SENSIENT TECHNOLOGIES CORP
Form 10-K/A
February 25, 2019

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K/A
Amendment No. 1

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year Ended December 31, 2018

OR

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

Commission File Number 1-7626

Sensient Technologies Corporation

WISCONSIN	39-0561070
(State of Incorporation)	(IRS Employer Identification Number)

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

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

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

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

Large accelerated filer	Accelerated filer	Non-accelerated filer
Smaller Reporting Company	Emerging Growth Company	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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, 2018, was $2,989,108,418. 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 42,293,718 shares of Common Stock outstanding as of February 15, 2019.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company's 2019 Annual Meeting Proxy Statement which will be filed with the Securities and Exchange Commission within 120 days after December 31, 2018 (see Part III of this Form 10-K).

Explanatory Note

We are filing this Amendment No. 1 on Form 10-K/A (this "Amendment") to our Annual Report on Form 10-K for the fiscal year ended December 31, 2018, which was filed on February 22, 2019 (the "Original Form 10-K"), to correct certain clerical errors in the "Payments Due By Period" table on page 25 of the Original Form 10-K.

In the Original Form 10-K, (a) the amounts included for the Manufacturing purchase commitments (i) for the 1 year period was incorrectly listed as "$404,728", (ii) for the 2-3 years period was incorrectly listed as "$36,305", (iii) for the 4-5 years period was incorrectly listed as "$718", and (iv) for the Total was incorrectly listed as "$441,751"; and (b) the amounts included for the Total contractual obligations (i) for the 1 year period was incorrectly listed as "$446,041", (ii) for the 2-3 years period was incorrectly listed as "$114,043", (iii) for the 4-5 years period was incorrectly listed as "$497,917", and (iv) for the Total was incorrectly listed as "$1,270,972".

This Amendment includes (a) the correct amounts for the Manufacturing purchase commitments (i) for the 1 year period of "$72,375", (ii) for the 2-3 years period of "$35,587", (iii) for the 4-5 years period of "$-", and (iv) for the Total of "$107,962"; and (b) the correct amounts for the Total contractual obligations (i) for the 1 year period of "$113,688", (ii) for the 2-3 years period of "$113,325", (iii) for the 4-5 years period of "$497,199", and (iv) for the Total of "$937,183".

Except as stated above, this Amendment does not amend any other information set forth in the Original 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. Forward-looking statements include statements in the future tense, statements referring to any period after December 31, 2018, and statements including the terms "expect," "believe," "anticipate," and other similar terms that express expectations as to future events or conditions. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for such forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, and other factors that could cause actual events to differ materially from those expressed in those statements. A variety of factors could cause the Company's actual results and experience to differ materially from the anticipated results. These factors and assumptions include the pace and nature of new product introductions by the Company and the Company's customers; our ability to anticipate and respond to changing consumer preferences and changing technologies; the Company's ability to successfully implement its growth strategies; the outcome of the Company's various productivity-improvement and cost-reduction efforts and acquisition and divestiture activities; the effectiveness of the Company's past restructuring activities; changes in costs of raw materials, including energy; industry, regulatory, legal, and economic factors related to the Company's domestic and international business; growth in markets for products in which the Company competes; industry and customer acceptance of price increases; actions by competitors; currency exchange rate fluctuations; and the matters discussed below under the heading "Risk Factors" and under Part II, including the critical accounting policies set forth under the heading "CRITICAL ACCOUNTING POLICIES" within "Management's Discussion and Analysis of Financial Condition and Results of Operation." Except to the extent required by applicable law, 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.

NON-GAAP FINANCIAL MEASURES

Within this document, the Company reports certain non-GAAP financial measures, including: (1) adjusted operating income, adjusted net earnings, and adjusted diluted EPS from continuing operations (which exclude restructuring and other costs and the impacts of the Tax Cuts and Jobs Act ("2017 Tax Legislation")) and (2) percentage changes in revenue, operating income, diluted EPS, adjusted operating income, and adjusted diluted EPS on a local currency basis (which eliminate the effects that result from translating its international operations into U.S. dollars). The Company has included each of these non-GAAP measures in order to provide additional information regarding our underlying operating results and comparable year-over-year performance. Such information is supplemental to information presented in accordance with GAAP and is not intended to represent a presentation in accordance with GAAP. These non-GAAP measures should not be considered in isolation. Rather, they should be considered together with GAAP measures and the rest of the information included in this report. Management internally reviews each of these non-GAAP measures to evaluate performance on a comparative period-to-period basis and to gain additional insight into underlying operating and performance trends. The Company believes this information can be beneficial to investors for these same purposes. These non-GAAP measures may not be comparable to similarly titled measures used by other companies.

Additional information related to the Company's use of non-GAAP financial measures and the restructuring and other costs as well as the impacts from the 2017 Tax Legislation that have been excluded from the non-GAAP financial measures in 2018, 2017, and 2016 and reconciliations of non-GAAP financial measures to the most comparable GAAP financial measures are available below in Item 7 under the sections titled "NON-GAAP FINANCIAL MEASURES."

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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 "Exchange Act"). In accordance with the Exchange Act, the Company files 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 accessed from the website maintained by the Commission at http://www.sec.gov.

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.com. The Company's web address is provided as an inactive textual reference only, and the contents of that website are not incorporated in or otherwise to be regarded as part of this report. The Company makes available free of charge on its website its proxy statement, 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 Exchange 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, Nominating and Corporate Governance, Finance, and Executive Committees of the Company's Board of Directors, as well as the Company's Code of Conduct, Corporate Governance Guidelines, Policy on Recovery of Incentive Compensation From Executives, and Directors and Officers Stock Ownership Guidelines are also available on the Company's website. These documents are also available in print to any shareholder, free of charge, upon request. If there are any amendments to the Code of Conduct, or if waivers from it are granted for executive officers or directors, those amendments or waivers also will be posted on the Company's website.

Description of Business

The Company is a leading global manufacturer and marketer of colors, flavors, and fragrances. The Company uses advanced technologies at facilities around the world to develop specialty food and beverage systems; cosmetic, fragrance, pharmaceutical, and nutraceutical ingredients and systems; specialty inks and colors; and other specialty and fine 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, ingredients, extracts, and bionutrients;

fragrances, aroma chemicals, and essential oils;

natural ingredients, including dehydrated vegetables and other food ingredients;

natural and synthetic food and beverage colors;

cosmetic colors and ingredients;

pharmaceutical and nutraceutical excipients and ingredients; and

technical colors, specialty inks and colors, and specialty dyes and pigments.

The Company’s three reportable segments are the Flavors & Fragrances Group and the Color Group, which are managed on a product basis, and the Asia Pacific Group, which is managed on a geographic basis. The Company’s corporate expenses and restructuring and certain other costs are included in the “Corporate & Other” category as described in this report. Financial information regarding the Company’s three reportable segments and the operations included within Corporate & Other is set forth in Note 11, Segment and Geographic Information, in the Notes to Consolidated Financial Statements included in this report.

In July 2018, the Company completed the acquisition of Mazza Innovation Limited (now known as Sensient Natural Extraction Inc.). This acquisition provides the Company with an umbrella technology, which supports applications for both the Flavors & Fragrances and Color segments. The Company is in the process of integrating this business, and therefore, the Company has included its results in Corporate & Other.

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Flavors & Fragrances Group

The Company is a global developer, manufacturer, and supplier of flavor and fragrance systems for the food, beverage, 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 Natural Ingredients, and Sensient Fragrances, the Group is a supplier to multinational and regional 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 natural ingredients 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, natural extracts, and aroma chemicals. The Group serves food and non-food industries. In food industries, markets include savory, beverage, and sweet flavors, as well as certain bioingredients. In non-food industries, the Group supplies fragrance products to the personal, home-care, and bioingredients markets.

Operating through its Sensient Natural Ingredients 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. 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. Advanced dehydration technologies utilized by Sensient Natural Ingredients permit fast and effective rehydration of ingredients used in many of today's popular convenience foods.

As of December 31, 2018, the Group's principal manufacturing plants are located in California, Illinois, Michigan, Wisconsin, Belgium, China, Costa Rica, Mexico, 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, pharmaceuticals, and nutraceuticals; colors and other ingredients for cosmetics, such as active ingredients, solubilizers, and surface treated pigments; pharmaceutical and nutraceutical excipients, such as colors, flavors, coatings, and nutraceutical ingredients; specialty inks; and technical colors for industrial applications.

The Company believes that it is one of the world's largest producers (by sales) of synthetic and natural colors, and that it is the world's largest manufacturer (by sales) of certified food colors. The Company sells its synthetic and natural colors to domestic and international producers of beverages, bakery products, processed foods, confections, pet foods, cosmetics, and pharmaceuticals. The Company also makes industrial colors, specialty inks, and other dyes and pigments used in a variety of non-food applications.

As of December 31, 2018, the Group's principal manufacturing plants are located in Missouri, New Jersey, Brazil, Canada, China, France, Germany, Italy, Mexico, Peru, Switzerland, and the United Kingdom.

The Color Group operates under the following trade names:

Sensient Food Colors (food and beverage colors);

Sensient Pharmaceutical Coating Systems (pharmaceutical and nutraceutical colors and coatings);

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

Sensient Imaging Technologies/Sensient Inks (specialty inks); and

Sensient Industrial Colors (paper colors; and industrial colors for plastics, leather, wood stains, antifreeze, landscaping, and other uses).

The Company believes that its advanced process technology, state-of-the-art laboratory facilities and equipment, world class application chemists, 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 lines in the Pacific Rim under the Sensient name. Through these operations, 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.

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Sales, marketing, and technical functions are managed through the Asia Pacific Group’s headquarters, which is located in Singapore. Manufacturing operations are located in Australia, China, India, Japan, New Zealand, and the Philippines. The Asia Pacific Group maintains offices for local technical support, as well as sales, in China, India, Indonesia, and Thailand, and for research and development in Singapore.

Corporate

Corporate provides management, administrative, and support services to the Company from its headquarters in Milwaukee, Wisconsin. The Company’s corporate expenses, restructuring and other costs, and the results of Mazza Innovation Limited (now known as Sensient Natural Extraction Inc.) are included in the “Corporate & Other” category.

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. The Company employed 769 people in research and development, quality assurance, quality control, and lab technician positions as of December 31, 2018.

As part of its commitment to quality as a competitive advantage, the Company’s production facilities hold various certifications, such as those under the International Organization for Standardization (ISO) and those recognized by the Global Food Safety Initiative (GFSI), including the Safe Quality Food Program (SQF), British Retail Consortium (BRC), and Food Safety System Certification (FSSC 22000), for certifying the safety and quality of its products and production processes.

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. The majority of the proprietary processes and formulae developed by the Company are maintained as trade secrets and protected through confidentiality agreements with customers.

Within the Flavors & Fragrances Group, development activity is focused on ingredients, flavors, natural extracts, and fragrances as well as flavor and fragrance 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 probiotics and fermented ingredients, including enzymes, vitamins, and amino acids.

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

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. As of March 2018, the Company owns a natural food colorings business in Lima, Peru, and has vertically integrated production and processing capacity in annatto, carmine, and other natural color products.

