

Givaudan[®]

Leading Sensory Innovation



Annual Report 2005

Key Figures

<i>in millions of Swiss francs, except for share data</i>	2005	2004
Sales	2,778	2,680
Gross profit	1,359	1,278
as % of sales	48.9%	47.7%
EBITDA ^a	640	584
as % of sales	23.0%	21.8%
Operating profit at comparable basis ^b	534	501
as % of sales	19.2%	18.7%
Operating profit	513	480
as % of sales	18.5%	17.9%
Result attributable to equity holders of the parent	406	337
as % of sales	14.6%	12.6%
Earnings per share – basic (CHF)	56.57	44.64
Earnings per share – diluted (CHF)	56.17	44.31
Number of employees	5,924	5,901

a) EBITDA: **E**arnings **B**efore **I**nterest (and other financial income), **T**ax, **D**epreciation and **A**mortisation. This corresponds to operating profit before depreciation, amortisation and impairment of long-lived assets.

b) Operating profit at comparable basis compares the 2004 operating profit before restructuring costs with the 2005 operating profit excluding asset impairments.

Sales by Division

Sales Flavours 59%

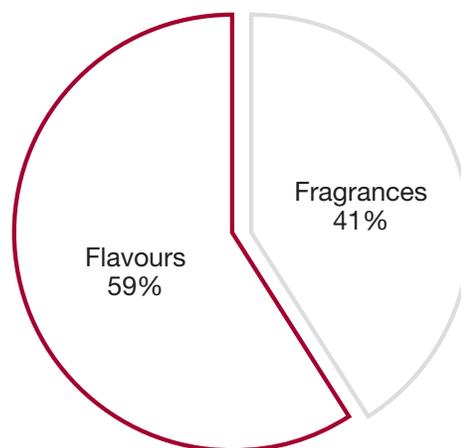
CHF 1,647 million
 +2.5% in Swiss francs
 +1.3% in local currencies

Sales Fragrances 41%

CHF 1,131 million
 +5.4% in Swiss francs
 +4.2% in local currencies

Total Sales

CHF 2,778 million
 +3.6% in Swiss francs
 +2.5% in local currencies



Latin America



The countries of Latin America have always been a rich source of astonishing tastes and smells, offering the Old World a plethora of completely new and, hitherto, unknown culinary and olfactive experiences. The Spanish conquerors were welcomed by the Aztec Emperor Montezuma with a royal drink "Chocolatl" and were probably the very first Europeans to drink this beverage made of chocolate flavoured with vanilla. Soon delicacies such as corn, potatoes, tomatoes, sunflower oil, cacao, coffee and vanilla enriched the tables of Europe.

At the heart of this rich heritage of tastes and smells is the abundance of nature itself. South America is home to the largest contiguous rainforest in the world. The Amazon rainforest is characterised by its highly diverse biotopes and represents nearly 40 percent of all tropical rainforests left on earth, as well as being home to roughly one quarter of all plant species. The richness of this continent in terms of smell and taste is an abundant source of inspiration and opportunities for Givaudan.

Givaudan is a leader in sensory innovation, but innovation is not just about inventing new products: of the 9,000 olfactorily known plant species, only some 400 are used in perfumery. Thus, there is still tremendous scope for us to be creative. Innovation is also about using our knowledge and expertise, our ability to fuse creativity with science, to take inspiration from nature and to benefit from being a global yet diverse company. This is our unique heritage and this is how we can provide a unique point of differentiation for our customers.

The company continuously embarks on expeditions to uncover novel and exciting ingredients, through investigating the local eating habits to unlocking the secrets of ritual baths, which have subsequently been used by our experts to create new and winning concepts for our customers.

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Letter from the Chairman and the CEO



Dear Shareholder,

In 2005, Givaudan continued to build on its leadership position in the Fragrance and Flavour industry by delivering above market sales growth. Total Group sales reached CHF 2,778 million, reflecting an increase of 2.5% in local currencies and 3.6% in Swiss francs. The reported sales growth was impacted by our ongoing initiative to eliminate lower value-added ingredients both in Fragrances and Flavours. Excluding this streamlining effect, our sales would have grown by 3.5% in local currencies, in line with Givaudan's objective to grow faster than the market.

The Fragrance division recorded sales of CHF 1,131 million, a growth of 4.2% in local currencies and 5.4% in Swiss francs. This result was driven by consumer products, which recorded strong gains for the fifth consecutive year. Fine fragrances

maintained their sales compared to the previous year in a very challenging market environment. In fragrance ingredients, specialties showed an excellent performance.

Flavour sales of CHF 1,647 million grew 1.3% in local currencies and 2.5% in Swiss francs. Sales in the emerging markets of Asia Pacific, Latin America and Eastern Europe showed strong growth, while those in the mature markets of North America and Western Europe remained flat. Flavour division sales, in addition to the streamlining effect were also impacted by lower prices for natural vanilla.

In a challenging market environment, the gross profit margin improved further from 47.7% to 48.9% in 2005. Despite a CHF 21 million asset impairment charge linked to site closures, operating profit increased by 7% to CHF 513 million, an EBIT margin of 18.5%. This healthy performance was

achieved by prudent cost management, the positive impact of the European site consolidation in Flavours and the successful completion of the margin improvement initiatives launched two years ago. Net profit increased by 21% to CHF 406 million. This substantial improvement is the consequence of both the good operating performance and the very positive non-operating result, the latter was mainly driven by gains on marketable securities and exceptionally low taxes. Earnings per share increased from CHF 44.64 to CHF 56.57 per share, thanks to the higher net profit and the lower average number of outstanding shares. The company has delivered a sound operating cash-flow before investments of CHF 502 million and maintained a strong balance sheet with an improved equity ratio of 54% of total assets.

At the Annual General Meeting of 27 April 2005, you approved the proposal of the Board of Directors to cancel 400,000 registered shares which had been repurchased as part of the second share buy-back programme. The remaining 200,000 shares under this programme were bought back by the end of April 2005, followed by the launch of the third share buy-back. This programme which is targeted at repurchasing a further 720,000 shares or 10% of the remaining outstanding share-capital of 7,200,000 shares will be extended up to 31 May 2007. The Board of Directors will recommend at the next Annual General Meeting of 7 April 2006, to further reduce the share capital by the number of shares re-purchased by that date. At the same time, shareholders will be asked to authorise the Board of Directors to increase the share capital until 7 April 2008 by up to CHF 10 million through the issuance of a maximum of 1,000,000 fully paid in shares, since the current authorisation expires on 16 April 2006. The approval of the shareholders will again give to the Board the necessary flexibility in the event of potential business expansion opportunities.

The year 2005 was a year of management transition. At the Annual General Meeting we bade farewell to Dr Henri B. Meier, who retired as Chairman of the Board. He handed over his responsibilities to Dr Jürg Witmer who, in turn, passed on the operational leadership of the company to the new CEO, Gilles Andrier. This represents together with the appointment of Matthias Währen, CFO since 1 January 2005, the successful transition of Givaudan's leadership, reflecting the company's commitment to long-term succession planning.

Dr Henri B. Meier was instrumental in setting the strategy for Givaudan's going public in the year 2000. During his term of office as Chairman of Givaudan from 2000 to 2005, he established, together with his CEO, the foundation for the company's leadership and creation of shareholder value. In the name of the Givaudan shareholders and employees, we would like to thank him for his significant contributions to the company. Dr Meier has been appointed Honorary Chairman of Givaudan and we are grateful at being able to count on his continued advice. With Dr Henri B. Meier's retirement, Peter Kappeler, Chairman of the Berner Kantonalbank, was elected for the remaining two years of Dr Meier's term of office. Mr Kappeler's financial expertise represents a valuable contribution to the Board and its Audit Committee.

During the past two years, Givaudan has increased the overall dividend substantially. The pay-out of an extraordinary dividend was justified on the grounds that the company liquidated part of its equity portfolio with the aim of distributing the resulting cash to the shareholders. Your Board has carefully reviewed the dividend policy and suggests not paying an extraordinary dividend this year. Instead, your Board proposes to increase the ordinary dividend by 80% to CHF 17.60 per share, which

represents an increase of 8.0% of the total dividend paid per share compared to the previous year. This substantial increase of the ordinary dividend is justified by the strong results of 2005, the continued high cash generation of your company and the strong liquid funds. If approved by the Annual General Meeting of 7 April 2006, this will be Givaudan's fifth consecutive dividend increase since its listing as a public company.

Givaudan possesses a sustainable business model. Value creation is "uppermost in the mind" of each and every Givaudan employee. As a prerequisite, this means that customer focus, adhering to high ethical standards in business conduct and taking a long-term view of their actions in order to sustain Givaudan's future success, remain an integral part of our corporate culture. Thanks to the dedication and passion of our employees, the professional team of managers and the confidence of you as a shareholder in the company, Givaudan has become the undisputed leader in this industry. We would like to extend to all our employees our personal thanks along with the gratitude of the Board of Directors and our shareholders.

Givaudan further expanded its state-of-the-art asset base. Amongst the key projects, the construction of the new flavours creation, application, technology and manufacturing site in Shanghai is well underway and scheduled to become operational in June 2006. In New York City, we expanded our Fine Fragrances capabilities. In Argenteuil, France, we expanded the facilities to give a new home to the perfumery school as well as the flavours team servicing the French market. In Vernier, we expanded our compounding facilities to respond to increased sales.

In line with our site consolidation programme in Flavours, the transfer of the production activities from the Netherlands to Switzerland and Germany was accomplished while maintaining a high level of service and without major disruption to the organisation. The site closures in New Milford (Connecticut) and Oconomowoc (Wisconsin) and the subsequent product streamlining, both announced on 10 January 2006, underline Givaudan's strategy of focusing on the creation of high value-adding fragrance and flavour compounds in order to sustain solid margins.

Innovation remains the key driver of success. New wins in all business segments could only be achieved thanks to the recognition of our customers of Givaudan's innovation capabilities. In 2005, Givaudan fragrances introduced another four new proprietary molecules, developed in the basic research centre in Dübendorf. In order to reinforce the company's research programme, a new fragrance research laboratory was opened in Shanghai. In the flavours division, Givaudan has introduced TasteSolutions™ for Health & Wellness, in line with the ever-growing consumer demand for more healthful products. Active, busy lifestyles have driven consumer desire for physical and mental wellness, while obesity has created major health concerns. The TasteSolutions™ programme enables food and beverage manufacturers to launch products that both contribute to healthier lifestyles and taste great, while offering the benefits of being nutritionally fortified or reduced in sugar, salt, or calories.

In September, the Board of Directors and the Executive Committee held their respective meetings in Shanghai in order to review the progress of our business in that key market.

The Board visited the expanded Fragrance compounding facilities and took a close look at the progress of the new construction of the Flavours site. The Board of Directors gained further confidence that the strategic directions and investments of Givaudan in this fast growing market will deliver the desired performance.

In October, Givaudan re-inaugurated its perfumery school in Argenteuil. This school offers tailor-made training for the development of future creative talents and is anchored in Givaudan's heritage. On 18 November 2005, over 30 analysts and investors were invited to the school to discover more than 60 years of combined expertise in teaching the art of perfume creation. Givaudan's flavour division presented their training programme for flavourists. They demonstrated how certain elements of the perfumery training could be mirrored in their own programme.

For the future, your company has set an ambitious objective "To be number One in every strategic business area to which Givaudan is committed". This demands that Givaudan provide a unique point of differentiation for all our customers. The Givaudan Brand is one element of this differentiation and has been repositioned around "Leading Sensory Innovation". Our vision and new brand message will be consistently communicated to our customers and stakeholders to support our ambitious objective.

We have set ourselves challenging targets for the coming year. Each division will launch new initiatives to further accelerate growth and increase our innovation capabilities. To sustain profitability, Givaudan will continue to leverage its purchasing

expertise in raw materials. An initiative across both divisions will identify opportunities to further reduce our spending levels in indirect material purchases and services. We will also continue to concentrate our future systems development around the ERP (Enterprise Resource Planning) platform and continue to strengthen our proprietary systems. By mastering these challenges, Givaudan will continue to create value for its shareholders.

It is our ambition to be the Essential Source for "Sensory Innovation" for our customers, driven by the passion of our employees. We are confident that in 2006 again, Givaudan is well positioned to deliver another good result, with above-average value for its shareholders and customers.

Dr Jürg Witmer
Chairman

Gilles Andrier
CEO

Fragrance Division



At Givaudan, our aim has not only been to provide our customers with the best tasting flavours and most delightful fragrances, but also to ensure that their products are successful. This is why we journey to the four corners of the earth, searching for new, innovative ingredients. From tropical rainforests to urban jungles, we study people's habits and lifestyles to better understand

their needs and the trends that make up consumer habits. Givaudan is known for its inspired, focused and diverse creativity. Seeking scents never before experienced has provided a unique palette that adds that "one of a kind" signature to fragrance creations.



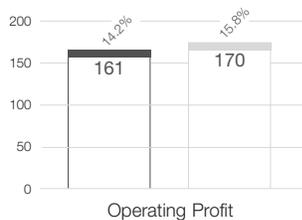
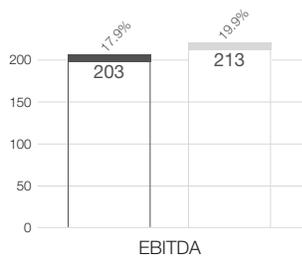
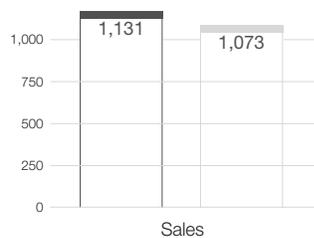
While conducting a ScentTrek® in the northern part of Brazil, Givaudan discovered a mysterious and intoxicating new plant that had never before been used in a commercial fragrance. This special plant has been preserved and nurtured by the Amazonian peoples for generations, being used locally to perfume baths and fabrics, all the while maintaining its legendary and mysterious fragrance. After studying the perfume traditions of the peoples

from the Amazon region, Givaudan finally uncovered pripricoa, a plant whose roots have a unique and extraordinary combination of spicy, woody, rooty and floral notes.

The pripricoa plant belongs to the same botanical family as sedge and papyrus.

Despite its ordinary grass-like appearance, it is below ground that the real treasure lies.

■ Year 2005 ■ Year 2004
in millions of Swiss francs and in per cent. of sales



EBITDA: **E**arnings **B**efore **I**nterest (and other financial income), **T**ax, **D**epreciation and **A**mortisation. This corresponds to operating profit before depreciation, amortisation and impairment of long-lived assets.

In 2005, the Fragrance Division recorded sales of CHF 1,131 million, resulting in a growth of 4.2% in local currencies and 5.4% expressed in Swiss francs. This performance was driven by the core business, fragrance compounds and speciality ingredients.

Fine Fragrance sales were slightly ahead of the previous year's strong figures and Consumer Products performance exceeded market growth for the fifth consecutive year. In line with the Fragrance ingredients strategy, commodities were further streamlined whilst specialties continued to grow at double-digit rates.

Due to higher operating cost, raw material prices and a provision for regulatory changes in USA, the division's operating profit decreased to CHF 161 million, resulting in an operating margin of 14.2% versus 15.8% in 2004.



When cut, the pripioca's rhizomes exude a fresh, completely distinctive perfume.

An Indian legend related throughout Amazonia tells of a mysterious Indian warrior from the Aruaca tribe, called Piripiri, whose body exhaled an enthralling and irresistible perfume, causing all the young women of his village to fall in love with him.

Hence, the Indian women used to chase him all over the forest but never caught him as when made a prisoner, he disappeared leaving nothing behind but a cloud of perfumed smoke.

The daughter of the village Chief was desperately in love with Piripiri. She asked her father what she could do to charm the handsome Indian;

To further develop its position in the fragrance market, Givaudan enlarged its fine fragrance creation studios in Paris and New York and redesigned its Perfumery School in Argenteuil (France). In Vernier (Switzerland), Givaudan upgraded its compounding facilities; besides installations for production efficiency, high-capacity mixing vessels were added for quicker and more efficient response to large orders.

Fine Fragrances

After two years of double-digit growth in a flat to declining market, sales increased slightly over previous year's strong results, despite a slow start. Thanks to investments put into the creation centres in Paris and New York, the continuous flow of new wins was able to compensate for the strong erosion of existing business in Europe and North America. This erosion resulted from slow consumer demand in Europe, a reduction of inventories in the North American distribution channels and a general trend towards shorter product life cycles. In the emerging fine fragrance markets of Latin America, Givaudan achieved high growth, mainly thanks to its regional customers.

New perfumes created by Givaudan in 2005 included:

Women's Fragrances

- *Obsession Night, Calvin Klein*
Coty / Lancaster
- *5th Avenue after Five*
Elizabeth Arden
- *Britney Spears Fantasy*
Elizabeth Arden
- *Voile d'Ambre*
Yves Rocher
- *Miami Glow, Jennifer Lopez*
Coty / Lancaster
- *Burberry Brit Gold*
Interparfums
- *Angelique Noire, Guerlain*
LVMH
- *Puma Women*
Procter & Gamble



he replied that the elusive warrior could not resist a woman's hair. One night when the moon was full, she tied Piripiri's feet with several strands of her own hair and lay down to sleep beside him. When she awoke next morning, the warrior had disappeared forever, but the young woman noticed that on the floor where Piripiri had slept, there now grew a plant that exhaled his perfume.

The chieftain's daughter told everybody that Piripiri had turned into the constellation Arapari. Since that day, the plant has been called Piripiri-oca or Priprioca meaning "The house of Piripiri" and the women of the village used it to perfume their baths or to wash their hair in order to charm men with its subtle fragrance, known for making men's hearts giddy.

Men's Fragrances

- *Be Delicious, Donna Karan*
Estée Lauder
- *Unforgivable, Sean John*
Estée Lauder
- *Obsession Night, Calvin Klein*
Coty / Lancaster
- *Polo Black, Ralph Lauren*
L'Oréal
- *Z by Zegna*
Gucci Group
- *Boss Soul, Hugo Boss*
Procter & Gamble
- *Arpege for Men, Lanvin*
Interparfums
- *Aramis Bermuda Tonic*
Estée Lauder

At the Annual FiFi awards ceremony of the Fragrance Foundation, held in New York, perfumes created by Givaudan were again amongst the winners. Brit for Men by Burberry

(Interparfums) won the award for the best men's luxury fragrance. Brit Red by Burberry was awarded the best woman's Nouveau Niche Fragrance. Paul Smith (Interparfums) won the best men's Nouveau Niche Fragrance. Moreover, Ralph Lauren Cool (L'Oréal) received Cosmopolitan magazine consumers' choice award for the best women's fragrance. Burberry Brit for Men won the American Society of Perfumers award in the contemporary men's category.

In 2005, Givaudan made further progress in developing its position within the fine fragrance market. Investments in our creation centres, the continuous reinforcement of our creative talent base, supported by the Global Perfumery School, and the development of new innovative ingredients laid the foundation for sustained future successes.

Consumer Products

The Consumer Products business unit outperformed the market with strong single-digit growth. During the past five years, Consumer Products has outgrown the market two to three-fold each year. This has been achieved by continuously investing in research, sales and product development resources; a strategy that enabled us to successfully develop unique innovation capabilities and to further expand in high growth markets.

A multitude of substantial new wins allowed the Consumer Products business unit to gain further market share and to become the partner of choice for its key customers. The 2005 strong performance in all segments and regions was achieved in a demanding market environment characterised by low growth and severe price pressures.



In Amazonia to this very day, the perfumed bath remains a tradition. Being close to water the Amazonian people normally bathe several times a day. Taking a bath with aromatic plants, known as a scented bath or "Banhos de cheiro" is a popular custom, as beliefs and superstitions are still very much part of daily life in the northern region of Brazil. People take perfumed baths to celebrate special occasions such as Christmas

or June parties, before a game of Batuque, or for example to bring happiness, destroy bad luck, to ward off the "Mau olhado" or evil eye, to find a man or even before an interview for a job.

North America sales continued to grow at a double-digit rate over the previous year, driven by both international and regional customers. Growth in Europe, the Middle East and Africa was driven mainly by international customers. Sales growth in Asia came from a broad range of customers and thanks to new wins. Main growth drivers were China, India, Indonesia and Philippines; all of them exhibiting double-digit growth. In a more stable economic and political environment, Latin America sales growth was mainly driven by recent wins with international customers, particularly in Mexico and Argentina.

In terms of product segment, growth is well balanced across all categories; soaps, detergents, household, hair and skin care.

Fragrance Ingredients

In line with Givaudan's strategy of shifting to higher value adding fragrance molecules, sales of specialties continued to grow in double digit rates achieving a greater share of the ingredients portfolio. Florhydral, Undecavertol and Peonile all experienced significant increases year on year. Javanol, introduced to the market in 2004 is finding excellent market acceptance and is expected to be a major contributor to the portfolio over the coming years. In 2005 two captive molecules were commercialised: Toscanol, a high impact agrestic note, strongly associated with anise, and Ultrazur, a unique base with powerful, marine, melon and cucumber notes.

Overall sales of ingredients have been negatively impacted by the CHF 17 million streamlining of commodity ingredients, resulting in a low single-digit decline of the overall business unit.

Flavour Division



Today's consumers are exposed to more choices and types of foods, dishes and recipes than ever before. The more they see and try, the more they want and expect. The food industry faces the ongoing and daunting challenge of coming up with new and interesting ingredients and flavours to satisfy the growing tastes of consumers all around the world.

Givaudan is a pioneer in in-depth consumer understanding and market expertise. We believe that Latin America and its peoples hold many as yet undiscovered secrets, that may well change our lives in just the same way as vanilla, coffee and chocolate have done in the past. Three hundred years ago, these ingredients were expensive and rare items in the Western World, yet had been used by the indigenous peoples of this continent for centuries.

Brazil's Amazon basin, in particular, covers an immense region that is yet to be discovered and fully understood. Although the local economy is based on the extraction of ores, lumber and plant products such as rubber, Brazil nuts, sugar cane and manioc, the inhabitants of the Amazonian delta, known as Caboclos, cultivate an important heritage in terms of dietary habits, understanding of nature and social philosophy. The cuisine of this region is authentic and unique, and has not been substantially influenced by other traditions or cultures.

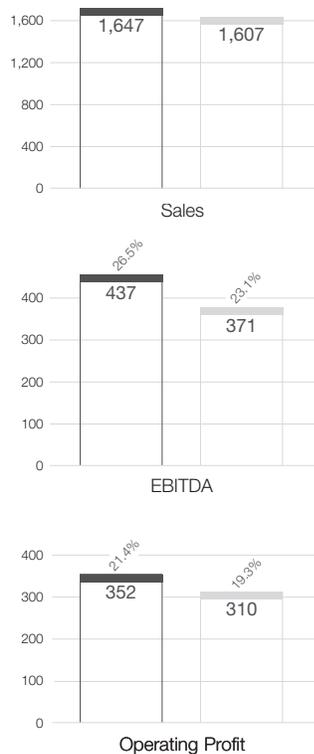


One significant example of cultural authenticity is açaí, which Givaudan identified as a very trendy and promising ingredient during the TrendTrek™ Latin America, in 2004 – a Givaudan exploratory study, a unique journey, a source of inspiration, innovation and a truly future anticipation. This very interesting and promising little palm fruit, not only has a rich traditional heritage, but also important health qualities, making it a very

attractive ingredient for use in a wide range of applications and has enchanted million of consumers in south-east Brazil.

Açaí has traditionally been used as a main course for centuries around the northern region because of its nutritional and energy-giving properties. The fruit is crushed to form a creamy purée that is usually eaten with manioc flour or tapioca,

■ Year 2005 ■ Year 2004
in millions of Swiss francs and in per cent. of sales



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In 2005, the Flavour Division recorded sales of CHF 1,647 million resulting in a growth of 1.3% in local currencies and 2.5% in Swiss francs. Asia Pacific and Latin America showed above market growth. North America grew marginally, whereas Europe showed a small decline versus last year. Sales growth in these mature markets was affected by slower customer development activities as well as by lower selling prices for natural vanilla and the streamlining of low-margin products.

Operating profit increased from CHF 310 million to CHF 352 million, providing a margin increase from 19.3% to 21.4%. This is a direct result of the successfully completed margin improvement initiatives, the product portfolio rationalisation and the production consolidation activities in Europe.



together with fried or grilled fish. Dried shrimps are often served with it as a side dish. It has become part of the local folklore, finding its way into legends as well as onto the table.

Legend has it that there was once a beautiful young woman called Iaca, who was the daughter of the chief of a tribe of Amazon Indians. There was not enough food to go around so the chief

made a harsh but necessary decree. Henceforth, all newborn babies were to be killed, to ensure enough food for the tribe. Unfortunately, his own daughter, Iaca, became pregnant and when she bore her child, the chief was forced to sacrifice it. Iaca was alone in her hut mourning the death of her baby, when one day she thought she heard an infant crying. Searching for the sound, she discovered instead a vision of her child beneath a palm tree

At the end of 2005, Givaudan successfully completed the transfer of the liquid and dry flavour production from Barneveld (Netherlands) to Dortmund (Germany) and Zurich (Switzerland). The French market commercial team was moved from Tremblay (France) to the newly refurbished facilities in Argenteuil (France). In August 2005 the final phase of the Savoury Development Centre in Kempthal (Switzerland) was completed with the inauguration of a fully dedicated pilot plant, capable of handling a wide range of food manufacturing processes. It will allow the development of flavours together with our customers in a setting closer to their own environment.

As a consequence of the on-going streamlining of savoury base notes and the consolidation of our production sites, Givaudan announced on

10 January 2006 the closure of its New Milford (Connecticut) and Oconomowoc (Wisconsin) sites. These activities will be transferred to Cincinnati (Ohio) and Devou (Kentucky) with the targeted completion by June 2007.

Expansion of the production facilities in Fukuroi, Japan, was completed in 2005 and now provides the necessary manufacturing capacity to serve the ever increasing business being generated in this important market. The construction of a fully flavour dedicated creation, application and production centre in Shanghai is progressing smoothly and scheduled to become operational in summer 2006.

Asia Pacific

All major product segments performed well, with Beverages growing at a double-digit rate as a result of numerous wins throughout the region which itself enjoyed a substantial number of product introductions.

Sales for Confectionery improved significantly due to strong new wins in China, India and Japan. Food Service, our strategic segment in Savoury, grew double-digit, capturing the increasing activities of international and local companies in this fast growing market.

Sales in the emerging markets of China, India and South Asia grew above market with growth rates ranging from high single-digit to double-digit levels. Also in Japan, sales were substantially above



covered in fruit. Full of joy at the belief of seeing her child again, she lay down under the tree and died. That following day, the tribe found Iaca's body under the strange, new tree and picked the fruit. The fruit satisfied their hunger and renewed their energy, causing the chief to lift his severe ruling and declare that the fruit would be named in honour of his daughter (açai is Iaca spelled backwards). With abundant food for all, the tribe grew and flourished

again and the native people have since then passed down the story of how açai was discovered.

Also known as the palm berry, açai comes from a tall, thin palm called the açazeiro, which grows wild in the Amazon rain forest. Each palm produces between six to eight clusters of berries and, with each cluster holding around 2kg of fruit, it is able to feed a whole tribe.

local market growth due to new wins in Beverages and Confectionery.

Europe, Africa, Middle East (EAME)

Overall sales in EAME showed a slight decline in local currency terms. Unfavourable weather conditions for beverages, a smaller number of customer product launches, the impact of lower vanilla prices and the streamlining of the ingredients portfolio negatively impacted sales in this region.

In the mature markets of Western Europe, our project pipeline began to recover in the second half of the year particularly thanks to our initiatives related to Health and Wellness. Projects to reduce salt and sugar in a variety of segments showed good promise and

will continue to be of importance for our customers going forward. Sales in the emerging markets of Eastern Europe and the Middle East developed well, with all segments registering good growth. The creation and application centres in Vienna and Dubai were strengthened with additional technical personnel to support the increased brief activity in these strategically important markets.

Overall, the Confectionery and Dairy business segments achieved good results. Savoury performed well, with Food Service growing double-digit. Beverages declined, but activities picked up in the second half of the year.

North America

Sales in North America showed slight growth. Disregarding the impact of lower vanilla prices and product streamlining, sales in this region grew above market.

The Beverage segment delivered another solid increase on top of the strong prior year performance. Growth was driven by significant new wins and increased volume in carbonated soft drinks and sports beverages. Also the Confectionery segment continued its good growth momentum, thanks to new wins in the snacks and cereals categories. Dairy was affected by lower selling prices for natural vanilla. Sales of the Savoury segment were behind the previous year. The increase in cheese flavour sales and in the Food Service segment could not fully offset the weakness in the



Almost 90 percent of the small berry consists of a hard, inedible pit. But it is the dark purple skin that holds the real treasure as it contains amino acids, essential fatty acids and a substance called anthocyanin, which is an excellent source of antioxidants, similar to those found in red wine. Because the fruit is very easily bruised and perishable, its popularity never spread beyond the region, until recently.

Nowadays, the frozen concentrated pulp is exported and commercialised to other Brazilian regions.

retail sector, affecting the other savoury product categories.

Confectionary and Beverages and increased activities particularly in the area of mint flavours and cooling agents.

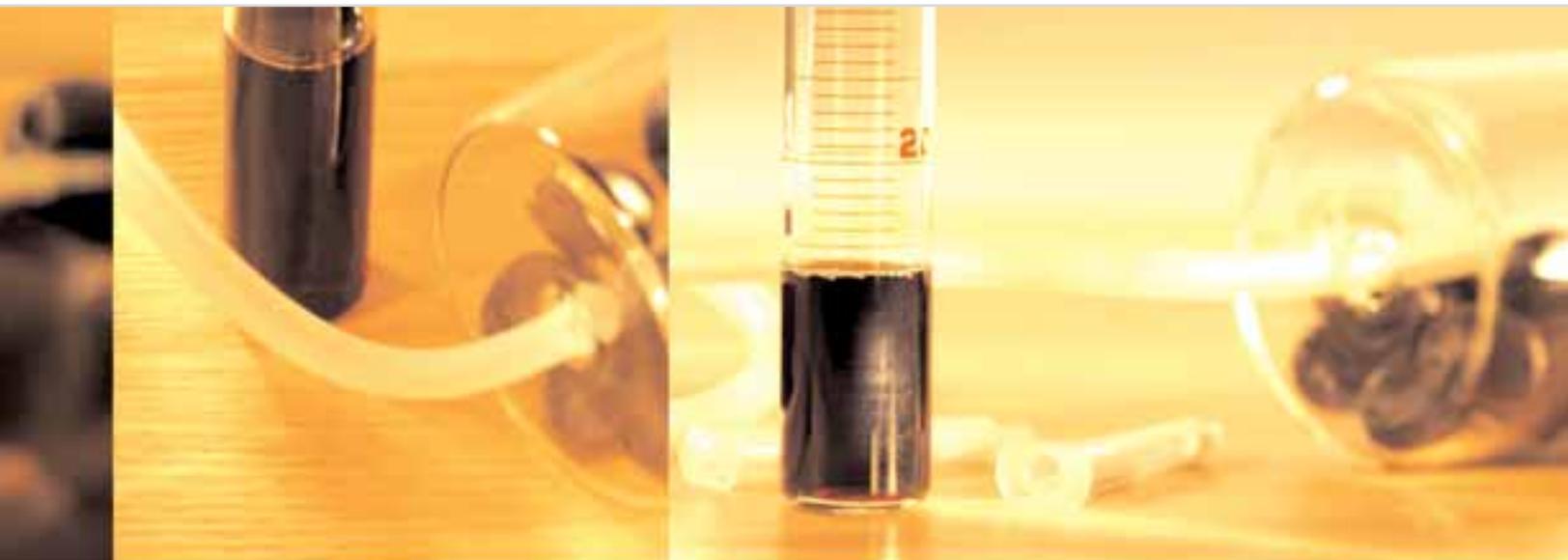
Latin America

Sales in Latin America posted solid growth for the third consecutive year. This was an excellent achievement considering prior year's strong comparables of double-digit growth. The positive sales momentum is the result of Givaudan's strong regional presence and a more favourable economic environment in this region.

All key markets contributed to the positive sales results, led by strong growth in Argentina and Brazil.

New project wins were the key driver for the strong regional performance across all markets and segments, especially in

Research and Development



Givaudan is the industry leader in science and technology. Innovative capacity is the key to our leadership and ultimately to our long-term success. We believe that it is the ability to take a flavour or a scent found during a Trek, or a new molecule discovered by our researchers, to identify its potential and then transform it into a successful and viable market concept, that makes Givaudan unique. The work we do at Givaudan is what ultimately differentiates our customers in the marketplace.

To chronicle their discoveries at source, our experts first capture the aromas or scents in their “finds”. They then set up a dedicated mini-lab in the forest,

jungle, market, farm or wherever they happen to find themselves. Next, they extract a sample of the molecules that emit from the item of interest and bring a drop of liquid containing the full molecular make-up of the “find” home to the Givaudan laboratories.

On-site samples are taken without harming the environment in any way. Back at the Givaudan laboratories, scientists study each sample to crack nature’s codes and recreate the flavour or fragrance for commercial use.

The discoveries provide the rare and exciting, building blocks that lead to unique products and marketplace successes.



This is the case with both of the recent Givaudan discoveries made in Brazil: açaí and pripricoa.

The açaí is nutritious and delicious, tasting green and herbal, earthy and juicy and slightly acidic. The way this palm fruit is consumed varies from one region to another, while urban sophistication has led to the addition of other tropical fruits, sugar, honey and cereals, that would be unfamiliar

to the "Caboclos". In cities such as São Paulo and Rio de Janeiro, a "smoothie" of açaí, banana and guaraná is the top selling drink and is consumed by people during their workday, particularly in the afternoons, when energy levels are diminishing and batteries need recharging. Acai is not only consumed in the other regions of Brazil, but also in the rest of the world. The young at heart who frequent fitness centres and beaches

Maintaining a high rate of innovation is essential to the long-term success of Givaudan. The company's customers, who operate in a very competitive environment, are constantly looking for new innovative ideas to differentiate their products in the market-place. Through its leadership in "Sensory Innovation", Givaudan is highly committed to providing its customers with solutions offering unique sensory profiles and improved performance.

In 2005, Givaudan's research teams made further progress in the understanding of taste and smell and continued to focus on the search for novel ingredients and the development of delivery systems. The enhancement of the range of creation tools allowed further increases in the efficiency of our perfumers and flavourists. Givaudan Research and Development continued to strengthen its links with academic and industrial

partners to enhance its position at the leading edge of science and technology. Outside collaborations provide a complement to the internal innovation programmes. They are a mechanism to investigate a broad spectrum of emerging technologies which might lead to co-development opportunities.

Fragrances

Fragrance research's primary objective is to develop new molecules and unique naturals to enrich the perfumer's palette. Additional focus is on the continuous development of new delivery systems, the better understanding of smell, the counteraction of malodour and the search for new accords found in nature through the ScentTrek® expeditions. A total of thirty four patent applications were filed in various fragrance research domains.

In 2005, four new proprietary molecules, developed by our research centre in Zurich, were introduced to the perfumers' palette: *Pomarose*, a very rich fruity note, reminiscent of rose and apple pie, perfectly meets the "gourmand" trend towards comforting smells stemming from the world of food. *Cosmone*, with a rich and intense musky note gives an elegant touch to all kinds of accords. This biodegradable molecule, in addition to *Nirvanolide*, enlarges Givaudan's range of environmentally friendly macrocyclic musks. *Serenolide* is an elegant white musk with sweet fruity connotations providing warm and soft velvety notes that blend well with all kinds of trendy fruity accords. *Safraleine* surprises with its spicy saffron freshness. This new note perfectly fits into the fine fragrance's increasing demand for spicy smells.



swear by its energy-giving capabilities and its high functional content: it is very rich in proteins, potassium, calcium, magnesium, iron, phosphorus, fibre and vitamins. Because of these attributes, the açaí berry is becoming closely linked to the health and wellness trend.

Givaudan has already tested this amazing fruit in a number of applications, ranging from beverages,

yogurts and ice creams to chocolate fillings and candies.

Being less well known outside of the Amazon basin, *pripricoa* does not yet enjoy the same level of recognition in other regions of Brazil. However, with the help of an important customer, this uniquely Brazilian ingredient is gaining popularity all over the country.

To further strengthen its research capabilities for new molecules, Givaudan opened in September a supplementary research laboratory in Shanghai. This new facility will leverage the opportunity of Givaudan's current partnership with Chinese universities, while taking advantage of the increasingly strong chemistry expertise in China. Granuscent, a new, patented delivery system, was commercialised with the launch of a major product in the USA. A novel controlled release system for liquid products, based on a liquid crystal technology, successfully passed the milestone for industrial scale-up.

Furthermore, pressure activated microcapsules were added to the range of Givaudan's delivery systems. This technology was successfully validated in consumer tests and has now entered the scale-up phase. It is designed for laundry applications where the

molecules anchor to textiles during the washing process and release their odour when the textiles experience physical friction later on.

Givaudan continued to make progress on its studies to counteract malodour. Thanks to the expertise in fragrance precursors and the increased understanding in the formation of axilla malodour, further compounds could be developed. Upon action of the bacterial enzymes, these compounds release a fragrance molecule and, in addition, reduce the formation of the malodourants. The publication "Isolation of a bacterial enzyme releasing axillary malodor and its use as a screening target for novel deodorant formulations" of the Givaudan scientist Andreas Natsch et al. in the International Journal of Cosmetic Science (IJCS) was voted the best IJCS paper in 2005.

Givaudan's fragrance research remains strongly committed to retaining its leadership in the understanding of smell. The company pursues its own research activities and closely monitors industrial and academic research. Significant progress in the characterisation of olfactory receptors and their use as biosensors to identify novel odorant lead structures has been made.

Givaudan's renowned ScentTrek® activities were also pursued in 2005; ten reconstitutions were made of endangered flowers from the Western and Northern Cape in South Africa. Amongst them is a highly attractive ionone-floral scent. As Death Valley (California, USA), experienced a century spring with unusual rich blossom activity, Givaudan conducted a specific ScentTrek® to collect the smell of some rarely flourishing endemic plants. The library of reconstituted natural scents has now



That customer's marketing campaign is focused on educating people to become familiar with, and to appreciate the natural treasures of Brazil, in particular those from Amazonia, which is one of the fifth richest ecosystems in the world.

The products use natural ingredients that adhere to the customer's environmental and sustainability principles while, at the same time, being inspired

by the traditional uses of these plants and promoting a sense of pride in being Brazilian.

Priprioca offers a wide range of applications in both fine fragrances and personal care products, from perfumes and bath salts to massage oils and body lotions. The sensorial experience of wellbeing and water rebirth evoked by this ingredient and its roots as an ancient tradition makes it a key

grown to over 400 items. It has proven to be an irreplaceable source of inspiration for the creation of all types of fragrances.

Flavours

Creation of high performance flavour solutions requires a steady stream of innovative science and technology advances. Givaudan's Flavour Research addresses these needs with resources focused on core fields of discovery in natural products, proprietary ingredients, delivery technology and sensory science where technology leadership is essential.

Understanding what the consumer desires is a vital first step in the flavours design process. To this end, the miniaturised Virtual Aroma Synthesizer™ (VAS) has been utilized by the flavourists to

interface directly with consumers to develop valuable sensory knowledge. It allows rapid screening of new concepts and identification of attributes which increase liking. This methodology has eliminated the sensory fatigue normally observed when panellists are asked to evaluate multiple samples. In addition, the sample throughput can be increased more than ten-fold, making this methodology a true differentiator for consumer sensory research.

With the introduction of OPUS™, the flavour design process now incorporates a predictive modelling tool with automated decision making capability. When integrated into the creation process, this tool provides information on potential flavour compatibility issues within a specific food or beverage matrix. This results in greater speed, accuracy and cost effectiveness during the design

process. It rapidly leads to flavours that meet the precise performance characteristics expected by our customers.

The increased emphasis on healthy eating habits has introduced some unique taste challenges into flavour design. For example, there has been an interest in salt reduction for some time, but the available solutions do not yet fully meet expectations. Investigation within the Taste Essentials™ is centred on two distinct approaches: the partial replacement of salt with an enhancer and the masking of off-tastes such as bitterness. A series of natural taste modulators were developed to mimic the taste enhancing quality of salt, while significantly reducing the off-taste and amplifying the overall flavour performance. These modulators were developed based on our expertise in biotechnology and discovery of botanical ingredients in



ingredient, not only for the Brazilian market, but also as part of the health and wellness trend.

The first products - a perfume and an agua de banho, or bath water - were launched in 2004. The essential oil of piprioca is now being used in several other products that became available on the Brazilian market last year and are all perfumed by Givaudan.

the TasteTrek® expeditions. These new proprietary natural ingredients exhibit taste-relevant properties that are not matched by synthetics.

An equally important issue has been the reduction of negative taste attributes, principally bitter aftertaste, present in many of the artificial sweeteners in commercial use. An ongoing investigation has defined the human genetic sensitivity to the bitterness aspect of sweeteners. Bioassays have now provided a highly efficient means of screening for molecules that have the ability to suppress the off-taste. Optimisation through in silico modelling has generated a number of promising lead compounds which attenuate the negative bitter attributes of several artificial sweeteners.

High impact aroma building blocks are required to guarantee product superiority.

A new generation of citrus and dairy top notes has been developed through the application of a proprietary non-thermal separation technology. These new building blocks further increase the creation flexibility in the flavour design process.

Encapsulation technologies become extremely important in situations where retention and release properties are critical to flavour performance. Specifically, TasteSaver™, a matrix encapsulation system, has been introduced to provide more control over the release kinetics of the flavour composition in applications where there is prolonged exposure to higher temperatures.

Sustainable Business Model



At Givaudan, we have long realised that our success lies not only in our unparalleled ability to deliver products and services to our customers on a global scale, but also in setting high standards of quality, reliability, timeliness

and regulatory expertise. Being a global player also means being able to attract and retain the best people, while remaining a responsible member of the communities in which we operate.



We are convinced that nature provides an abundant source of inspiration and opportunities. Moreover, if future generations are to have an opportunity to enjoy its riches, then nature's resources must be preserved in an ecological and sustainable manner. The company has pioneered technologies such as ScentTrek® and TasteTrek® that allow our scientists to analyse natural scents and flavours without harming either the plants that

produce them or the surrounding environments in which they flourish.

Being able to explore unique locations around the world in search of new fruits and flowers, foods and cuisines is surely the most exciting assignment any of our experts can experience.

The thrill of discovery and the opportunity to explore the world around them makes our

Givaudan creates shareholder value by leveraging its unique set of capabilities in leading sensory innovation. The company takes a long term view in all its activities to ensure the sustainability of its business. The company's awareness of its responsibilities towards its shareholders, customers, employees, suppliers and the environment is a key factor in ensuring its long-term success.

Givaudan employees are committed to adhering to high ethical standards in their business conduct. This entails being in full compliance with laws and regulations, company policies, practices and procedures throughout the world. That approach preserves Givaudan's good name and reputation, which have been built upon a rich heritage – one which reflects the competence, conduct and passion of all Givaudan employees for over two hundred years. The principles of Givaudan's business conduct are

published on our internet site:
www.givaudan.com – [investor center]
 – [publications] – [corporate policies]

Shareholders

Since the spin-off in 2000 and until year-end 2005, Givaudan has created about CHF 2.4 billion value for its shareholders in the form of dividend payments and share price appreciation. The company has bought back shares, representing 16.9% of its starting share capital at spin-off, for an amount of CHF 1,026 million until 31 December 2005.

Givaudan adheres to good corporate governance, following best practices coherent with those of major industrial countries. All corporate governance information published in this Annual Report are based on the Swiss Code of

Best Practice and follows the SWX directive on corporate governance (see separate section on corporate governance).

Through frequent press releases, teleconferences and publications on www.givaudan.com, the company disseminates material information about its performance and activities widely and simultaneously, following as a minimum standard Art. 72 of the revised Listing Rules (Ad Hoc Publicity). The principles of Givaudan's disclosure and information policy can be found on: www.givaudan.com – [investor center] – [publications] – [corporate policies]

In 2005, Givaudan's management team conducted 15 roadshows and participated in 28 investor presentations and conferences throughout the world. In addition, the team conducted individual discussions with over 200 shareholders and/or investors. The complete agenda



creative teams incredibly aware of the beauty and diversity of our planet Earth. These are reasons why Givaudan has fostered several initiatives at local levels to ensure that not only are natural habitats protected, but also that vital heritages of indigenous populations relating to philosophy, dietary habits, traditions and culture are also preserved.

One example is the initiative that Givaudan's on-site team, together with one of their important customer in Brazil is leading near Belem to grow and distil pripricoa while, at the same time, involving three local communities from the region of Cotijuba Island. The initiative is helping to empower these communities in the Amazonian region and teach them sustainable skills to further their development.

of forthcoming events for investors and shareholders is published on www.givaudan.com – [investor center] – [agenda]

At the close of 2005, Givaudan had 18,365 shareholders listed in the share register, owning 66.5% of the share capital. At year end, 49.5% of all shares were eligible to vote. The top twenty shareholders, including nominees and funds, represent around 60% of the share capital. Approximately 40% of the shareholders are based in North America.

Customers

Givaudan's business model is based on a "make to order" process in a business to business environment. Through its unique sensory expertise and consumer insight, Givaudan provides its customers

with the taste and smell profiles that are key to their products' success in the market. Givaudan serves global, regional and local customers around the world. The top ten customers account for around 70% of sales in fragrances and about 40% in flavours. Those customers are amongst the most successful consumer goods and food companies across the globe.

The foundation of Givaudan's success lies in its long-term relationships with customers and adhering to high professional standards. Givaudan builds its customer relations by maintaining strict confidentiality on proprietary customer information and customer projects, as well as by fully respecting their intellectual property. Givaudan ensures long-term, successful relationships with its customers by supplying products that provide the quality and safety profiles to match both customer expectations and industry regulations,

and by delivering the highest service levels within the industry. Thanks to its high innovation rate, Givaudan is able to create specific sensory profiles for the products of its customers, allowing their brands to achieve superior market share. Sensory innovation in the research, development and creation process is therefore a key success factor for the company. Around 8% of the sales figure are invested each year in research and development.

Employees

The expertise, talent and passion of our 6,000 employees lie at the heart of Givaudan's success in the market-place. Givaudan's human resources policies are designed to ensure the company can attract, develop and retain the finest workforce in the industry.



When pripricoa was discovered at the local Ver-O-Peso market in northern Brazil's Belem, Givaudan's local team could not imagine the challenges to come. Although this promising new ingredient had been used by the Amazon peoples for generations, it had never been exploited commercially. Local market demand was supplied by a few communities surrounding Belem. Annual production was around four tons,

but the quantity needed for perfumery was ten times that figure. Another major issue was the plantation system: pripricoa was cultivated next to manioc, then burned to clear the field for the next crop as is customary in slash and burn techniques.

Initially, fifty families were involved in the cultivation of pripricoa by organising plantations, while

The Human Resources organisation is aligned to closely support the company's global business structure and growth plans. Corporate-level Centres of Expertise exist in the areas of compensation, benefits and talent management. Country and site Human Resources Managers focus on the specific needs of their sites and are responsible for the local implementation of global HR initiatives related to talent management, compensation and benefits.

In 2005, Givaudan conducted its fourth consecutive Executive Development

Programme with the Institute for Management Development (IMD) in Switzerland. Over the past three years, more than one hundred senior leaders have benefited from this programme. The company's comprehensive succession planning process focuses on the development of internal candidates for key roles.

This process was expanded to incorporate the identification of Givaudan's next generation of managers, as well as those executives with the potential to work on a cross-divisional basis. This systematic

approach has ensured the effective transition of our leadership team. "Givaudan Experience", a programme aimed at integrating new employees, was launched in 2005. This programme will be expanded over the next several years to become a broader platform for the ongoing development of Givaudan employees throughout their careers. Additionally, Givaudan's Perfumery, Evaluation and Flavourist training programmes will continue to provide a pipeline of talent to complement the company's existing creative staff of flavourists and

Head Count Development by Region

Region	Number of employees 31.12.2004	%	Number of employees 31.12.2005	%	Change from 2004 to 2005
Switzerland	1,360	23.1	1,404	23.7	44
Other Europe, Africa, Middle East	1,293	21.9	1,187	20.0	(106)
North America	1,619	27.4	1,638	27.7	19
Latin America	566	9.6	579	9.8	13
Asia Pacific	1,063	18.0	1,116	18.8	53
Total	5,901	100.0	5,924	100.0	23



educating and training the population in halting deforestation. More importantly, a carpenter came for a whole month and taught the families basic woodworking skills, showing them how to develop alternate sources of revenue in order to become more self-sufficient.

Today, ninety families are involved in the project and have already manufactured three different and

exclusive handcraft boxes using wood native to northeast Brazil. In the beginning, the process took four to five months to create the first box. This lead time has since been reduced to two months, as the people became more professional as woodworkers.

For the first box, fragments of Morototo were used, a light and soft wood with a white to

perfumers, as well as sensory product specialists in each division.

A total remuneration policy is another key element employed by Givaudan to attract and retain the best talent globally. Industry-specific global benchmarking is regularly conducted to ensure our executives are competitively compensated in order to ensure continuity and retention of our leadership team. Similar benchmarking activities for other job levels are being conducted locally.

Givaudan continues to design and monitor its employee benefit programmes globally to maintain its competitive positioning and control costs, while meeting the security needs of employees. This approach results in a shift to cash balance plans.

The company has made a significant commitment to implement a new Human Resources Information System. This system will provide the foundation for the management of core employee information globally, reduce administrative activities and will enable our Human Resources professionals to place greater emphasis on supporting Givaudan's talent management and employee development initiatives.

A high priority for Givaudan is the implementation of all necessary measures to preserve the health and safety of its employees. This is reflected in the low accident rate and the fact that no occupational illness was reported in the year 2005.

Suppliers

Givaudan purchases several thousands of natural and synthetic raw materials from numerous suppliers around the globe. The majority of these materials are used to produce a multitude of fragrance and flavours compounds, on a "make to order" basis. To meet tight delivery lead times globally, material availability in consistent quality is of critical importance. To manage this high level of complexity, Givaudan has developed a state-of-the-art supply-chain which, is considered a benchmark within the industry.

Divisional purchasing teams ensure that Givaudan's global purchasing power is being leveraged and that appropriate make versus buy decisions are made. Only centrally approved ingredients are added to each division's raw material base. Structured selection



yellowish colour and the Muiracatiara, a stronger, dark brown timber. Both trees are native to the Amazonian region and can reach 25 meters in height. The second box was made of Cumaru, a smaller tree with a Bordeaux hue and white flowers that exhale an aromatic perfume, which Givaudan also uses for perfumery.

The most recent box is created from Tauari, a popular wood also used in Brazil to make furniture because of its durability. These beautiful objects are distributed to Givaudan's customers as special and unusual holiday gifts.

For Givaudan, this endeavour represented an important new way of working with the local communities, helping them to improve their quality

processes are conducted to ensure suppliers meet Givaudan standards.

As a major purchaser of natural ingredients, Givaudan strives to cooperate directly with local producers, many of whom are farmers, in a fair and sustainable manner. In some instances, Givaudan supports local producers by financing their crops and providing technical support. Such supplier relationships give Givaudan the opportunity to monitor product quality closely and allow better risk hedging against material shortages in tight supply situations.

Environment

Givaudan is highly sensitive to the environmental impact of its activities. The company continually supports its

customers' efforts to create products with minimal impact on the environment. For example, biodegradability is an important criterion in the development of new fragrance ingredients.

The production of flavours and fragrances involve handling large quantities of ingredients, although harmless to the environment, have the potential to release odours, thereby creating nuisance to the immediate surroundings. Various installations, ranging from closed vessel compounding to bio-filtration are used to limit natural odour emissions. As a responsible corporate citizen, Givaudan strives to maintain good relationships with its neighbours and undertakes substantial efforts to decrease the effect of natural odour emissions.

Over the years, Givaudan's undertakings in protecting the environment have translated into continuously decreasing

levels of air emissions, waste generation and water consumption. Detailed information on Givaudan's safety and environmental efforts and results are provided in the Safety and Environmental report, which is published separately.

See also www.givaudan.com

– [investor center] – [publications]

– [corporate publications]

Information Technology

Information technology is a critical success factor in creating and supplying state-of-the-art products to our customers around the globe. For the core creation and product development processes, Givaudan is continuously developing systems that are predominantly proprietary and unique in the industry. The company's information systems allow the creation teams to



of life, their unity, encouraging them to remain and work on their homeland, and thereby protect their environment.

work alongside their customers on a truly global basis by leveraging its creative capabilities. For example, a new product idea developed in Paris can be sampled and evaluated simultaneously in New York, Singapore, Shanghai or São Paulo.

Several strategic initiatives are currently being implemented to sustain Givaudan's leadership in customer service and supply chain management.

Risk Management

Givaudan aims to ensure the sustainability of its activities through proper management of the risks inherent to its business. Givaudan carries out regular risk assessments to properly evaluate potential situations which could negatively influence the

course of its business. These assessments are performed by Internal Audit, the divisional management teams and the corporate functions. They are reviewed on a regular basis by the Executive Committee and the Board of Directors. In order to reduce the risks linked to human health and safety, property damages and business continuity, the company conducted a risk engineering programme at all major production sites in 2005. The programme was conducted together with an external insurance company. The overall rating obtained for property and business interruption was "good" or "excellent" for the sites audited. A special risk analysis was performed to assess the earthquake exposure for Givaudan's operation in Japan. The results obtained within the parameter of this risk engineering programme confirmed Givaudan's efforts in preventing and reducing any potential risks affecting the continuity of its operations.

In new capital investment projects, company safety and environment expert teams are already involved in the planning phase. Available opportunities provided by current technologies are leveraged to ensure human safety and minimise material damage, when a project is initiated.

Corporate Governance



The Amazon rainforest boasts a multitude of rich, sophisticated plants and their delicate scents. One of the most extraordinary examples is the giant Amazon water lily, *Victoria amazonica*, which belongs to the great spectacles of nature, not only because of its giant leaves that can measure up to three metres in diameter, but also because of the way the flowers are pollinated.

In the plant's natural habitat of Amazonia, its white flowers open during twilight, emitting a very strong fruity-floral fragrance that attracts a specific species of scarab beetle. During the night, the flowers close slowly to trap the beetles while slowly changing colour from white to pink and then to a deep carmine. The following evening the flower opens again, releasing the beetles, now covered in pollen, which fly off. Those beetles, attracted to other fragrant, pure white flowers, again settle down to feed and, while doing so, deposit pollen on the stigma of the new flowers thus completing the cycle. After the second night, the purple, and now pollinated, flowers close and sink to the bottom of the water in which they are growing.

Although named in honour of Britain's Queen Victoria, the Amazonian Indians believe that the flower is Naué, the beautiful daughter of a chieftain, who was transformed into a flower. The tribal elders say that Naué fell in love with the moon when she saw its reflection in the water of the lake one night. From then on Naué returned to look at the reflection which, the shaman said, was the prince of the region of luaca. After several days the moon disappeared from the lake and Naué, becoming very sad, fell sick for a month. One night in her love-sick delirium, Naué saw the moon reflected again in the lake, and to embrace the body of her lover she threw herself into the water and disappeared. The god Tupã, touched by the fate of Naué, transformed her into the most beautiful flower of the lakes, the *Victoria amazonica*.

Group Structure and Shareholders

Group Structure

Givaudan SA, 5 chemin de la Parfumerie, 1214 Vernier, Switzerland, the parent company of the Givaudan Group, is listed on the SWX Swiss Exchange under security number 1064593. The company does not have any subsidiaries that are publicly listed. On 31 December 2005, the market capitalisation of the company was CHF 6.4 billion.

The operational structure of the Group is described in notes 1 and 5 to the consolidated financial statements. The list of principal consolidated companies is presented in note 27 to the consolidated financial statements of the Financial Report 2005.

Significant Shareholders

On 31 December 2005, Nestlé SA with 11.66% and Chase Nominees Ltd with 5.03% of the Givaudan shares, were the only shareholders registered with voting rights holding more than 5% of the total share capital. On 31 December 2004, Nestlé held 11.06% of the Givaudan shares. The increase of Nestlé's participation results from Givaudan SA's capital reduction based on the decision of the shareholders' meeting held on 27 April 2005.

For further information, please consult the SWX website www.swx.com – [issuers] – [disclosure of shareholdings] – [significant shareholders]

Structure of Share Capital

Amount of Share Capital

On 31 December 2005, Givaudan SA's share capital amounted to CHF 74,000,000, divided into 7,400,000 registered shares of CHF 10 par value, fully paid in.

Conditional Share Capital

Givaudan SA's share capital can be increased

- by issuing up to 100,000 shares through the exercise of option rights granted to employees and directors of the Group;
- by issuing up to 900,000 shares through the exercise of option or conversion rights granted in connection with bond issues of Givaudan SA or a Group company. The Board of Directors is authorised to exclude the shareholders' preferential right to subscribe to such bonds if the purpose is to finance acquisitions or to issue convertible bonds or warrants on the international capital market. In that case, the bonds or warrants must be offered to the public at market conditions, the deadline for exercising option rights must be not less than six years and the deadline for exercising conversion rights must be not less than fifteen years from the issue of the bond or warrants and the exercise or conversion price for the new shares must be at a level corresponding at least to the market conditions at the time of issue.

For the conditional share capital, the preferential right of the shareholders to subscribe shares is excluded. The acquisition of shares through the exercise of option or conversion rights and the transfer of such shares are subject to restrictions as described below.

Authorised Share Capital

According to the decision of the shareholders' meeting held on 16 April 2004, the Board of Directors is authorised until 16 April 2006 to increase the share capital by up to CHF 10,000,000 through the issuance of a maximum of 1,000,000 fully paid-in registered shares with a par value of CHF 10 per share.

Changes in Equity

The information regarding the year 2003 is available in note 5 to the statutory financial statements of the 2004 Annual Report. Details about the changes in equity for the years 2004 and 2005 are given in note 5 to the statutory financial statements of the Financial Report 2005.

Shares

The company has one class of shares only. Subject to the limitations described below, they have the same rights in all respects. Each share gives the right to one vote.

Limitations on Transferability and Nominee Registrations

Registration with voting rights in Givaudan SA's share register is conditional on shareholders declaring that they have acquired the shares in their own name and for their own account.

Based on a regulation adopted by the Board of Directors on 22 September 2004, nominee shareholders may be entered with voting rights in the share register of the company for up to two per cent of the share capital without further condition, and for more than two per cent if they undertake to disclose to the company the name, address and number of shares held by the beneficial owners.

Moreover, no shareholder will be registered as a shareholder with voting rights for more than 10% of the share capital of Givaudan SA as entered in the register of commerce. This restriction also applies in the case of shares acquired by entities

which are bound by voting power, common management or otherwise or which act in a co-ordinated manner to circumvent the 10% rule. It does not apply in the case of acquisitions or acquisition of shares through succession, division of an estate or marital property law.

The limitations on transferability and nominee registrations may be changed by a positive vote of the absolute majority of the share votes represented at a shareholders' meeting.

Exchangeable Bond and Warrants/options

See note 19 to the consolidated financial statements in the Financial Report 2005.

Board of Directors

The Board of Directors is responsible for the ultimate supervision and control of the management of the company, including the establishment of general strategies and guidelines, as well as matters which by law are under its responsibility. All other areas of the management are fully delegated to the Chief Executive Officer and the Executive Committee.

Members of the Board

Dr Jürg Witmer

Chairman

Attorney, Swiss national, born 1948

Non-executive

First elected in 1999

Current term of office expires in 2006

Member of the Board of Bank Sal. Oppenheim jr. & Cie. (Schweiz) AG and Berna Biotech AG

Dr Andres F. Leuenberger

Vice-Chairman

Businessman, Swiss national, born 1938

Non-executive

First elected in 1994

Current term of office expires in 2008

Member of the Executive Committee of the Swiss Advisory Council of the American Swiss Foundation and member of the International Advisory Council of Chugai Pharmaceutical Co. Ltd, a member of the Roche group

Dietrich Fuhrmann

Director

Businessman, German national, born 1941

Non-executive

First elected in 2004

Current term of office expires in 2007

André Hoffmann

Director

Businessman, Swiss national, born 1958

Non-executive

First elected in 2000

Current term of office expires in 2006

Member of the Board of Roche Holding AG, Glyndebourne Productions Ltd, Brunswick Capital Ltd, Chairman of Nemadi Advisors Ltd and Living Planet Fund Management Co.

Peter Kappeler

Director

Businessman, Swiss national, born 1947

Non-executive

First elected in 2005

Current term of office expires in 2007

Chairman of the Board of Berner Kantonalbank, