma	Color	Production, R&D and sales/food and cosmetic colors
Tijuana*	Color	Production/inkjet inks
Tlalnepantla (2)*	Flavors & Fragrances	Production, R&D, distribution and sales/ingredients, flavors and fragrances



**Table of Contents****INTERNATIONAL**

(Continued)

The Netherlands Elburg Naarden	Flavors & Fragrances Flavors & Fragrances	Production/dehydrated flavors Sales/food colors and dehydrated and other flavors
New Zealand Auckland	Asia Pacific	Production, R&D and sales/flavors
Philippines Manila*	Asia Pacific	Production, R&D and sales/flavors, fragrances cosmetic ingredients and color blending
Poland Warsaw*	Color	Sales/food colors
Romania Morazia*	Color	Sales/food colors
Serbia Zenta	Color	Sales/food colors
Singapore Singapore*	Asia Pacific	R&D and sales/food colors and flavors
South Africa Johannesburg*	Color	Production and sales/food colors
Spain Barcelona* Granada	Flavors & Fragrances Flavors & Fragrances	Sales/flavors Production, R&D and sales/fragrances and aromatic chemicals
Sweden Kristianstad*	Flavors & Fragrances	Sales/flavors
Switzerland Morges*	Color	Production, R&D and sales/ technical colors
Thailand Bangkok*	Asia Pacific	R&D and sales/colors and flavors
Wales Ceredigion	Flavors & Fragrances	Production, R&D and sales/flavors and flavor enhancers

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

\* Indicates one leased property at the location.

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

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### **Item 3. Legal Proceedings**

#### *Clean Air Act Notices of Violation*

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

On June 30, 2005, the EPA issued a second NOV to Lesaffre and Sensient which alleges that certain operational changes were made during Sensient's ownership of the Milwaukee facility without complying with new-source review procedures and without the required air pollution control permit. The Company has raised significant legal defenses in response to the June 2005 NOV. The Company has met with the EPA in an attempt to resolve the NOV's. In September 2005, as follow-up to one of those meetings, the Company submitted information to refute the allegations of the June 30, 2005 NOV and requested that the NOV be withdrawn.

On December 18, 2006, the EPA initiated an administrative proceeding to assess a penalty for the alleged violations covered by the two NOV's. The EPA named Lesaffre as a respondent in that proceeding. The EPA did not name Sensient as a respondent in that proceeding. The EPA has proposed a penalty covering both NOV's of \$488,000.

In connection with the sale of Red Star Yeast, the Company provided Lesaffre and certain of its affiliates with indemnification against environmental claims attributable to the operation, activities or ownership of Red Star Yeast prior to February 23, 2001, the closing date of the sale. See Note 10 to the Company's consolidated financial statements. In December 2005, Lesaffre closed the Milwaukee plant. The Company informed the EPA of this development. On December 20, 2006, Lesaffre formally requested indemnification from Sensient for the portion of the civil penalty arising from the June 30, 2005 NOV. It is not clear what portion of the proposed penalty will be subject to the indemnification agreement. However, the amount subject to indemnification will likely be less than \$488,000.

#### *Superfund Claim*

On July 6, 2004, the EPA notified the Company's Sensient Colors Inc. subsidiary that it may be a potentially responsible party ("PRP") under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") for activities at the General Color Company Superfund Site in Camden, New Jersey. The EPA requested reimbursement of \$10.9 million in clean-up costs, plus interest. Sensient Colors Inc. advised the EPA that this site had been expressly excluded from the Company's 1988 stock purchase of H. Kohnstamm & Company, Inc. (now Sensient Colors Inc.). The selling shareholders had retained ownership of and liability for the site, and some became owners of General Color Company, which continued to operate there until the mid-1990s. The Company's legal defense costs are being paid, in part, by an insurer with a reservation of coverage rights. Litigation to resolve coverage rights is pending. The Company continues to assess the existence and solvency of other PRPs, additional insurance coverage, the nature of the alleged contamination, and the extent to which the EPA's activities satisfy the requirements for reimbursement under CERCLA, as well as issues surrounding the manner in which the 1988 transaction was structured. In a letter to the EPA dated January 31, 2005, the Company outlined legal challenges to the recoverability of certain costs and urged the EPA to pursue General Color Company and related parties. The EPA subsequently informed the Company that it is unwilling to discuss these legal challenges without prior conditions. In 2006, the EPA issued a news release stating that a private developer, Westfield Acres Urban Renewal Association II, LP, pursuant to an agreement with EPA, began redevelopment efforts at the Site (construction of affordable housing) by demolishing buildings thereon. Thereafter, the EPA removed alleged contaminated soil from the locations where the buildings once stood. Documents received pursuant to a Freedom of Information Act request indicate that the EPA incurred additional alleged response costs of approximately \$4 million. The Department of Justice must evaluate any referral by the EPA for potential civil litigation under applicable environmental laws.

## **Table of Contents**

### *Pleasant Gardens Realty Corp. v. H. Kohnstamm & Co., et al.*

The owner of Pleasant Gardens, an apartment complex adjacent to the General Color Superfund Site ( the subject property ), filed a complaint in New Jersey state court in November 2003 against H. Kohnstamm & Co. (now Sensient Colors Inc.), the Company, General Color Company, and unknown defendants. Plaintiff seeks to hold defendants liable, in an unspecified amount, for damages related to the alleged contamination of plaintiff s property. Plaintiff voluntarily dismissed the Company without prejudice. Sensient Colors Inc. filed an answer denying liability and asserting affirmative defenses. Limited discovery has occurred. In November 2006, the Camden Redevelopment Agency (the Agency ) filed condemnation litigation against Plaintiff (and other purported interested parties) to take the subject property. Sensient Colors is not a party to the condemnation litigation. In advance of its filing, the Agency notified plaintiff that its appraiser had assessed the fair market value of the subject property at \$7.7 million and that its environmental consultant had estimated the costs for environmental cleanup, purportedly to meet requirements of the New Jersey Department of Environmental Protection, at \$7.5 million. Upon notice of such condemnation proceedings, the Court stayed the litigation between the Company and Pleasant Gardens to allow the parties to assess, among other things, the impact of such condemnation litigation upon the case. The stay is currently in effect until at least April 2007. In the interim, Sensient Colors is working with Plaintiff to pursue a reduction in the scope and cost of the Agency s proposed environmental cleanup. To the extent that there is a reduction in the condemnation value of the Pleasant Gardens property due to the Agency s remediation of contamination for which Sensient Colors Inc. is allegedly responsible, such reduction may become a part of the damages claimed by Plaintiff.

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

In August 2005, the Company and certain other flavoring manufacturers were sued in the City of St. Louis, Missouri, Circuit Court by Elizabeth Fults (as administrator for the Estate of Dixie Asbury), Nancy Lee Dudley and Jill Roth, all of whom allege that they suffered damage as a result of work-related exposure to butter flavoring vapors at the Gilster-Mary Lee microwave popcorn plant in McBride, Missouri. At present, it does not appear that the Company ever sold butter flavoring products to this facility. Both plaintiffs and defendants filed motions for change of venue from the City of St. Louis, Missouri, to neighboring counties. These motions were granted and the matter is now pending in Cape Girardeau County, Missouri state court. Because of these filings a firm scheduling order has not yet been entered. Once these procedural issues are finalized, the Company intends to conduct discovery, file a motion to dismiss, and will vigorously defend its interests in this case.

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

In late January 2006, the Company and certain other flavor manufacturers, and a flavor industry trade association and its management company were sued in the Federal District Court for the Northern District of Iowa, Western Division, by Ronald Kuiper and his spouse, Conley Kuiper. Mr. Kuiper claims that while working at American Popcorn Company of Sioux City, Iowa, he was exposed to butter flavoring vapors that caused injury to his respiratory system. Ms. Kuiper s claim is for loss of consortium. The allegations of this complaint are virtually identical to those contained in another complaint that was filed against the Company, involving another worker at the same facility, that ultimately was settled with the Company paying nothing to the plaintiff. The Company believes that plaintiffs claims are without merit and is vigorously defending this case. A trial ready date of November 5, 2007, has been set in this matter.

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

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

There were no matters submitted to a vote of security holders during the fourth quarter of the year ended December 31, 2006.

**Table of Contents****Executive Officers of the Registrant**

The executive officers of the Company and their ages as of March 1, 2007 are as follows:

<b>Name</b>	<b>Age</b>	<b>Position</b>
Kenneth P. Manning	65	Chairman, President and Chief Executive Officer
Richard Carney	56	Vice President - Administration
James J. Clarke II	57	Assistant Secretary and Assistant General Counsel
John F. Collopy	37	Treasurer
John L. Hammond	60	Vice President, Secretary and General Counsel
Richard F. Hobbs	59	Vice President and Chief Financial Officer
Richard J. Malin	40	Assistant Controller
Peter G. Bradley	47	President - Color Group
Ralph G. Pickles	60	President - Flavors & Fragrances Group
Stephen J. Rolfs	42	Vice President, Controller and Chief Accounting Officer
Dr. Ho-Seung Yang	59	Vice President - Marketing & Technology

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

**PART II****Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

The only market in which the common stock of the Company is traded is the New York Stock Exchange. The range of the high and low sales prices as quoted in the New York Stock Exchange Composite Transaction tape for the common stock of the Company and the amount of dividends declared for the fiscal years 2005 and 2006 appearing under Common Stock Prices and Dividends on page 47 of the 2006 Annual Report to Shareholders are incorporated by reference. In 2006, common stock dividends were paid on a quarterly basis, and it is expected that quarterly dividends will continue to be paid in the future.

On February 10, 2000, the Board of Directors established a share-repurchase program that authorized the Company to repurchase up to five million shares of the Company's common stock, all of which have been repurchased. On April 27, 2001, the Board of Directors authorized the repurchase of an additional five million shares. As of February 15, 2007, 1,965,890 shares had been repurchased under the latter authorization. The Company did not repurchase any shares during the fourth quarter of 2006.

The number of shareholders of record on February 15, 2007 was 3,398.

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On October 12, 2006 the Company announced an increase in its cash dividend on its common stock from an annual rate of 60 cents per share to 64 cents per share, commencing with the quarterly dividend paid on December 1, 2006 to shareholders of record on November 8, 2006.

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

### **Item 6. Selected Financial Data**

The selected financial data required by this item is incorporated by reference from the Five Year Review and the notes thereto on pages 48 and 49 of the 2006 Annual Report to Shareholders.

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

The information required by this item is set forth under Management's Discussion & Analysis of Operations & Financial Condition on pages 17 through 24 of the 2006 Annual Report to Shareholders and is incorporated by reference.

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

The information required by this item is set forth under Market Risk Factors on pages 22 and 23 of the 2006 Annual Report to Shareholders and is incorporated by reference.

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

The financial statements and supplementary data required by this item are set forth on pages 25 through 44 and pages 46 and 47 of the 2006 Annual Report to Shareholders and are incorporated by reference.

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

The information required by this item is set forth under Change in Independent Registered Public Accounting Firm on page 47 of the 2006 Annual Report to Shareholders and is incorporated by reference.

### **Item 9A. Controls and Procedures**

*Evaluation of Disclosure Controls and Procedures.* The Company carried out an evaluation, under the supervision and with the participation of management, including the Company's Chairman, President and Chief Executive Officer, and its Vice President and Chief Financial Officer, of the effectiveness, as of December 31, 2006, of the design and operation of the disclosure controls and procedures, as defined in Rule 13a-15(e) of the Exchange Act. Based upon that evaluation, the Company's Chairman, President and Chief Executive Officer, and its Vice President and Chief Financial Officer have concluded that the disclosure controls and procedures were effective as of December 31, 2006.

*Management's Report on Internal Control over Financial Reporting.* The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) under the Exchange Act. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Management has assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2006. In making its assessment of internal control over financial reporting, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control - Integrated Framework*. Based on that assessment, management has concluded that the Company's internal control over financial reporting was effective as of December 31, 2006. Management's report on internal control over financial reporting, which appears on page 44 of the 2006 Annual Report to Shareholders, is incorporated by reference.



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Management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2006, has been audited by Ernst & Young LLP, an independent registered public accounting firm. The attestation report on internal control over financial reporting, set forth on page 46 of the 2006 Annual Report to Shareholders, is incorporated by reference.

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

*Changes in Internal Control over Financial Reporting.* There has been no change in the Company's internal control over financial reporting during the quarter ended December 31, 2006 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

### **Item 9B. Other Information**

None.

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**PART III**

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

Information regarding directors and officers appearing under Election of Directors and Section 16(a) Beneficial Ownership Reporting Compliance in the Proxy Statement for the Annual Meeting of Shareholders of the Company dated March 15, 2007 ( Proxy Statement ), is incorporated by reference. Additional information regarding executive officers appears at the end of Part I above, and information regarding codes of conduct and ethics for officers appears at the beginning of Part I above.

**Item 11. Executive Compensation**

Information relating to compensation of directors and officers is incorporated by reference from the Director Compensation and Benefits, Executive Compensation, Equity Compensation Plan Information and Employment Agreements and Other Arrangements portions of the Proxy Statement. Information relating to the Compensation and Development Committee of the Company's Board of Directors is incorporated by reference from the third paragraph under the heading Committees of the Board of Directors in the Proxy Statement.

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

The discussion of security ownership of certain beneficial owners and management and related stockholder matters appearing under Principal Shareholders in the Proxy Statement is incorporated by reference. The discussion appearing under Equity Compensation Plan Information in the Proxy Statement is incorporated by reference.

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

There are no family relationships between any of the directors or director nominees and the officers of the Company, nor any arrangement or understanding between any director or officer or any other person pursuant to which any of the nominees has been nominated. No director, nominee for director or officer had any material interest, direct or indirect, in any material business transaction of the Company or any subsidiary during the period January 1, 2006 through December 31, 2006, or in any such proposed transaction. In the ordinary course of business, the Company may engage in business transactions with companies whose officers or directors are also directors of the Company. These transactions are routine in nature and are conducted on an arm's-length basis. The terms of any such transactions are comparable at all times to those obtainable in business transactions with unrelated persons.

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

The disclosure regarding principal accountant fees and services appearing under Audit Committee Report in the Proxy Statement is incorporated by reference.



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**PART IV**

**Item 15. Exhibits and Financial Statement Schedules**

Documents filed:

- 1 and 2: Financial Statements and Financial Statement Schedules. See below for List of Financial Statements and Financial Statement Schedules.
- 3: See Exhibit Index following this report. With the exceptions of Exhibits 4.2 and 4.3, no other instruments defining the rights of holders of long-term debt of the Company and its consolidated subsidiaries are exhibits hereto because no other debt instrument authorizes securities exceeding 10% of the total consolidated assets of the Company. The Company agrees to furnish a copy of any such instrument to the Securities and Exchange Commission upon request.

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

<b>1. Financial Statements</b>	<b>Page Reference in 2006 Annual Report To Shareholders</b>
The following consolidated financial statements of Sensient Technologies Corporation and subsidiaries are incorporated by reference from the Annual Report to Shareholders for the year ended December 31, 2006:	
Reports of Independent Registered Public Accounting Firms	45-46
Consolidated Balance Sheets December 31, 2006 and 2005	26
Consolidated Statements of Earnings Years ended December 31, 2006, 2005 and 2004	25
Consolidated Statements of Shareholders Equity Years ended December 31, 2006, 2005 and 2004	28-29
Consolidated Statements of Cash Flows Years ended December 31, 2006, 2005 and 2004	27
Notes to Consolidated Financial Statements	30-44
<b>2. Financial Statement Schedules</b>	<b>Page Reference in Form 10-K</b>
Reports of Independent Registered Public Accounting Firms	21
Schedule II Valuation and Qualifying Accounts	22
All other schedules are omitted because they are inapplicable, not required by the instructions or the information is included in the consolidated financial statements or notes thereto.	

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**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Shareholders of

Sensient Technologies Corporation

Milwaukee, Wisconsin

We have audited the consolidated financial statements of Sensient Technologies Corporation and subsidiaries (the "Company") as of December 31, 2006 and for the year ended December 31, 2006, management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2006, and the effectiveness of the Company's internal control over financial reporting as of December 31, 2006, and have issued our reports thereon dated February 8, 2007. Such consolidated financial statements and reports are included in your 2006 Annual Report to Shareholders and are incorporated herein by reference. Our audit also included the consolidated financial statement schedule of the Company listed in Item 15. That consolidated financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audit. In our opinion, that consolidated financial statement schedule is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

/s/ ERNST & YOUNG LLP

Milwaukee, Wisconsin

February 8, 2007

**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Shareholders of

Sensient Technologies Corporation

Milwaukee, Wisconsin

We have audited the consolidated financial statements of Sensient Technologies Corporation and subsidiaries (the "Company") as of December 31, 2005, and for each of the two years in the period ended December 31, 2005, and have issued our report thereon dated February 17, 2006. Such consolidated financial statements and report are included in your 2006 Annual Report to Shareholders and are incorporated herein by reference. Our audits also included the consolidated financial statement schedule of the Company listed in Item 15. That consolidated financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, that consolidated financial statement schedule as it relates to information as of December 31, 2005, and for each of the two years in the period ended December 31, 2005, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ DELOITTE & TOUCHE LLP

Milwaukee, Wisconsin

February 17, 2006

**Table of Contents****Schedule II****Valuation and Qualifying Accounts (in thousands); Years Ended December 31, 2006, 2005, 2004**

<b>Valuation Accounts Deducted in the Balance Sheet</b>	<b>Balance at Beginning of Period</b>	<b>Additions Charged to Costs and Expenses</b>	<b>Additions Recorded During Acquisitions</b>	<b>Deductions (A)</b>	<b>Balance At End of Period</b>
<b>From the Assets To Which They Apply</b>					
2004					
Allowance for losses:	\$ 4,843	\$ 4,773	\$ 0	\$ 2,987	\$ 6,629
Trade accounts receivable					
2005					
Allowance for losses:	\$ 6,629	\$ 2,465	\$ 0	\$ 1,767	\$ 7,327
Trade accounts receivable					
2006					
Allowance for losses:	\$ 7,327	\$ 1,901	\$ 0	\$ 1,557	\$ 7,671
Trade accounts receivable					

(A) Accounts written off, net of recoveries.

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**SIGNATURES**

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

**SENSIENT TECHNOLOGIES CORPORATION**

/s/ John L. Hammond  
John L. Hammond  
Vice President, Secretary & General Counsel

Dated: March 1, 2007

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below as of March 1, 2007, by the following persons on behalf of the Registrant and in the capacities indicated.

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

/s/ James A.D. Croft  
James A.D. Croft  
Director

/s/ Richard F. Hobbs  
Richard F. Hobbs  
Vice President and Chief Financial Officer

/s/ William V. Hickey  
William V. Hickey  
Director

/s/ Stephen J. Rolfs  
Stephen J. Rolfs  
Vice President, Controller and  
Chief Accounting Officer

/s/ Peter M. Salmon  
Peter M. Salmon  
Director

/s/ Hank Brown  
Hank Brown  
Director

/s/ Elaine R. Wedral  
Elaine R. Wedral  
Director

/s/ Fergus M. Clydesdale  
Fergus M. Clydesdale  
Director

/s/ Essie Whitelaw  
Essie Whitelaw  
Director

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**SENSIENT TECHNOLOGIES CORPORATION**

**EXHIBIT INDEX**

**2006 ANNUAL REPORT ON FORM 10-K**

<b>Exhibit</b>			<b>Filed Herewith</b>
<b>Number</b>	<b>Description</b>	<b>Incorporated by Reference From</b>	
3.1	Amended and Restated Articles of  Incorporation adopted January 21, 1999 as  amended as of April 21, 2005	Exhibit 3.1 to Quarterly Report on Form 10-Q for the quarter ended March 31, 2005  (Commission File No.1-7626)	
3.2	Amended and Restated By-Laws of Sensient Technologies Corporation as amended as of April 27, 2006	Exhibit 3.2 to Quarterly Report on Form 10-Q for the quarter ended March 31, 2006  (Commission File No.1-7626)	
4.2	Indenture dated as of November 9, 1998 between Registrant and The First National  Bank of Chicago, as Trustee	Exhibit 4.1 to Registration Statement on Form S-3 dated November 9, 1998  (Commission File No. 333-67015)	
4.3	Note Purchase Agreement dated as of November 29, 2001, between the Registrant and Various Lenders	Exhibit 4.3 to Annual Report on Form 10-K for the fiscal year ended December 31, 2001  (Commission File No. 1-7626)	
4.4	Note Purchase Agreement dated as of June 27, 2006	Exhibit 10.1 to Current Report on Form 8-K dated June 27, 2006 (Commission File No. 1-7626)	
10	Material Contracts		
10.1	Management Contracts or Compensatory  Plans		
10.1(a)(2)	Executive Employment Contract between Registrant and Kenneth P. Manning dated December 1, 2005	Exhibit 10.2 to Current Report on Form 8-K dated December 1, 2005 (Commission File No. 1-7626)	

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**SENSIENT TECHNOLOGIES CORPORATION**

**EXHIBIT INDEX**

**2006 ANNUAL REPORT ON FORM 10-K**

<b>Exhibit Number</b>	<b>Description</b>	<b>Incorporated by Reference From</b>	<b>Filed Herewith</b>
10.1(b)	Form of Amended and Restated Change of Control Employment and Severance Agreement for Executive Officers ( Executive Change in Control Agreement )	Exhibit 10.1(b) to Annual Report on Form 10-K for the fiscal year ended December 31, 2001  (Commission File No. 1-7626)	
10.1(b)(1)	Form of Amendment No. 1 to Executive Change in Control Agreement, dated October 14, 2004	Exhibit 10.3 to Current Report on Form 8-K dated October 14, 2004 (Commission File No. 1-7626)	
10.1(b)(2)	Form of Amendment No. 2 to Executive Change in Control Agreement, dated December 1, 2005	Exhibit 10.5 to Current Report on Form 8-K dated December 1, 2005 (Commission File No. 1-7626)	
10.1(c)	Sensient Technologies Corporation 2002 Non-Employee Directors Stock Plan	Appendix C to Definitive Proxy Statement filed on Schedule 14A on March 15, 2004 (Commission File No. 1-7626)	
10.1(d)	Universal Foods Corporation 1990  Employee Stock Plan, as amended  September 10, 1998	Exhibit 10.2(d) to Annual Report on  Form 10-K for the fiscal year ended  September 30, 1998 (Commission File No. 1-7626)	
10.1(d)(1)	Amendment of 1990 Employee Stock Plan  dated as of November 6, 2000	Exhibit 10.1(d)(1) to Annual Report on Form 10-K for the fiscal year ended December 31, 2000  (Commission File No. 1-7626)	
10.1(e)	Universal Foods Corporation 1994  Employee Stock Plan, as amended  September 10, 1998	Exhibit 10.2(f) Annual Report on Form 10-K for the fiscal year ended September 30, 1998  (Commission File No. 1-7626)	
10.1 (e)(1)	Amendment of 1994 Employee Stock Plan dated as of November 6, 2000	Exhibit 10.1(e)(1) to Annual Report on Form 10-K for the fiscal year ended December 31, 2000  (Commission File No. 1-7626)	
10.1(f)	Universal Foods Corporation 1998  Stock Option Plan, as amended  September 10, 1998	Exhibit 10.2(h) to Annual Report on Form 10-K for the fiscal year ended September 30, 1998  (Commission File No. 1-7626)	
10.1(f)(1)	Amendment of 1998 Stock Option Plan dated as of November 6, 2000	Exhibit 10.1(f)(1) to Annual Report on Form 10-K for the fiscal year ended December 31, 2000 (Commission File No. 1-7626)	
10.1(g)	1999 Non-Employee Director Stock  Option Plan	Appendix A to Definitive Proxy Statement filed  on Schedule 14A on December 17, 1999.	



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**SENSIENT TECHNOLOGIES CORPORATION**

**EXHIBIT INDEX**

**2006 ANNUAL REPORT ON FORM 10-K**

<b>Exhibit Number</b>	<b>Description</b>	<b>Incorporated by Reference From</b>	<b>Filed Herewith</b>
10.1(g)(1)	Amendment of 1999 Non-Employee Director Stock Option Plan dated as of November 6, 2000	Exhibit 10.1(g)(1) to Annual Report on Form 10-K for the fiscal year ended December 31, 2000 (Commission File No. 1-7626)	
10.1(h)	Sensient Technologies Corporation 2002 Stock Option Plan	Appendix B to Definitive Proxy Statement filed on Schedule 14A on March 22, 2002	
10.1(h)(1)	Form of Restricted Stock Agreement thereunder	Exhibit 10.1 to Current Report on Form 8-K dated December 1, 2005 (Commission File No. 1-7626)	
10.1(i)	Amended and Restated Directors  Deferred Compensation Plan	Appendix B to Definitive Proxy Statement filed  on Schedule 14A on December 17, 1999  (Commission File No. 1-7626)	
10.1(i)(1)	Amendment No. 1 to the Directors Deferred Compensation Plan dated December 12, 2000	Exhibit 10.1(h)(1) to Annual Report on Form 10-K for the fiscal year ended December 31, 2000  (Commission File No. 1-7626)	
10.1(i)(2)	Amendment No. 2 to the Directors Deferred Compensation Plan, dated July 17, 2003	Exhibit 10.1 to Quarterly Report on Form 10-Q for the quarter ended June 30, 2003  (Commission File No. 1-7626)	
10.1(j)	Amended and Restated Management Income Deferral Plan, dated December 31, 2002	Exhibit 10.1(j) to Annual Report on Form 10-K for the fiscal year ended December 31, 2002  (Commission File No. 1-7626)	
10.1(k)	Amended and Restated Executive Income Deferral Plan, dated December 31, 2002	Exhibit 10.1(k) to Annual Report on Form 10-K for the fiscal year ended December 31, 2002  (Commission File No. 1-7626)	
10.1(l)	Amended and Restated Sensient Technologies Corporation Rabbi Trust A Agreement dated March 1, 2002 between the Registrant and Marshall & Ilsley Trust Company	Exhibit 10.1(k) to Annual Report on Form 10-K for the fiscal year ended December 31, 2001	
10.1(m)	Trust Agreement, including Changes upon Appointment of Successor Trustee dated as of February 1, 1998 between Registrant and Firstar Bank, Milwaukee, N.A. ( Rabbi Trust B )	Exhibit 10.2(p) to Annual Report on  Form 10-K for the fiscal year ended  September 30, 1998 (Commission File No. 1-7626)	
10.1(n)(1)	Amendment No. 1 to Rabbi Trust B	Exhibit 10.1(m)(1) to Annual Report on Form 10-K for the fiscal year ended December 31, 2000	



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dated January 1, 2000 between Registrant and Marshall & Ilsley Trust Company (Commission File No- 1-7626)

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<b>Exhibit Number</b>	<b>Description</b>	<b>Incorporated by Reference From</b>	<b>Filed Herewith</b>
10.1(n)(2)	Changes upon Appointment of Successor Trustee for Rabbi Trust B dated as of  January 1, 2000	Exhibit 10.1(m)(2) to Annual Report on Form 10-K for the fiscal year ended December 31, 2000  (Commission File No. 1-7626)	
10.1(o)	Trust Agreement, including Changes upon Appointment of Successor Trustee, dated as of February 1, 1998 between Registrant and Firstar Bank, Milwaukee N.A.  ( Rabbi Trust C )	Exhibit 10.2(q) to Annual Report on Form 10-K for the fiscal year ended September 30, 1998  (Commission File No. 1-7626)	
10.1(o)(1)	Amendment No. 1 to Rabbi Trust C dated as of January 1, 2001 between Registrant and Marshall & Ilsley Trust Company	Exhibit 10.1(n)(1) to Annual Report on Form 10-K for the fiscal year ended December 31, 2000  (Commission File No. 1-7626)	
10.1(o)(2)	Changes upon Appointment of Successor Trustee for Rabbi Trust C dated as of  January 1, 2001	Exhibit 10.1(n)(2) to Annual Report on Form 10-K for the fiscal year ended December 31, 2000  (Commission File No. 1-7626)	
10.1(p)	Amended and Restated Sensient Technologies Corporation Incentive Compensation Plan for Elected Corporate Officers dated as of February 12, 2004	Appendix D to Definitive Proxy Statement filed on Schedule 14A on March 15, 2004  (Commission File No. 1-7626)	
10.1(q)	Form of Management Incentive Plan for Group and Division Presidents	Exhibit 10.2 (s) to Annual Report on Form 10-K for the fiscal year ended September 30, 1998 (Commission File No. 1-7626)	
10.1(q)(1)	Amendment No. 1 to the Management Incentive Plan for Group and Division Presidents dated December 12, 2000	Exhibit 10.1(p)(1) to Annual Report on Form 10-K for the fiscal year ended December 31, 2000  (Commission File No. 1-7626)	
10.1(r)	Form of Management Incentive Plan for Corporate Management	Exhibit 10.2(t) to Annual Report on Form 10-K for the fiscal year ended September 30, 1998 (Commission File No. 1-7626)	

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Exhibit		Incorporated by Reference From	Filed Herewith
Number	Description		
10.1(r)(1)	Amendment No. 1 to Management Incentive Plan for Corporate Management dated December 12, 2000	Exhibit 10.1(q)(1) to Annual Report on Form 10-K for the fiscal year ended December 31, 2000  (Commission File No. 1-7626)	
10.1(s)	Form of Management Incentive Plan for Group and Division Management	Exhibit 10.2(u) to Annual Report on Form 10-K for the fiscal year ended September 30, 1998 (Commission File No. 1-7626)	
10.1(s)(1)	Amendment No. 1 to Management Incentive Plan for Group and Division Management dated December 12, 2000	Exhibit 10.1(r)(1) to Annual Report on Form 10-K for the fiscal year ended December 31, 2000  (Commission File No. 1-7626)	
10.1(t)	Form of Agreement for Executive Officers  (Supplemental Executive Retirement Plan A)	Exhibit 10.1(s) to Annual Report on Form 10-K for the fiscal year ended December 31, 2001  (Commission File No. 1-7626)	
10.1(t)(1)	Amendment No. 1 to Supplemental Executive Retirement Plan A dated October 14, 2004	Exhibit 10.1 to Current Report on Form 8 K filed October 14, 2004 (Commission File No. 1-7626)	
10.1(t)(2)	Amendment No. 2 to Supplemental Executive Retirement Plan A dated December 1, 2005	Exhibit 10.3 to Current Report on Form 8-K dated December 1, 2005 (Commission File No. 1-7626)	
10.1(u)	Form of Agreement for Executive Officers (Supplemental Executive Retirement Plan B)	Exhibit 10.1(t) to Annual Report on Form 10-K for the fiscal year ended December 31, 2001  (Commission File No. 1-7626)	
10.1(u)(1)	Amendment No. 1 to Supplemental Executive Retirement Plan B dated October 14, 2004	Exhibit 10.1 to Current Report on Form 8 K filed October 14, 2004 (Commission File No. 1-7626)	
10.1(u)(2)	Amendment No. 2 to Supplemental Executive Retirement Plan B dated December 1, 2005	Exhibit 10.4 to current Report on Form 8-K dated December 1, 2005 (Commission File No. 1-7626)	
10.1(v)	Universal Foods Corporation Supplemental Benefit Plan, including Amendment No. 1 thereto dated September 10, 1998	Exhibit 10.2(w) to Annual Report on Form 10-K for the fiscal year ended September 30, 1998  (Commission File No. 1-7626)	
10.1(v)(1)	Amendment No. 2 to Supplemental Benefit Plan dated December 12, 2000	Exhibit 10.1(u)(1) to Annual Report on Form 10-K for the fiscal year ended December 31, 2000  (Commission File No. 1-7626)	
10.1(w)	Universal Foods Corporation Transition Retirement Plan, including Amendment No. 1 thereto, dated September 10, 1998	Exhibit 10.2(x) to Annual Report on Form 10-K for the fiscal year ended September 30, 1998  (Commission File No. 1-7626)	

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10.1(w)(1)	Amendment No. 2 to the Transition Retirement Plan dated December 12, 2000	Exhibit 10.1(v)(1) to Annual Report on Form 10-K for the fiscal year ended December 31, 2000  (Commission File No. 1-7626)
10.1(w)(2)	Amendment No. 3 to the Transition Retirement Plan dated August 16, 2002	Exhibit 10.1(w)(2) to Annual Report on Form 10-K for the fiscal year ended December 31, 2002  (Commission File No. 1-7626)

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<b>Number</b>	<b>Description</b>	<b>Incorporated by Reference From</b>	
10.1(w)(3)	Amendment No. 4 to the Transition Retirement Plan dated December 26, 2002	Exhibit 10.1(w)(3) to Annual Report on Form 10-K for the fiscal year ended December 31, 2002  (Commission File No. 1-7626)	
10.1(x)	Sensient Technologies Corporation 2007 Restricted Stock Plan	Appendix B to the Proxy Statement for the Annual Meeting of Shareholders of the Company dated March 15, 2007	
10.2(a)	Credit Agreement dated as of September 2, 2004	Exhibit 10.1 to Current Report on Form 8-K filed September 8, 2004  (Commission File No. 1-7626)	
10.2(b)	First Amendment to Credit Agreement dated as of August 18, 2005	Exhibit 10.1 to Current Report on Form 8-K dated August 18, 2005 (Commission File No. 1-7626)	
13.1	Annual Report to Shareholders for the year ended December 31, 2006		X
14	Code of Ethics for Senior Financial Officers	Exhibit 14 to Annual Report on Form 10-K for the fiscal year ended December 31, 2003  (Commission File No. 1-7626)	
21	Subsidiaries of the Registrant	Exhibit 21 to Annual Report on Form 10-K for the fiscal year ended December 31, 2003  (Commission File No. 1-7626)	
23.1	Consent of Ernst & Young LLP		X
23.2	Consent of Deloitte & Touche LLP		X
31	Certifications of Sensient's Chairman, President and Chief Executive Officer and Vice President and Chief Financial Officer, pursuant to Rule 13a-14(a) of the Exchange Act		X
32	Certifications of Sensient's Chairman, President and Chief Executive Officer and Vice President and Chief Financial Officer, pursuant to 18 United States Code § 1350		X