In the production of flavors and fragrances, the principal raw materials include essential oils, aroma chemicals, botanicals, fruits, and juices. These raw materials are obtained from domestic and foreign suppliers. Flavor enhancers and secondary flavors are produced from brewers' 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 China.

The Company believes that its ability to reformulate its products and the general availability of alternate sources of materials would generally enable it to maintain its competitive position in the event of an interruption in the supply of raw materials from a single supplier.

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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 generally encounters different competitors in different product lines.

- Flavors & Fragrances. Competition in the flavors and fragrances industries continues to have an ever increasing 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 from other countries. Competition for the supply of dehydrated vegetables is based principally on product quality, customer service, and price.

- Color. Competition in the color market is diverse, with the majority of the Company's competitors specializing in either synthetic dyes and pigments or natural colors or coloring foodstuffs (in Europe). 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 cosmetic colors and ingredients, specialty inks, and pharmaceutical and nutraceutical ingredients and excipients is based on the development of customized products and solutions as well as quality, customer service, and price. The Company believes that its reputation and capacity as a color producer as well as its product development and applications expertise give it a competitive advantage in these markets.

- Asia Pacific. The Company offers a broad array of products to customers through the Asia Pacific Group. Competition is based upon reliability in product quality, service, and price as well as technical support available to customers.

Foreign Operations

Additional information regarding the Company's foreign operations is set forth in Note 11, Segment and Geographic Information in the Notes to Consolidated Financial Statements included in this report.

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 any particular patent or trademark; however, trademarks, patents, and formulae are important to the business of the Company.

Employees

As of December 31, 2018, the Company employed 4,113 persons worldwide.

Regulation

Compliance with government rules 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. The production,

packaging, labeling, and distribution of certain of the products of the Company in the U.S. are subject to the regulations of various federal, state, and local governmental agencies, in particular the U.S. Food and Drug Administration. The Company is subject to similar regulations in many international markets, particularly Europe.

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 this report, particularly those under the headings "Management's Discussion and Analysis of Financial Condition and Results of Operation" below and "Forward-Looking Statements" above, the following factors should be considered:

- Our recent restructurings may not be as effective as we anticipated and we may fail to realize the expected cost savings.

From 2014-2017, the Company executed a restructuring plan aimed at eliminating underperforming operations, consolidating manufacturing facilities, and improving efficiencies within the Company. These activities required the devotion of significant resources and management attention and may pose significant risks. Our ability to realize anticipated cost savings may be affected by a number of factors, including our ability to effectively reduce overhead, rationalize manufacturing capacity, and effectively produce products at the consolidated facilities. Furthermore, our restructurings may not be as effective as we anticipated, and we may fail to realize the cost savings we expected from these restructurings.

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· The impact of currency exchange rate fluctuation may negatively affect our results.

We report the results of our foreign operations in the applicable local currency and then translate those results into U.S. dollars at applicable exchange rates. The applicable exchange rates between and among foreign currencies and the U.S. dollar have fluctuated and will continue to do so in the future. These fluctuations have impacted our results of operations in recent periods as discussed below in more detail under the headings “Management’s Discussion and Analysis of Financial Condition and Results of Operation.” Such currency exchange rate volatility may also adversely impact our financial condition or liquidity. While we may use forward exchange contracts and foreign currency denominated debt to manage our exposure to foreign exchange risk, such risk management strategies may not be effective and our results of operations could be adversely affected.

· Changes to LIBOR may negatively impact us.

LIBOR, the London interbank offered rate, is the basic rate of interest used in lending between banks on the London interbank market and is widely used as a reference for setting the interest rate on loans globally. We have used LIBOR as a reference rate in our revolving loans, term loans, asset securitization program, and uncommitted credit facilities such that the interest due to our creditors pursuant to these loans is calculated using LIBOR.

LIBOR, in its current form, is currently scheduled to disappear in 2021. Before LIBOR ceases to exist, we may need to renegotiate our credit agreements that utilize LIBOR as a factor in determining the interest rate to replace LIBOR with a new standard, which has yet to be established. The consequences of these developments cannot be entirely predicted, but could result in an increase in the cost of our variable rate debt which is approximately 40-45% of our total debt. While our policy is to manage our interest rate risk by entering into both fixed and variable rate debt arrangements, we cannot provide assurance that future interest rate changes will not have a material negative impact on our business, financial position, or operating results.

· 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 for a particular product line could substantially affect the sales and profitability of that line or the business unit that sells that product line, which may cause us to re-evaluate that line. Those developments could affect our results. In addition, the financial condition of our customers may adversely affect their ability to buy from us, or to pay for products that they have already purchased.

· 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, fragrances, and colors that are used in foods, beverages, pharmaceuticals, cosmetics, nutraceuticals, and other items for human consumption or contact. These products involve risks such as product contamination or spoilage, product tampering, product defects, and other adulteration. We may be subject to liability if the consumption or use of our products cause product damage, injury, illness, or death. In addition, we or our customers may need to recall products in the event of contamination or product defects.

A significant product defect, product recall, or product liability judgment 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 in many business lines. 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.

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- 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 negatively affect our profitability.

- Our sales and profitability are affected by changing consumer preferences, changing technologies, and our customers' ability to make and sell to consumers in highly competitive markets.

Although we do not generally make or sell proprietary consumer products, many of our products are sold to companies that develop and market consumer products. Sales of flavors, fragrances, colors, inks, cosmetic ingredients, pharmaceutical and nutraceutical excipients and ingredients, and many of our other products depend in part upon our customers' ability to create and sell products to consumers in highly competitive markets, all of which are beyond our control. Our sales could also be affected by changing technologies that could impact consumer demand for products that contain our products. Therefore, we depend upon our customers' ability to create markets for the consumer products that incorporate the products that we manufacture. In addition, if we cannot adequately anticipate and respond to the needs of our customers as they evolve in response to changing consumer preferences and new technologies, our results of operations could be adversely affected.

- If we do not maintain an efficient 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, energy, and transportation price volatility and increases or material shortages may reduce our profits.

We use many different commodities as raw ingredients. We also use 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 regulations. 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 related profitability.

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

- There are an enormous number of laws and regulations applicable to us, our suppliers, and our customers across all of our business lines. Compliance with these legal requirements is costly to us and can affect our operations as well as those of our suppliers and customers. Failure to comply could also be costly and disruptive.

Our facilities and products are subject to many laws and regulations relating to the environment, health, safety, and the content, processing, packaging, storage, distribution, quality, and safety of food, drugs, cosmetics, other consumer products, specialty inks, and industrial colors. These laws and regulations are administered in the United States by the Department of Agriculture, the Food and Drug Administration, the Environmental Protection Agency, the Department of Labor, and other federal and state governmental agencies. We, our suppliers, and our customers are subject to similar governmental regulation and oversight abroad. Compliance with these laws and regulations can be complex

and costly and affect our, our suppliers' and our customers' operations. Also, if we, our suppliers, or our customers, fail to comply with applicable laws and regulations, we could be subject to administrative penalties and injunctive relief, civil and criminal remedies, fines, and recalls of products. Regulatory action against a supplier or customer can create risk for us and negatively affect our operations.

· Environmental compliance may be costly to us.

Our operations are subject to extensive and stringent laws and regulations which pertain to the discharge of materials into the environment, handling of materials, and disposition of wastes and air emissions. These rules operate or will operate at both the federal and state levels in the United States, and there are analogous laws at most of our overseas locations. 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 or the ability to obtain required permits; civil, criminal, and administrative penalties; and negative publicity.

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- Operating in foreign countries and emerging markets exposes us to increased risks, including economic, political, and international operation risks.

We operate, manufacture, and sell our products and obtain raw materials in many foreign countries and emerging markets. This subjects us to risks that could materially impact our operating results, including: difficulties in staffing and managing foreign personnel in diverse cultures; transportation delays or interruptions; sometimes unpredictable regulatory changes; 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. For example, changes in the trade relationship between the U.S. and China as well as potential regulatory actions by the Chinese government may affect the cost of our raw materials and products originating in China, the demand for as well as the supply of our products manufactured in China or containing raw materials from China, and the demand from Chinese customers for our products.

- Brexit may adversely impact the Company’s revenue and profits in the short term and long term.

In 2016, the United Kingdom (U.K.) held a referendum in which voters approved an exit from the European Union, commonly referred to as “Brexit.” The British government and the European Union are negotiating the terms of the U.K.’s future relationship with the European Union. The final terms of the relationship and its impacts on the Company remain unclear. The U.K.’s pending exit from the European Union, currently scheduled for March 29, 2019, has resulted in currency exchange rate fluctuations and volatility. Because the Company has production facilities, customers, and suppliers in the U.K., the final terms of the agreement on the U.K.’s break with the European Union, or the absence of such an agreement, could have a significant impact on the Company.

The Company has revenue related to sales of products between the U.K. and the European Union or its trade agreement partners, and costs related to raw materials purchases between the U.K. and the European Union or its trade agreement partners.

Any agreement, or the absence of an agreement related to Brexit, could result in an increase in tariffs on all raw materials and finished goods moving between the U.K. and the European Union. Similarly, any agreement, or the absence of an agreement, could result in the U.K. losing the benefit of existing trade agreements between the European Union and other non-European Union countries, thereby increasing tariffs on all raw materials and finished goods moving between the U.K. and those non-European Union countries. An increase in tariffs could increase the cost to produce and sell the Company’s products, reduce the supply of and demand for the Company’s products, and reduce the Company’s revenue and profit. In both the short and long term, increased costs could make the Company less competitive with companies not impacted by post-Brexit tariffs and, given the nature of our industry, could result in the short term and long term loss of customers that choose to introduce new products or reformulate existing products with our lower-cost competitors.

A new border between the U.K. and the European Union could also impose increased cost, complexity, and delays (perhaps lengthy, particularly in the second and third quarters of 2019) related to the shipping and transportation of raw materials and finished products into and out of the U.K. These delays will complicate the Company’s production and distribution planning and, like increased tariffs, could adversely affect the Company’s revenue and profit, supply and demand for the Company’s products, and customer retention and acquisition in both the long term and short term.

Additionally, post-Brexit, new chemical regulations could be imposed within the U.K. to replace existing European Union regulations such as REACH. Similarly, because the U.K. will no longer be part of the European Union, the Company may be subject to new REACH registration requirements for products produced in the U.K. The costs related to compliance with these regulatory changes could affect the Company’s costs, revenue, profit, supply of and demand for the Company’s products, and the acquisition and retention of customers.

Next, there could be new restrictions on travel and immigration that result from Brexit that could impose additional costs on the Company. In each of the Company's three U.K. production facilities, a significant portion of the work forces are not U.K. nationals. Complying with new immigration regimes could result in increased costs to the Company.

Finally, while the Company will take steps to mitigate the effects of Brexit, these efforts may not be as successful as intended and the Company may not be able to avoid the costs and complications described above.

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- We depend on certain key personnel, and the loss 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, we need to provide for smooth transitions when replacing key management and technical personnel positions. Our operations and results may be negatively affected if we are not able to do so.

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

We have acquired many companies and operations in the past and may continue 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 past. Acquired companies may also have significant latent liabilities that 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.

- Our ability to successfully maintain and upgrade our information technology systems, and to effectively respond to failures, disruptions, compromises, or breaches of our information technology systems, may affect our competitiveness and our profits could decrease.

Our success depends in part on our ability to maintain a current information technology platform for our businesses to operate effectively, reliably, and securely. We routinely review and upgrade our information technology and cybersecurity systems in order to better manage, report, and protect the information related to our formulas, research and development, manufacturing processes, trade secrets, sales, products, customers, personnel, and other operations. If we do not continue to maintain our information technology and cybersecurity platforms and successfully implement upgrades to systems to protect our vital information, our competitiveness and profits could decrease. Because of the nature of our business, and the importance of our proprietary information, we face threats not only from hackers' intent on theft and disruption, but also from malicious insiders that may attempt to steal Company information. Furthermore, our information technology systems may be susceptible to failures, disruptions, breaches, theft, and other similar cybersecurity events. The impact of any such event and the effectiveness of our response thereto may adversely affect our operations and subject us to increased operating costs, regulatory consequences, and reputational harm. While we take substantial steps to protect our information and systems through cyber security systems, monitoring, auditing, and training, these efforts may not always be successful.

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

World events can adversely affect national, international, and local economies. Economies can also be affected by conflicts, natural disasters, epidemics, or other catastrophic events. Such events and conditions, as well as uncertainty in or impairment of financial markets, have adversely affected and could continue to affect our revenues and profitability, particularly if they occur in locations in which we or our customers have significant operations. In addition, while we have manufacturing facilities throughout the world, certain of our facilities are the sole manufacturer of a specific product and a disruption in manufacturing could lead to increased costs of relocating or replacing the production of a product, or reformulating a product, which could have an adverse effect on our results.

- Our ability to efficiently manage inventory may not be as effective as we anticipate and may adversely impact our performance.

Efficient inventory management is essential to our performance. We must maintain appropriate inventory levels and product mix to meet customer demand, without incurring costs related to storing and holding excess inventory. If our inventory management decisions do not accurately predict demand or otherwise result in excess inventory, our financial results may be adversely impacted by markdowns, impairment charges, or other costs related to disposal of excess or obsolete inventory.

- We could be adversely affected by violations of anti-bribery and anti-corruption laws and regulations.

Our business is subject to the U.S. Foreign Corrupt Practices Act, the United Kingdom Bribery Act, and similar anti-bribery and anti-corruption laws and regulations in other countries where we operate. While the Company maintains robust policies to prevent violations of these laws and to monitor third party risks, investigating and resolving actual or alleged violations of anti-bribery and anti-corruption laws is expensive and could negatively impact our results of operations or financial condition. Under these laws companies may be held liable for the corrupt actions taken by their directors, officers, employees, agents, or other representatives. We could be subject to substantial civil and/or criminal fines and penalties if we or any of our representatives fail to comply with these laws, which could have a material adverse effect on our business and reputation.

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· Our ability to protect our intellectual property rights is key to our performance.

We protect our intellectual property rights as trade secrets, through patents, under confidentiality agreements, and through internal and external cyber security systems. We could incur significant costs in asserting our intellectual property rights or defending ourselves from third party intellectual property claims. The laws of some of the countries in which we operate do not protect intellectual property rights to the same extent as the laws of the United States. If other parties were to infringe on our intellectual property rights, or if a third party successfully asserted that we had infringed on their intellectual property rights, it could have an adverse impact on our business.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

We lease our corporate headquarters offices, which are located at 777 East Wisconsin Avenue, Milwaukee, Wisconsin. We own our Color Group headquarters offices located in St. Louis, Missouri. We lease our Asia Pacific Group headquarters offices located in Singapore. We own a part, and lease a part, of our Flavors & Fragrances Group headquarters offices located in Hoffman Estates, Illinois. As of December 31, 2018, the locations of our production properties by reportable segment are as follows:

Color Group:
U.S. – St. Louis, Missouri; and South Plainfield, New Jersey*.
International – Jundiai, Brazil*; Kingston, Ontario, Canada; Saint Ouen L’Aumone, France; Geesthacht, Germany; Reggio Emilia, Italy; Lerma, Mexico; Lima, Peru*; Johannesburg, South Africa; Morges, Switzerland; and Kings Lynn, United Kingdom.

Flavors & Fragrances Group:
U.S. – Livingston and Turlock, California; Amboy, Illinois; Harbor Beach, Michigan; and Juneau, Wisconsin.
International – Heverlee, Belgium; Qingdao, China*; San Jose, Costa Rica*; Celaya and Tlalnepantla, Mexico; Granada, Spain; and Wales and Milton Keynes, United Kingdom.

Asia Pacific:
U.S. – None.
International – Keysborough, Australia; Guangzhou, China*; Mumbai, India*; Hitachi, Japan; Auckland, New Zealand; Manila, Philippines*; and Bangkok, Thailand*.

* Indicates a leased property at the location.

All properties are owned except as otherwise indicated above. All facilities are considered to be in good condition (ordinary wear and tear excepted) and suitable and adequate for the Company’s requirements.

Item 3. Legal Proceedings.

People of the State of Illinois v. Sensient Flavors LLC

On June 7, 2018, the Attorney General of the State of Illinois Office, on her own motion and at the request of the Illinois Environmental Protection Agency, filed a Complaint in the Lee County Circuit Court against Sensient Flavors LLC (“Sensient Flavors”). The Complaint alleges that Sensient Flavors’ Amboy, Illinois facility improperly discharged wastewater to the City of Amboy’s wastewater treatment plant in late 2015 and early 2016, causing the City to violate

its discharge permit. The Complaint alleged two counts against Sensient Flavors for violations of Illinois state law.

The Company believes the facility's discharges in question were done with the consent of the City of Amboy and in compliance with Illinois state law, and that Sensient Flavors complied with its wastewater permit, City of Amboy ordinances, and applicable Illinois state laws. The Company notes that at all times relevant to the matters at issue in the Complaint, the City of Amboy accepted Sensient Flavors' wastewater and, in fact, charged Sensient Flavors for treating Sensient Flavors' wastewater. The parties reached a settlement agreement in which Sensient Flavors agreed to pay a $100,000 fine and enter into a consent decree with the State of Illinois. On February 20, 2019, the Lee County Circuit Court approved the parties' settlement agreement.

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Other Claims and Litigation

The Company is subject to various claims and litigation arising in the normal course of business. The Company establishes reserves for claims and proceedings when it is probable that liabilities exist and reasonable estimates of loss can be made. While it is not possible to predict the outcome of these matters, based on our assessment of the facts and circumstances now known, we do not believe that these matters, individually or in the aggregate, will have a material adverse effect on our financial position. However, actual outcomes may be different from those expected and could have a material effect on our results of operations or cash flows in a particular period.

Item 4. Mine Safety Disclosure.

Not applicable.

Executive Officers of the Registrant

The executive officers of the Company and their ages as of February 18, 2019, are as follows:

Name	Age	Position
Paul Manning	44	Chairman, President and Chief Executive Officer
Amy M. Agallar	41	Vice President and Treasurer
Michael C. Geraghty	57	President, Color Group
Amy Schmidt Jones	49	Vice President, Human Resources and Senior Counsel
John J. Manning	50	Vice President, General Counsel and Secretary
E. Craig Mitchell	54	President, Flavors and Fragrances Group
Stephen J. Rolfs	54	Senior Vice President and Chief Financial Officer
Tobin Tornehl	45	Vice President, Controller and Chief Accounting Officer

The Company has employed all of the individuals named above, in substantively their current positions, for at least the past five years except as follows:

- Mr. Paul Manning has held his present office since April 21, 2016, and previously served as President and Chief Executive Officer (2014 – April 2016).
- Ms. Agallar has held her present office since January 9, 2019. Prior to joining the Company, Ms. Agallar was Director – Business Development CIS of Modine Manufacturing (June 2018 – December 2018), and Director – Global Treasury Operations of Modine Manufacturing (2011– June 2018).
- Ms. Jones has held her present office since April 2, 2018. Prior to joining the Company, Ms. Jones was a partner of Michael Best & Friedrich LLP (1998 – March 2018).
- Mr. John J. Manning has held his present office since April 21, 2016, and previously served as Vice President and Assistant General Counsel (2013 – April 2016).
- Mr. Mitchell has held his present office since September 17, 2018. Prior to joining the Company, Mr. Mitchell served as President and Chief Operating Officer of Sekisui Specialty Chemical America, LLC (April 2016 – September 2018), and Vice President of Sales, Americas of Celanese Corporation (2013 – April 2016).
- Mr. Rolfs has held his present position since February 7, 2015, and previously served as Senior Vice President, Administration (July 2013 – February 2015).
- Mr. Tornehl has held his present office since November 10, 2018, and previously served as Director, Finance (2008 – November 2018).

Mr. Paul Manning (Chairman, President and Chief Executive Officer) and Mr. John J. Manning (Vice President, General Counsel and Secretary) are brothers.

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PART II

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

The Company's common stock is listed on the New York Stock Exchange under the ticker symbol "SXT." The only market in which the common stock of the Company is listed is the New York Stock Exchange.

This graph compares the cumulative total shareholder return for the Company's common stock over the last five years to the total returns on the Standard & Poor's Midcap Specialty Chemicals Index (the "S&P Midcap Specialty Chemicals Index"), the Standard & Poor's Midcap Food Products Index (the "S&P Midcap Food Products Index"), and the Standard & Poor's 500 Stock Index (the "S&P 500 Index"). The graph assumes a $100 investment made on December 31, 2013, and reinvestment of dividends. The stock performance shown on the graph is not necessarily indicative of future price performance.

	2013	2014	2015	2016	2017	2018
Sensient Technologies Corporation	$100	$127	$134	$170	$161	$126
S&P Midcap Specialty Chemicals Index	100	115	111	139	149	141
S&P Midcap Food Products Index	100	146	153	186	195	182
S&P 500 Index	100	114	115	129	157	150

Standard & Poor's and S&P are registered trademarks of Standard & Poor's Financial Services, LLC.

On August 21, 2014, the Board of Directors authorized the repurchase of up to five million shares (2014 Authorization). On October 19, 2017, the Board of Directors authorized the repurchase of up to three million shares (2017 Authorization). As of February 18, 2019, all five million shares had been repurchased under the 2014 Authorization and 774,974 shares had been repurchased under the 2017 Authorization. There were no repurchases of shares by the Company during the fourth quarter of 2018 and a total of 1,060,000 shares repurchased during 2018, which were purchased under the 2017 and 2014 authorizations. There is no expiration date for the 2017 Authorization. The 2017 Authorization may be modified, suspended, or discontinued by the Board of Directors at any time. As of December 31, 2018, the maximum number of shares that may be purchased under publicly announed plans is 2,225,026.

The number of shareholders of record on February 15, 2019, was 2,282.

Information regarding the Company's equity compensation plans is incorporated by reference into Item 11 of Part III of this report.

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Item 6. Selected Financial Data.

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

Quarterly Data
(in thousands except per share amounts) (unaudited)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
2018					
Revenue	$356,477	$363,041	$342,734	$324,563	$1,386,815
Gross profit	123,071	121,470	115,573	106,015	466,129
Net earnings	38,194	39,123	47,193	32,850	157,360
Earnings per basic share	0.89	0.93	1.12	0.78	3.71
Earnings per diluted share	0.89	0.92	1.12	0.78	3.70
2017					
Revenue	$341,397	$338,475	$353,519	$328,874	$1,362,265
Gross profit	120,945	119,225	122,735	112,585	475,490
Net earnings	13,192	30,774	32,213	13,421	89,600
Earnings per basic share	0.30	0.70	0.74	0.31	2.05
Earnings per diluted share	0.30	0.69	0.73	0.31	2.03

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Five Year Review

(in thousands except percentages, employee and per share data)										
Years ended December 31,	2018		2017		2016		2015		2014	
Summary of Operations										
Revenue	$1,386,815	100.0%	$1,362,265	100.0%	$1,383,210	100.0%	$1,375,964	100.0%	$1,447,821	
Cost of products sold	920,686	66.4	886,775	65.1	907,783	65.6	921,531	67.0	959,311	
Selling and administrative expenses	262,751	18.9	307,684	22.6	289,818	21.0	288,092	20.9	357,845	
Operating income	203,378	14.7 %	167,806	12.3 %	185,609	13.4 %	166,341	12.1 %	130,665	
Interest expense	21,853		19,383		18,324		16,945		16,067	
Earnings before income taxes	181,525		148,423		167,285		149,396		114,598	
Income taxes	24,165		58,823		44,372		42,149		32,827	
Earnings from continuing operations	157,360		89,600		122,913		107,247		81,771	
Gain (loss) from discontinued operations, net of tax	-		-		3,343		(462	)	(8,125	)
Net earnings	$157,360		$89,600		$126,256		$106,785		$73,646	
Earnings per basic share:										
Continuing operations	$3.71		$2.05		$2.76		$2.34		$1.69	
Discontinued operations	-		-		0.08		(0.01	)	(0.17	)
Earnings per basic share	$3.71		$2.05		$2.84		$2.33		$1.52	
Earnings per diluted share:										
Continuing operations	$3.70		$2.03		$2.74		$2.32		$1.67	
Discontinued operations	-		-		0.07		(0.01	)	(0.17	)
Earnings per diluted share	$3.70		$2.03		$2.82		$2.31		$1.51	

Other Related Data					
Dividends per share, declared and paid	$1.35	$1.23	$1.11	$1.04	$0.98
Average common shares outstanding:					
Basic	42,404	43,780	44,523	45,910	48,525
Diluted	42,499	44,031	44,843	46,204	48,819
Book value per common share	$20.34	$19.70	$18.83	$18.78	$21.94
Price range per common share	51.93- 78.40	71.21 - 84.98	52.69 - 83.38	56.71 - 70.53	46.08 - 63.35
Share price at December 31	55.85	73.15	78.58	62.82	60.34
Capital expenditures	50,740	56,344	81,216	79,941	79,398
Depreciation	50,950	46,956	45,714	46,694	50,225
Amortization	2,294	1,562	1,305	1,245	1,231
Total assets	1,824,940	1,724,340	1,667,860	1,703,732	1,772,039
Long-term debt	689,553	604,159	582,780	613,502	450,548
Total debt	709,599	624,289	603,358	634,157	466,436
Shareholders' equity	859,947	852,301	835,741	845,127	1,046,935
Return on average shareholders' equity	18.8 %	10.3 %	14.7 %	11.6 %	6.4
Total debt to total capital	45.2 %	42.3 %	41.9 %	42.9 %	30.8
Employees	4,113	4,023	4,083	4,032	4,053

The 2018 results include $6.6 million ($0.16 per share) of tax benefit related to the finalization of provisional estimates made during 2017 as a result of the 2017 enactment of the Tax Cuts and Jobs Act (2017 Tax Legislation).

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The 2017 results include charges of $48.1 million ($42.5 million after tax, or $0.96 per share) related to the restructuring and other divestiture costs, as well as $18.4 million of tax expense ($0.42 per share) related to the enactment of the 2017 Tax Legislation in the fourth quarter of 2017. The restructuring costs pertain to the Company's now completed 2014 Restructuring Plan related to the sale and/or elimination of underperforming operations, consolidation of manufacturing facilities, and efforts to improve efficiencies within the Company. The other costs pertain to the sale of a facility and certain related business lines within the Flavors & Fragrances segment in Strasbourg, France, which was completed in January 2017.

The 2016 results include charges of $26.1 million ($21.1 million after tax, or $0.47 per share) related to the restructuring and other divestiture costs. The restructuring costs pertain to the 2014 Restructuring Plan related to eliminating underperforming operations, consolidating manufacturing facilities, and improving efficiencies within the Company, and the other costs pertain to the Company's divestiture in Strasbourg, France.

The 2015 results include charges of $43.6 million ($33.6 million after tax, or $0.73 per share) related to the restructuring and other acquisition related costs. The restructuring costs pertain to the 2014 Restructuring Plan related to eliminating underperforming operations, consolidating manufacturing facilities, and improving efficiencies within the Company, and the other costs pertain to acquisition related costs.

The 2014 results include charges of $90.6 million ($65.5 million after tax, or $1.34 per share) related to the restructuring and other proxy contest costs. The restructuring costs pertain to the 2014 Restructuring Plan related to eliminating underperforming operations, consolidating manufacturing facilities, and improving efficiencies within the Company, and the other costs pertain to proxy contest costs.

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

OVERVIEW

Sensient Technologies Corporation (the Company or Sensient) is a global developer, manufacturer, and supplier of flavor and fragrance systems for the food, beverage, personal care, and household-products industries. The Company is also a leading developer, manufacturer, and supplier of colors for businesses worldwide. The Company provides natural and synthetic color systems for use in foods, beverages, pharmaceuticals and nutraceuticals; colors, inks, and other ingredients for cosmetics, pharmaceuticals, nutraceuticals and digital printing; and technical colors for industrial applications. The Company's three reportable segments are the Flavors & Fragrances Group and the Color Group, which are managed on a product basis, and the Asia Pacific Group, which is managed on a geographic basis. The Company's corporate expenses and restructuring and other costs are included in the "Corporate & Other" category.

In July 2018, the Company completed the acquisition of Mazza Innovation Limited (now known as Sensient Natural Extraction Inc.). This acquisition provides the Company with an umbrella technology, which supports applications for both the Flavors & Fragrances and Color segments. The Company is in the process of integrating this business, and therefore, the Company has included its results in Corporate & Other.

The Company's diluted earnings per share from continuing operations were $3.70 in 2018 and $2.03 in 2017. Included in the 2017 results were $48.1 million, or $0.96 per share net of tax, of restructuring and other costs. There were no restructuring or other costs in 2018. Included in the 2018 and 2017 results, were $6.6 million of a benefit and $18.4 million of expense, respectively, related to the enactment of the Tax Cuts and Jobs Act (Act or 2017 Tax Legislation), equating to an impact of a 16 cents per share benefit and 42 cents per share of expense, respectively. Adjusted diluted earnings per share, which exclude these restructuring and other costs as well as the impact of the 2017 Tax Legislation, were $3.55 in 2018 and $3.42 in 2017 (see discussion below regarding non-GAAP financial measures and the Company's restructuring activities, divestiture and income taxes).

Since 1962, the Company has paid, without interruption, a quarterly cash dividend. In the fourth quarter of 2018, the Company increased the quarterly dividend by 3 cents per share from 33 cents to 36 cents per share, or $1.44 per share on an annualized basis. In addition, the Company repurchased $76.7 million of Company stock in 2018, which is in addition to the $87.2 million repurchased in 2017.

Additional information on the results is included below.

RESULTS OF CONTINUING OPERATIONS
2018 vs. 2017

Revenue
Sensient's revenue was approximately $1.4 billion in 2018 and 2017.

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Gross Profit

The Company's gross margin was 33.6% in 2018 and 34.9% in 2017. Included in the cost of products sold are $2.9 million of restructuring costs for 2017. The decrease in gross margin is primarily a result of higher raw material costs and the unfavorable impact of product mix, partially offset by higher selling prices. Restructuring costs reduced gross margin by 20 basis points in 2017.

Selling and Administrative Expenses

Selling and administrative expense as a percent of revenue was 18.9% in 2018 and 22.6% in 2017, respectively. Restructuring and other costs of $45.2 million in 2017 were included in selling and administrative expense. Selling and administrative expense as a percent of revenue was lower in 2018 than in 2017 primarily as a result of the 2017 restructuring and other costs and lower performance based executive compensation in 2018. Restructuring and other costs increased selling and administrative expense as a percent of revenue by 330 basis points in 2017.

Operating Income

Operating income was $203.4 million in 2018 and $167.8 million in 2017. Operating margins were 14.7% in 2018 and 12.3% in 2017. Restructuring and other costs reduced operating margins by 350 basis points in 2017.

Additional information on segment results can be found in the Segment Information section.

Interest Expense

Interest expense was $21.9 million in 2018 and $19.4 million in 2017. The increase in expense was primarily due to the increase in average debt outstanding.

Income Taxes

The effective income tax rate was 13.3% in 2018 and 39.6% in 2017. The effective tax rates in both 2018 and 2017 were impacted by changes in estimates associated with the finalization of prior year foreign and domestic tax items, audit settlements, adjustments to valuation allowances and mix of foreign earnings. The effective tax rate in 2018 was also favorably impacted by U.S. tax accounting method changes that were filed with the IRS in the second quarter of 2018 and generation of foreign tax credits during 2018. The 2017 effective tax rate was impacted by the limited tax deductibility of losses, the result of the cumulative foreign currency effect related to certain repatriation transactions, and restructuring and other activities.

On December 22, 2017, the U.S. enacted the 2017 Tax Legislation. The Act significantly changed U.S. corporate income tax laws by reducing the U.S. corporate income tax rate to 21% beginning in 2018 and creating a territorial tax system with a one-time mandatory tax on previously deferred foreign earnings of U.S. subsidiaries. As a result, the Company recorded a provisional net tax expense of $18.4 million during the fourth quarter of 2017. This amount consists of reevaluating the U.S. deferred tax assets and liabilities based on the lower corporate income tax rate, adjustments to the Company's foreign tax credit carryover, and the one-time mandatory tax on previously deferred foreign earnings of U.S. subsidiaries. In 2018, the Company finalized its provisional estimates related to the Act resulting in an income tax benefit of $6.6 million. Sensient considers $11.8 million to be the final net tax expense related to the Act.

	2018	2017
Rate before 2017 Tax Legislation, restructuring and discrete items	20.7 %	24.5 %
2017 Tax Legislation	(3.7 %)	12.4 %
Restructuring impact	-	3.9 %
Discrete items	(3.7 %)	(1.2 %)
Reported effective tax rate	13.3 %	39.6 %

The 2019 effective income tax rate is estimated to be between 22.0% and 23.0%, before any discrete items.

Acquisitions

On July 10, 2018, the Company completed the acquisition of Mazza Innovation Limited, a botanical extraction business with patented solvent-free extraction processes, located in Vancouver, Canada. The Company paid $19.8 million of cash for this acquisition. The assets acquired and liabilities assumed were recorded at their estimated fair values as of the acquisition date. The Company acquired net assets of $4.0 million and identified intangible assets, principally technological know-how, of $6.9 million. The remaining $8.9 million was allocated to goodwill. This acquisition provides the Company with an umbrella technology, which supports applications for both the Flavors & Fragrances and Color segments. The Company is still in the process of integrating this business, and therefore, the Company has included its results in Corporate & Other.

On March 9, 2018, the Company completed the acquisition of certain net assets and the natural color business of GlobeNatural, a natural color company based in Lima, Peru. The Company paid $10.8 million of cash for this acquisition. The Company acquired net assets of $1.4 million and identified intangible assets, principally customer relationships of $2.0 million, and allocated the remaining $7.4 million to goodwill. These operations are included in the Color segment.

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Restructuring

Between March 2014 and 2017, the Company executed a restructuring plan (2014 Restructuring Plan) to eliminate underperforming operations, consolidate manufacturing facilities, and improve efficiencies within the Company. In accordance with GAAP, the Company recorded total restructuring costs of $36.5 million for the year ended December 31, 2017. No restructuring costs were recorded for the year ended December 31, 2018.

Divestiture

In 2016, the Company's Board of Directors authorized management to explore strategic alternatives for a facility and certain related business lines within the Flavors & Fragrances segment in Strasbourg, France. In 2016, the Company recorded a non-cash impairment charge of $10.8 million, in selling and administrative expense, and incurred $0.7 million of outside professional fees and other related costs in 2016, as a result of the then anticipated divestiture.

In January 2017, the Company completed this divestiture for approximately $12.5 million. The Company recognized an additional non-cash loss of $11.6 million in 2017.

NON-GAAP FINANCIAL MEASURES

Within the following tables, the Company reports certain non-GAAP financial measures, including: (1) adjusted operating income, adjusted net earnings, and adjusted diluted EPS from continuing operations (which exclude restructuring and other costs as well as the impact of the 2017 Tax Legislation) and (2) percentage changes in revenue, operating income, diluted EPS, adjusted operating income, and adjusted diluted EPS on a local currency basis (which eliminate the effects that result from translating its international operations into U.S. dollars). The other costs in 2017 are divestiture related costs, discussed under "Divestiture" above.

The Company has included each of these non-GAAP measures in order to provide additional information regarding our underlying operating results and comparable year-over-year performance. Such information is supplemental to information presented in accordance with GAAP and is not intended to represent a presentation in accordance with GAAP. These non-GAAP measures should not be considered in isolation. Rather, they should be considered together with GAAP measures and the rest of the information included in this report. Management internally reviews each of these non-GAAP measures to evaluate performance on a comparative period-to-period basis and to gain additional insight into underlying operating and performance trends. The Company believes that this information can be beneficial to investors for the same purposes. These non-GAAP measures may not be comparable to similarly titled measures used by other companies.

	Twelve Months Ended December 31,		
(In thousands except per share amounts)	2018	2017	% Change
Operating Income from continuing operations (GAAP)	$ 203,378	$ 167,806	21.2 %
Restructuring – Cost of products sold	-	2,889	
Restructuring – Selling and administrative	-	33,627	
Other – Selling and administrative[1]	-	11,555	
Adjusted operating income	$ 203,378	$ 215,877	(5.8 %)
Net Earnings from continuing operations (GAAP)	$ 157,360	$ 89,600	75.6 %
Restructuring & other, before tax	-	48,071	
Tax impact of restructuring & other	-	(5,602)	
2017 Tax Legislation	(6,634)	18,446	
Adjusted net earnings	$ 150,726	$ 150,515	0.1 %
Diluted EPS from continuing operations (GAAP)	$ 3.70	$ 2.03	82.3 %
Restructuring & other, net of tax	-	0.96	
2017 Tax Legislation	(0.16)	0.42	

Adjusted diluted EPS	$ 3.55	$ 3.42	3.8	%

(1) The other costs are for the divestiture related costs discussed under "Divestiture" above.

Note: Earnings per share calculations may not foot due to rounding differences.

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The following table summarizes the percentage change in the 2018 results compared to the 2017 results in the respective financial measures.

	Twelve Months Ended December 31, 2018					
	Total		Foreign Exchange Rates		Local Currency	
Revenue						
Flavors & Fragrances	0.0	%	1.1	%	(1.1	%)
Color	5.2	%	0.4	%	4.8	%
Asia Pacific	0.0	%	(0.1	%)	0.1	%
Total Revenue	1.8	%	0.7	%	1.1	%
Operating Income From Continuing Operations						
Flavors & Fragrances	(15.7	%)	0.0	%	(15.7	%)
Color	1.4	%	1.1	%	0.3	%
Asia Pacific	0.4	%	1.3	%	(0.9	%)
Corporate & Other	(64.3	%)	1.4	%	(65.7	%)
Operating Income from continuing operations	21.2	%	0.2	%	21.0	%
Diluted EPS from continuing operations	82.3	%	0.0	%	82.3	%
Adjusted operating income [(1)]	(5.8	%)	0.7	%	(6.5	%)
Adjusted diluted EPS [(1)]	3.8	%	0.6	%	3.2	%

(1) Refer to table above for a reconciliation of these non-GAAP measures.

SEGMENT INFORMATION

The Company determines its operating segments based on information utilized by its chief operating decision maker to allocate resources and assess performance. Segment performance is evaluated on operating income before any applicable restructuring and other costs (which are reported in Corporate & Other), interest expense, and income taxes.

In July 2018, the Company completed the acquisition of Mazza Innovation Limited (See Acquisitions above for further information). This acquisition provides the Company with an umbrella technology, which supports applications for both the Flavors & Fragrances and Color segments. The Company is in the process of integrating this business, and therefore, the Company has included its results in Corporate & Other.

The Company's discussion below regarding its operating segments has been updated to reflect the Company's disaggregation of revenue, which was adopted in the first quarter of 2018, as summarized in Part IV, Item I, Note 11, Segment and Geographic Information, of this report.

The Company's reportable segments consist of the Flavors & Fragrances, Color, and Asia Pacific segments.

Flavors & Fragrances

Flavors & Fragrances segment revenue was $746.9 million in both 2018 and 2017. Foreign exchange rates increased segment revenue by approximately 1% in 2018. Segment revenue was consistent with the prior year due to higher revenue in Fragrances and Natural Ingredients, mostly offset by lower revenue in Flavors. The higher revenue in Fragrances is primarily a result of higher selling prices, favorable volumes, and favorable exchange rates. The higher revenue in Natural Ingredients is primarily a result of favorable volumes, partially offset by lower selling prices and the impact of the 2017 sale of the European Natural Ingredients business as part of the Company's prior restructuring activities. The lower revenue in Flavors was primarily a result of lower volumes, partially offset by the favorable

impact of exchange rates and higher selling prices.

Flavors & Fragrances segment operating income was $96.4 million in 2018 and $114.3 million in 2017, a decrease of approximately 16%. Foreign exchange rates had a minimal impact on segment operating income. The lower segment operating income was primarily a result of lower operating income in Flavors and Natural Ingredients. The lower operating income in Flavors was primarily a result of lower volumes (primarily at the production site affected by last year’s plant consolidation) and product mix, partially offset by higher selling prices, lower manufacturing and other costs, and lower raw material costs. The lower operating income in Natural Ingredients was primarily due to higher raw material costs, primarily onion, and lower selling prices, partially offset by higher volumes and lower manufacturing and other costs. Segment operating income as a percent of revenue was 12.9% and 15.3% for 2018 and 2017, respectively.

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Color

Segment revenue for the Color segment was $553.5 million in 2018 and $526.4 million in 2017, an increase of approximately 5%. Foreign exchange rates had a minimal impact on segment revenue. The higher segment revenue was primarily a result of higher revenue in Food & Beverage Colors and Cosmetics. The higher revenue in Food & Beverage Colors was primarily a result of higher volumes, the impact of the GlobeNatural acquisition (approximately 1%), favorable exchange rates, and higher selling prices. The higher revenue in Cosmetics was primarily a result of higher volumes.

Segment operating income for the Color segment was $114.9 million in 2018 and $113.4 million in 2017, an increase of approximately 1%. The higher segment operating income was primarily a result of higher operating income in Cosmetics, partially offset by unfavorable product mix and higher raw material costs in Food & Beverage Colors. The higher operating income in Cosmetics was primarily a result of higher volumes and selling prices, favorable product mix, lower raw material costs, and the favorable impact of exchange rates, partially offset by higher manufacturing and other costs. Foreign exchange rates increased segment operating income by approximately 1%. Segment operating income as a percent of revenue was 20.8% in 2018 compared to 21.5% in 2017.

Asia Pacific

Segment revenue for the Asia Pacific segment was $123.2 million for both 2018 and 2017. Foreign exchange rates had a minimal impact on segment revenues. Segment revenue was consistent with the prior year as higher selling prices were mostly offset by lower volumes.

Segment operating income for the Asia Pacific segment was $20.9 million in 2018 and $20.8 million in 2017, a slight increase over the prior year. The slight increase in segment operating income was a result of higher selling prices, favorable product mix, and favorable exchange rates, mostly offset by higher manufacturing and other costs. Foreign exchange rates increased segment operating income by approximately 1%. Segment operating income as a percent of revenue was 16.9% in both 2018 and 2017.

Corporate & Other

The Corporate & Other operating loss was $28.8 million in 2018 and $80.7 million in 2017. The lower operating loss was primarily a result of the absence in 2018 of the restructuring and other costs that were incurred in 2017 and lower performance based executive compensation incurred in 2018. Restructuring and other costs were $48.1 million in 2017. There were no restructuring and other costs incurred in 2018.

RESULTS OF CONTINUING OPERATIONS

2017 vs. 2016

Revenue

Sensient's revenue was approximately $1.4 billion in both 2017 and 2016.

Gross Profit

The Company's gross margin was 34.9% in 2017 and 34.4% in 2016. Included in the cost of products sold are $2.9 million and $2.1 million of restructuring costs for 2017 and 2016, respectively. The increase in the gross margin was primarily a result of higher selling prices and the favorable impact of a divestiture (See Note 13, Restructuring Charges, and Note 15, Divestiture), partially offset by higher raw material and manufacturing costs. Restructuring costs reduced gross margin by 20 basis points and 10 basis points in 2017 and 2016, respectively.

Selling and Administrative Expenses

Selling and administrative expense as a percent of revenue was 22.6% in 2017 and 21.0% in 2016. Restructuring and other costs of $45.2 million and $24.0 million for 2017 and 2016, respectively, were included in selling and administrative expense. Selling and administrative expense as a percent of revenue was higher in 2017 than in 2016

primarily as a result of higher restructuring and other costs, partially offset by lower performance based executive compensation and professional fees. Restructuring and other costs increased selling and administrative expense as a percent of revenue by 330 basis points and 180 basis points in 2017 and 2016, respectively.

Operating Income

Operating income was $167.8 million in 2017 and $185.6 million in 2016. Operating margins were 12.3% in 2017 and 13.4% in 2016. Restructuring and other costs reduced operating margins by 350 basis points and 190 basis points in 2017 and 2016, respectively.

Additional information on segment results can be found in the Segment Information section.

Interest Expense

Interest expense was $19.4 million in 2017 and $18.3 million in 2016. The increase in expense was primarily due to the increase in average debt outstanding.

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Income Taxes

The effective income tax rate was 39.6% in 2017 and 26.5% in 2016. The effective tax rates in both 2017 and 2016 were impacted by restructuring and other activities, changes in estimates associated with the finalization of prior year foreign and domestic tax items, audit settlements, adjustments to valuation allowances, and mix of foreign earnings. The effective tax rate in 2017 was also impacted by the limited tax deductibility of losses and the result of the cumulative foreign currency effect related to certain repatriation transactions.

On December 22, 2017, the U.S. enacted the 2017 Tax Legislation. The Act significantly changed U.S. corporate income tax laws by reducing the U.S. corporate income tax rate to 21% beginning in 2018 and creating a territorial tax system with a one-time mandatory tax on previously deferred foreign earnings of U.S. subsidiaries. As a result, the Company recorded a net charge of $18.4 million during the fourth quarter of 2017. This amount consisted of reassessing the U.S. deferred tax assets and liabilities based on the lower corporate income tax rate, adjustments to the Company's foreign tax credit carryover, and the one-time mandatory tax on previously deferred foreign earnings of U.S. subsidiaries.

Although the Company believed that $18.4 million was a reasonable estimate of the 2017 Tax Legislation, it was considered a provisional estimate. The Company received additional guidance on the 2017 Tax Legislation in 2018, and adjusted this provisional estimate during the third and fourth quarters of 2018 (See Note 10, Income Taxes).

	2017	2016
Rate before restructuring and discrete items	24.5 %	27.7 %
2017 Tax Legislation	12.4 %	-
Restructuring impact	3.9 %	1.0 %
Discrete items	(1.2 %)	(2.2 %)
Reported effective tax rate	39.6 %	26.5 %

Restructuring

Between March 2014 and 2017, the Company executed a restructuring plan to eliminate underperforming operations, consolidate manufacturing facilities, and improve efficiencies within the Company. In accordance with GAAP, the Company recorded total restructuring costs of $36.5 million and $11.1 million for the years ended December 31, 2017 and 2016, respectively.

Divestiture

In 2016, the Company's Board of Directors authorized management to explore strategic alternatives for a facility and certain related business lines within the Flavors & Fragrances segment in Strasbourg, France. In 2016, the Company recorded a non-cash impairment charge of $10.8 million, in selling and administrative expense, and incurred $0.7 million of outside professional fees and other related costs in 2016, as a result of the then anticipated divestiture.

In January 2017, the Company completed this divestiture for approximately $12.5 million. The Company recognized an additional non-cash loss of $11.6 million in 2017.

NON-GAAP FINANCIAL MEASURES

Within the following tables, the Company reports certain non-GAAP financial measures, including: (1) adjusted operating income, adjusted net earnings, and adjusted diluted EPS from continuing operations (which exclude restructuring and other costs as well as the impact of the 2017 Tax Legislation) and (2) percentage changes in revenue, operating income, diluted EPS, adjusted operating income, and adjusted diluted EPS on a local currency basis (which eliminate the effects that result from translating its international operations into U.S. dollars). The other costs in 2017 and 2016 are divestiture related costs, discussed under "Divestiture" above.

The Company has included each of these non-GAAP measures in order to provide additional information regarding our underlying operating results and comparable year-over-year performance. Such information is supplemental to information presented in accordance with GAAP and is not intended to represent a presentation in accordance with GAAP. These non-GAAP measures should not be considered in isolation. Rather, they should be considered together with GAAP measures and the rest of the information included in this report. Management internally reviews each of these non-GAAP measures to evaluate performance on a comparative period-to-period basis and to gain additional insight into underlying operating and performance trends. The Company believes that this information can be beneficial to investors for the same purposes. These non-GAAP measures may not be comparable to similarly titled measures used by other companies.

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(In thousands except per share amounts)	Twelve Months Ended December 31, 2017	2016	% Change
Operating Income from continuing operations (GAAP)	$ 167,806	$ 185,609	(9.6 %)
Restructuring - Cost of products sold	2,889	2,065	
Restructuring - Selling and administrative	33,627	12,486	
Other – Selling and administrative[1]	11,555	11,535	
Adjusted operating income	$ 215,877	$ 211,695	2.0 %
Net Earnings from continuing operations (GAAP)	$ 89,600	$ 122,913	(27.1 %)
Restructuring & other, before tax	48,071	26,086	
Tax impact of restructuring & other	(5,602)	(4,999)	
Impact of the 2017 Tax Legislature	18,446	-	
Adjusted net earnings	$ 150,515	$ 144,000	4.5 %
Diluted EPS from continuing operations (GAAP)	$ 2.03	$ 2.74	(25.9 %)
Restructuring & other, net of tax	0.96	0.47	
2017 Tax Legislation	0.42	-	
Adjusted diluted EPS	$ 3.42	$ 3.21	6.5 %

(1) The other costs in 2017 and 2016 are for the divestiture related costs discussed under "Divestiture" above.

Note: Earnings per share calculations may not foot due to rounding differences.

The following table summarizes the percentage change in the 2017 results compared to the 2016 results in the respective financial measures.

	Twelve Months Ended December 31, 2017 Total	Foreign Exchange Rates	Local Currency
Revenue			
Flavors & Fragrances	(6.1 %)	0.0 %	(6.1 %)
Color	4.4 %	0.9 %	3.5 %
Asia Pacific	1.6 %	0.8 %	0.9 %
Total Revenue	(1.5 %)	0.5 %	(2.0 %)
Operating Income From Continuing Operations			
Flavors & Fragrances	(7.8 %)	(0.4 %)	(7.4 %)
Color	7.2 %	0.6 %	6.5 %
Asia Pacific	(12.0 %)	1.1 %	(13.1 %)
Corporate & Other	18.9 %	0.1 %	18.7 %
Operating Income from continuing operations	(9.6 %)	0.2 %	(9.8 %)
Diluted EPS from continuing operations	(25.9 %)	0.0 %	(25.9 %)
Adjusted operating income [1]	2.0 %	0.2 %	1.8 %
Adjusted diluted EPS [1]	6.5 %	0.3 %	6.2 %

(1) Refer to table above for a reconciliation of these non-GAAP measures.

SEGMENT INFORMATION

The Company determines its operating segments based on information utilized by its chief operating decision maker to allocate resources and assess performance. Segment performance is evaluated on operating income before restructuring and other costs (which are reported in Corporate & Other), interest expense, and income taxes.

The Company's reportable segments consist of the Flavors & Fragrances, Color, and Asia Pacific segments.

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Beginning in the first quarter of 2017, the results of operations for certain of the Company's cosmetic and fragrance businesses in the Asia Pacific segment are now reported in the Color segment and Flavors & Fragrances segment, respectively. In addition, the Color segment reassigned customer accounts and revised cost allocations amongst the businesses within their segment resulting in changes in the underlying components of segment revenue and segment operating income. The results for 2016 have been restated to reflect these changes.

The Company's discussion below regarding its operating segments has been updated to reflect the Company's disaggregation of revenue, which was adopted in the first quarter of 2018, as summarized in Part IV, Item I, Note 11, Segment and Geographic Information, of this report.

Flavors & Fragrances

Segment revenue for the Flavors & Fragrances segment was $746.9 million in 2017 and $795.8 million in 2016, a decrease of approximately 6%. Foreign exchange did not have a material impact on revenue. The decrease in revenue was primarily due to lower revenue in Flavors and Natural Ingredients. The lower segment revenue in Flavors was primarily due to the divestiture and lower volumes, partially offset by higher selling prices. The lower segment revenue in Natural Ingredients was primarily due to lower volumes and the divestiture, partially offset by higher selling prices.

Segment operating income for the Flavors & Fragrances segment was $114.3 million in 2017, and $124.1 million in 2016. The lower segment operating income was primarily a result of lower segment operating income in Flavor and Fragrances. The lower operating income in Flavor was primarily due to unfavorable volume and product mix, and higher manufacturing and other costs, partially offset by higher selling prices. The lower operating income in Fragrances was primarily due to higher manufacturing and other costs. Segment operating margin was 15.3% in 2017 and 15.6% in 2016.

Color

Segment revenue for the Color segment was $526.4 million in 2017, and $504.1 million in 2016, an increase of approximately 4%. The increase in revenue was primarily due to higher revenue in non-food colors. The higher revenue in non-food colors was primarily due to higher volumes, primarily in cosmetic colors, and higher selling prices.

Segment operating income for the Color segment was $113.4 million in 2017, and $105.8 million in 2016, an increase of approximately 7%. The higher segment operating income was due to higher segment operating income in non-food colors, partially offset by lower segment operating income in food and beverage colors. The higher operating income for non-food colors was primarily due to favorable volume and product mix. The lower profit for food and beverage colors was primarily due to unfavorable volume and product mix and higher manufacturing and other costs, partially offset by higher selling prices. Segment operating margin was 21.5% in 2017 and 21.0% in 2016.

Asia Pacific

Segment revenue for the Asia Pacific segment was $123.2 million in 2017, and $121.2 million in 2016, an increase of approximately 2%. The higher segment revenue was due to higher selling prices, partially offset by lower volumes.

Segment operating income for the Asia Pacific segment was $20.8 million in 2017, and $23.6 million in 2016, a decrease of 12%. The lower segment operating income was a result of higher manufacturing and other costs and unfavorable volume and product mix, partially offset by higher selling prices. Segment operating margin was 16.9% in 2017 and 19.5% in 2016.

Corporate & Other

The Corporate & Other expenses were $80.7 million in 2017 and $67.9 million in 2016, an increase of approximately 19%, primarily due to higher restructuring and other costs partially offset by lower performance based executive

compensation and professional services. The Company evaluates segment performance before restructuring and other costs, and reports all of the restructuring and other costs in Corporate & Other. Restructuring and other costs were $48.1 million and $26.1 million in 2017 and 2016, respectively.

LIQUIDITY AND FINANCIAL POSITION

Financial Condition

The Company's financial position remains strong. The Company is in compliance with its loan covenants calculated in accordance with applicable agreements as of December 31, 2018. In the fourth quarter of 2018, the Company amended its accounts receivable securitization program, and increased the commitment size from $60 million to $70 million. See Note 8, Accounts Receivable Securitization, for additional information.

The Company expects its cash flow from operations and its existing debt capacity can be used to meet anticipated future cash requirements for operations, capital expenditures, dividend payments, acquisitions, and stock repurchases. The impact of inflation on both the Company's financial position and its results of operations has been minimal and is not expected to significantly affect 2019 results.

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Cash Flows from Operating Activities

Net cash provided by operating activities was $83.5 million in 2018; $36.3 million in 2017; and $183.6 million in 2016. Operating cash flow provided the primary source of funds for operating needs, capital expenditures, shareholder dividends, acquisitions, and share repurchases. The increase in net cash provided by operating activities in 2018 is primarily due to the adoption of ASU 2016-15 Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments, which required certain cash receipts related to the Company’s accounts receivable securitization (i.e. the deferred purchase price) to be classified as investing activities. As a result, the Company included $91.1 million, $141.5 million, and $35.4 million of cash received as deferred purchase price as investing activities, which were previously recorded as operating activities, in 2018, 2017, and 2016, respectively. The decrease in net cash provided by operating activities in 2017 is primarily due to the impact of the adoption of ASU 2016-15, higher working capital balances, and the timing of tax payments.

Cash Flows from Investing Activities

Net cash provided by (used in) investing activities was $14.8 million in 2018; $110.4 million in 2017; and $(36.4) million in 2016. Capital expenditures were $50.7 million in 2018; $56.3 million in 2017; and $81.2 million in 2016. As required under ASU 2016-15, the Company included $91.1 million, $141.5 million and $35.4 million of cash received as deferred purchase price under its accounts receivable securitization as cash provided by investing activities in 2018, 2017, and 2016, respectively. In 2018, the Company purchased Mazza Innovation Limited, for approximately $19.8 million, GlobeNatural for approximately $10.8 million, and the assets of one other business for an immaterial amount. In 2017, the Company sold a facility and certain related business lines in Strasbourg, France, for approximately $12.5 million, its European Natural Ingredients business for a nominal amount, and two other production facilities for $10.1 million.

Cash Flows from Financing Activities

Net cash used in financing activities was $98.7 million in 2018; $153.4 million in 2017; and $128.0 million in 2016. The Company had a net increase in debt of $38.2 million in 2018; a net decrease in debt of $8.8 million in 2017; and a net decrease in debt of $24.5 million in 2016. Sensient purchased $76.7 million, $87.2 million, and $50.1 million of Company stock, which settled in 2018, 2017, and 2016, respectively.

The Company has paid uninterrupted quarterly cash dividends since commencing public trading in its stock in 1962. In the fourth quarter of 2018, the Company increased its quarterly dividend from 33 cents per share to 36 cents per share. Dividends paid per share were $1.35 in 2018, $1.23 cents in 2017, and $1.11 cents in 2016. Total dividends paid were $57.4 million, $54.0 million, and $49.6 million in 2018, 2017, and 2016, respectively.

ISSUER PURCHASES OF EQUITY SECURITIES

Sensient purchased 1.1 million shares of Company stock in 2018 for a total cost of $76.7 million; 1.1 million shares of Company stock in 2017 for a total cost of $87.2 million; and 0.7 million shares of Company stock in 2016 for a total cost of $47.5 million. In 2014, the Board approved a share repurchase program under which the Company was authorized to repurchase five million shares of Company stock. In October 2017, the Board of Directors authorized the repurchase of up to three million additional shares. As of December 31, 2018, 2.2 million shares were available to be repurchased under existing authorizations. The Company’s share repurchase program has no expiration date. These authorizations may be modified, suspended, or discontinued by the Board of Directors at any time.

CRITICAL ACCOUNTING POLICIES

In preparing the financial statements in accordance with accounting principles generally accepted in the U.S., management is required to make estimates and assumptions that have an impact on the asset, liability, revenue, and expense amounts reported. These estimates can also affect supplemental information disclosures of the Company, including information about contingencies, risk, and financial condition. The Company believes, given current facts and circumstances, that its estimates and assumptions are reasonable, adhere to accounting principles generally accepted in the U.S., and are consistently applied. Inherent in the nature of an estimate or assumption is the fact that

actual results may differ from estimates and estimates may vary as new facts and circumstances arise. The Company makes routine estimates and judgments in determining the net realizable value of accounts receivable, inventories, and property, plant, and equipment. Management believes the Company's most critical accounting estimates and assumptions are in the following areas:

Revenue Recognition

The Company recognizes revenue as the transfer of control of its products to the Company's customers in an amount reflecting the consideration to which the Company expects to be entitled. Revenue is recognized when control of the product is transferred to the customer, the customer is obligated to pay the Company and the Company has no remaining obligations, which is typically at shipment. See Note 1, Summary of Significant Accounting Policies, in the Notes to Consolidated Financial Statements included in this report for additional details.

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Goodwill Valuation

The Company reviews the carrying value of goodwill annually utilizing several valuation methodologies, including a discounted cash flow model. The Company completed its annual goodwill impairment test under Accounting Standards Codification (ASC) 350, Intangibles – Goodwill and Other, in the third quarter of 2018. In conducting its annual test for impairment, the Company performed a qualitative assessment of its previously calculated fair values for each of its reporting units, as the Company believes it is not more likely than not that goodwill is impaired. Fair value is estimated using both a discounted cash flow analysis and an analysis of comparable company market values. If the fair value of a reporting unit exceeds its net book value, no impairment exists. The Company's three reporting units each had goodwill recorded and were tested for impairment. All three reporting units had fair values that were over 100% above their respective net book values. Changes in estimates of future cash flows caused by items such as unforeseen events or changes in market conditions could negatively affect the reporting units' fair value and result in an impairment charge.

Income Taxes

The Company estimates its income tax expense in each of the taxing jurisdictions in which it operates. The Company is subject to a tax audit in each of these jurisdictions, which could result in changes to the estimated tax expense. The amount of these changes would vary by jurisdiction and would be recorded when probable and estimable. These changes could impact the Company's financial statements. Management has recorded valuation allowances to reduce the Company's deferred tax assets to the amount that is more likely than not to be realized. Examples of deferred tax assets include deductions, net operating losses, and tax credits that the Company believes will reduce its future tax payments. In assessing the future realization of these assets, management has considered future taxable income and ongoing tax planning strategies. An adjustment to the recorded valuation allowance as a result of changes in facts or circumstances could result in a significant change in the Company's tax expense. The Company does not provide for deferred taxes on unremitted earnings of foreign subsidiaries, which are considered to be invested indefinitely.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out (FIFO) method with the exception of certain locations of the Flavors & Fragrances segment where cost is determined using a weighted average method. Net realizable value is determined on the basis of estimated realizable values. Cost includes direct materials, direct labor, and manufacturing overhead.

The Company estimates any required write-downs for inventory obsolescence by examining inventories on a quarterly basis to determine if there are any damaged items or slow moving products in which the carrying values could exceed net realizable value. Inventory write-downs are recorded as the difference between the cost of inventory and its estimated market value. While significant judgment is involved in determining the net realizable value of inventory, the Company believes that inventory is appropriately stated at the lower of cost or net realizable value.

Commitments and Contingencies

The Company is subject to litigation and other legal proceedings arising in the ordinary course of its businesses or arising under applicable laws and regulations. Estimating liabilities and costs associated with these matters requires the judgment of management, who rely in part on information from Company legal counsel. When it is probable that the Company has incurred a liability associated with claims or pending or threatened litigation matters and the Company's exposure is reasonably estimable, the Company records a charge against earnings. The Company recognizes related insurance reimbursement when receipt is deemed probable. The Company's estimate of liabilities and related insurance recoveries may change as further facts and circumstances become known.

CONTRACTUAL OBLIGATIONS

The Company is subject to certain contractual obligations, including long-term debt, operating leases, manufacturing purchases, and pension benefit obligations. The Company had unrecognized tax benefits of $4.8 million as of December 31, 2018. However, the Company cannot make a reasonably reliable estimate of the period of potential cash

settlement of the liabilities and, therefore, has not included unrecognized tax benefits in the following table of significant contractual obligations as of December 31, 2018.

PAYMENTS DUE BY PERIOD					
(in thousands)	Total	1 year	2-3 years	4-5 years	> 5 years
Long-term debt	$689,553	$10,963	$27,393	$464,008	$187,189
Interest payments on long-term debt	85,401	19,069	36,642	21,736	7,954
Operating lease obligations	30,535	9,749	10,604	5,921	4,261
Manufacturing purchase commitments	107,962	72,375	35,587	-	-
Pension funding obligations	23,732	1,532	3,099	5,534	13,567
Total contractual obligations	$937,183	$113,688	$113,325	$497,199	$212,971

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NEW PRONOUNCEMENTS

Recently Adopted Accounting Pronouncements

In February 2018, the Financial Accounting Standards Board (FASB) issued ASU 2018-02, Reclassifications of Certain Tax Effects from Accumulated Other Comprehensive Income. This ASU allows entities the option to reclassify to retained earnings tax effects related to the change in federal tax rate for all items accounted for in Accumulated Other Comprehensive Income (AOCI). The Company adopted this standard in the fourth quarter of 2018, and as a result, has elected to reclassify $1.4 million from AOCI to Earnings Reinvested in the Business on the Consolidated Statements of Shareholders' Equity as of January 1, 2018.

In March 2017, the FASB issued ASU 2017-07, Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. This ASU requires employers to present the service cost component of the net periodic benefit cost in the same income statement line item as the other employee compensation costs arising from services rendered during the period. The other components of net periodic benefit cost are to be presented outside of any subtotal of operating income. This ASU is effective for fiscal years and interim periods beginning after December 15, 2017. The Company adopted this standard in the first quarter of 2018, and as a result, the Company's non-service cost portion of its pension expense is now recorded in Interest Expense on the Company's Consolidated Statement of Earnings. The Company's service cost portion of pension expense is recorded in Selling and Administrative Expenses on the Company's Consolidated Statements of Earnings. This change did not have a material impact on the Company's consolidated financial statements.

In December 2016, the FASB issued ASU 2016-16, Accounting for Income Taxes: Intra-Entity Asset Transfers of Assets Other than Inventory. Prior to the adoption of ASU 2016-16, the tax effects of intra-entity asset transfers were deferred until the transferred asset was sold to a third party or otherwise recovered through use. ASU 2016-16 eliminates the exception for all intra-entity sales of assets other than inventory. The guidance is effective for fiscal years beginning after December 15, 2017, including interim periods within those years. The Company adopted this standard in the first quarter of 2018 resulting in a cumulative effect of $0.4 million increase to Earnings reinvested in the business; an increase of $3.0 million to Deferred Tax Assets; a decrease of $3.7 million to Prepaid Expenses and Other Current Assets; and a decrease of $1.1 million to Deferred Tax Liabilities on the Company's Consolidated Balance Sheet.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments. This ASU clarifies how certain cash receipts and cash payments are presented and classified in the statement of cash flows. Among these changes is a requirement that a transferor's receipt of a beneficial interest in securitized trade receivables be disclosed as an investing transaction. There is also a requirement to classify cash receipts received that are related to beneficial interests in previously transferred receivables (i.e., deferred purchase price) as inflows from investing activities. The guidance is effective for fiscal years beginning after December 15, 2017, including interim periods within those years. The Company adopted this standard in the first quarter of 2018 and has included $91.1 million, $141.5 million, and $35.4 million as cash flows from investing activities for the years ended December 31, 2018, 2017, and 2016, respectively, related to collections on beneficial interests in previously transferred receivables.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers. Under this new standard, revenue is recognized when a customer obtains control of promised goods or services in an amount that reflects the consideration the entity expects to receive in exchange for those goods or services. The requirements of the new standard are effective for interim and annual periods beginning after December 15, 2017. The Company adopted this standard in the first quarter of 2018 using the modified retrospective method. The adoption of this new standard did not have an impact on the revenue recognized by the Company. The Company has updated its revenue recognition accounting policy, as outlined above, and has included a disclosure on its disaggregated revenue in Note 11, Segment

and Geographic Information.

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, Leases, which requires lessees to recognize the lease assets and liabilities that arise from leases on the balance sheet and to disclose qualitative and quantitative information about lease transactions. This guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. In 2017, the Company created a project team within its Corporate Finance Department to review the impact that this ASU will have on the Company. During 2018, the project team has gathered and reviewed existing leases and other relevant documents across all of the Company’s segments and installed a software solution to facilitate the implementation of this new standard. The Company believes it has a complete population of leasing agreements and has analyzed the agreements. The Company has also implemented additional internal controls over the evaluation of new leases and the implementation of this ASU around leases. The Company has updated its Audit Committee on the status of the implementation of this ASU. The Company’s current estimate of the impact of this ASU on the Company’s Consolidated Financial Statements is the recognition of lease assets and liabilities in the range of $19 million to $22 million based on current interest rates and population of leases. The Company will continue to evaluate this range and the impact on the Company’s Consolidated Financial Statements. The Company expects to finalize its implementation calculations in the first quarter of 2019.

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In August 2017, the FASB issued ASU 2017-12, Targeted Improvements to Accounting for Hedging Activities, which expands an entity's ability to hedge non-financial and financial risk components and reduce complexity in fair value hedges of interest rate risk. This guidance eliminates the requirement to separately measure and report hedge ineffectiveness and generally requires the entire change in the fair value of a hedging instrument to be presented in the same income statement line item as the hedged item. This ASU is effective for fiscal years and interim periods beginning after December 15, 2018. The Company is currently evaluating the expected impact of this standard.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses of Financial Instruments, which replaces the current incurred loss impairment model with a methodology that reflects expected credit losses. Under the new methodology, entities will be required to measure expected credit losses on financial instruments held at amortized cost, including trade receivables, based on historical experience, current conditions, and reasonable forecasts. Adoption of this guidance is required for interim and annual periods beginning after December 15, 2019, with early adoption permitted for interim and annual periods beginning after December 15, 2018. The Company is currently evaluating the expected impact of this standard.

In January 2017, the FASB issued ASU 2017-04, Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment, which eliminates step two of the goodwill impairment test and specifies that goodwill impairment should be measured by comparing the fair value of a reporting unit with its carrying amount. This standard will be applied prospectively and is effective for annual or interim goodwill impairment tests performed in fiscal years beginning after December 15, 2019. Early adoption is permitted. The Company is currently evaluating the expected impact of this standard.

In August 2018, the FASB issued Accounting Standards Update 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement, which changes the requirements on fair value measurements by removing, modifying, or adding certain disclosures. Adoption of this guidance is required for interim and annual periods beginning after December 15, 2019 with early adoption permitted. The Company is currently evaluating the expected impact of this standard.

Other recently issued accounting pronouncements are not expected to have a material impact on the Company's consolidated financial statements.

OFF-BALANCE SHEET ARRANGEMENTS

The Company had no off-balance sheet arrangements as of December 31, 2018.

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

The Company is exposed to market risks, including changes in interest rates, currency exchange rates, and commodity prices. Where possible, the Company nets certain of these exposures to take advantage of natural offsets. For certain remaining exposures, the Company may enter into various derivative transactions pursuant to the Company's hedging policies. The financial impacts of these hedging instruments are offset by corresponding changes in the underlying exposures being hedged.

The Company does not hold or issue derivative financial instruments for trading purposes. Note 1 and Note 5 to the Consolidated Financial Statements include discussions of the Company's accounting policies for financial instruments.

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 include the markets in Western Europe, Latin America, Canada, and Asia. The primary purpose of the Company's foreign currency hedging activities is to protect against the volatility associated with foreign currency sales, purchases of materials, and other assets and liabilities

created during the normal course of business. The Company generally utilizes foreign exchange contracts with durations of less than 18 months that may or may not be designated as cash flow hedges under ASC 815, Derivatives and Hedging. The net fair value of these instruments, based on dealer quotes, was an asset of $0.1 million and a liability of $0.6 million as of December 31, 2018 and 2017, respectively. At December 31, 2018, the potential gain or loss in the fair value of the Company's outstanding foreign exchange contracts, assuming a hypothetical 10% fluctuation in the currencies of such contracts, would be approximately $2.1 million. However, any change in the value of the contracts, real or hypothetical, would be significantly offset by a corresponding 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.

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The Company has certain debt denominated in Euros, Swiss Francs, and British Pounds. These non-derivative debt instruments act as partial hedges of the Company's Euro, Swiss Franc, and British Pound net asset positions. The potential increase or decrease in the annual U.S. dollar interest expense of the Company's outstanding foreign currency-denominated debt, assuming a hypothetical 10% fluctuation in the currencies of such debt, would be approximately $0.7 million at December 31, 2018. However, any change in interest expense from fluctuations in currency, real or hypothetical, would be significantly offset by a corresponding 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. The Company's primary exposure is to interest rates in the U.S. and Western Europe. At December 31, 2018, the potential increase or decrease in annual interest expense, assuming a hypothetical 10% fluctuation in interest rates of floating rate debt, would be approximately $0.8 million.

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

Item 8. Financial Statements and Supplementary Data.

The financial statements required by this item are set forth below and the supplementary data required by this item are set forth in Item 5 above.

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

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures. 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 Senior Vice President and Chief Financial Officer, of the effectiveness, as of December 31, 2018, 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 Senior Vice President and Chief Financial Officer have concluded that the disclosure controls and procedures were effective as of December 31, 2018.

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. 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. 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, 2018. 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 (2013 Framework). As allowed by Securities and Exchange Commission guidance, management excluded from its assessment GlobeNatural and Mazza Innovation Limited, which were acquired in 2018 and constituted 2.3% and 3.4% of total assets and net assets, respectively, as of December 31, 2018, and 0.3% of revenues for the year then ended. Based on that assessment, management has concluded that the Company's internal control over financial reporting was effective as of December 31, 2018.

The Company's internal control over financial reporting as of December 31, 2018, has been audited by Ernst & Young LLP, an independent registered public accounting firm. Their opinion on the Company's internal control over financial reporting is included in this report.

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 have been no changes in the Company's internal control over financial reporting during the quarter ended December 31, 2018, that have materially affected, or are reasonable likely to materially affect, the Company's internal control over financial reporting.

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Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers of the Registrant, and Corporate Governance.

Information required by this item regarding directors and officers, corporate governance, and other matters 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 to be filed with the Commission within 120 days after December 31, 2018 ("2019 Proxy Statement"), is incorporated by reference. Additional information required by this item regarding executive officers appears at the end of Part I above, and information required by this item regarding codes of conduct appear at the beginning of Part I above.

Item 11. Executive Compensation.

Information required by this item relating to compensation of directors and officers is incorporated by reference from the "Election of Directors," "Executive Compensation," and "Equity Compensation Plan Information" portions of the 2019 Proxy Statement. Information required by this item relating to the Compensation and Development Committee of the Company's Board of Directors is incorporated by reference from the headings "Compensation and Development Committee Report" and "Election of Directors" in the 2019 Proxy Statement.

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

The information required by this item regarding security ownership of certain beneficial owners and management and related stockholder matters appearing under "Principal Shareholders" in the 2019 Proxy Statement is incorporated by reference. The information required by this item appearing under "Equity Compensation Plan Information" in the 2019 Proxy Statement is incorporated by reference.

Item 13. Certain Relationships and Related Transactions and Director Independence.

The information required by this item regarding certain relationships and related party transactions and director independence appearing at the end of "Election of Directors" and under "Transactions With Related Persons" in the 2019 Proxy Statement is incorporated by reference.

Item 14. Principal Accountant Fees and Services.

The disclosure regarding principal accountant fees and services appearing under "Audit Committee Report" in the 2019 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 Schedule. See below for "List of Financial Statements and Financial Statement Schedule."

3: See Exhibit Index following this report.

List of Financial Statements and Financial Statement Schedule

1. Financial Statements

The following consolidated financial statements of Sensient Technologies Corporation and subsidiaries are included in this annual report on Form 10-K:

Report of Independent Registered Public Accounting Firm	57
Consolidated Balance Sheets – December 31, 2018 and 2017	33
Consolidated Statements of Earnings – Years ended December 31, 2018, 2017 and 2016	31
Consolidated Statements of Comprehensive Income – Years ended December 31, 2018, 2017 and 2016	32
Consolidated Statements of Shareholders' Equity – Years ended December 31, 2018, 2017 and 2016	35
Consolidated Statements of Cash Flows – Years ended December 31, 2018, 2017 and 2016	34
Notes to Consolidated Financial Statements	36-56

2. Financial Statement Schedule

Schedule II – Valuation and Qualifying Accounts 59

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.

Item 16. Form 10-K Summary.

None.

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CONSOLIDATED STATEMENTS OF EARNINGS

	Years Ended December 31,		
(in thousands except per share amounts)	2018	2017	2016
Revenue	$1,386,815	$1,362,265	$1,383,210
Cost of products sold	920,686	886,775	907,783
Selling and administrative expenses	262,751	307,684	289,818
Operating income	203,378	167,806	185,609
Interest expense	21,853	19,383	18,324
Earnings before income taxes	181,525	148,423	167,285
Income taxes	24,165	58,823	44,372
Earnings from continuing operations	157,360	89,600	122,913
Gain from discontinued operations, net of tax	-	-	3,343
Net earnings	$157,360	$89,600	$126,256
Earnings per common share:			
Basic:			
Continuing operations	$3.71	$2.05	$2.76
Discontinued operations	-	-	0.08
Earnings per common share	$3.71	$2.05	$2.84
Diluted:			
Continuing operations	$3.70	$2.03	$2.74
Discontinued operations	-	-	0.07
Earnings per common share	$3.70	$2.03	$2.82
Weighted average number of common shares outstanding:			
Basic	42,404	43,780	44,523
Diluted	42,499	44,031	44,843

See notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)	Years Ended December 31,		
	2018	2017	2016
Net earnings	$157,360	$89,600	$126,256
Cash flow hedges adjustment, net of tax of $32, $10 and $89, respectively	816	(584)	(249)
Pension adjustment, net of tax of $347, $778 and $785, respectively	1,027	2,228	1,856
Foreign currency translation on net investment hedges	13,661	(28,871)	6,989
Tax effect of current year activity on net investment hedges	(3,393)	10,812	(2,733)
Foreign currency translation on long-term intercompany loans	3,276	7,013	(494)
Tax effect of current year activity on intercompany long-term loans	(2,498)	-	-
Reclassification of cumulative translation to net earnings	-	6,782	(3,257)
Other foreign currency translation	(27,721)	66,751	(45,515)
Total comprehensive income	$142,528	$153,731	$82,853

See notes to consolidated financial statements.

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CONSOLIDATED BALANCE SHEETS

(in thousands except share and per share amounts)	December 31, 2018	2017
Assets		
Current Assets:		
Cash and cash equivalents	$31,901	$29,344
Trade accounts receivable, less allowance for losses of $5,976 and $6,000, respectively	255,350	195,439
Inventories	490,757	463,517
Prepaid expenses and other current assets	44,857	43,206
Assets held for sale	-	1,969
Total current assets	822,865	733,475
Other assets	66,788	68,251
Deferred tax assets	9,189	7,885
Intangible assets – at cost, less accumulated amortization of $20,325 and $17,432, respectively	18,867	7,211
Goodwill	416,175	408,995
Property, Plant and Equipment:		
Land	36,787	35,198
Buildings	318,463	317,464
Machinery and equipment	688,003	687,896
Construction in progress	34,772	40,833
	1,078,025	1,081,391
Less accumulated depreciation	(586,969)	(582,868)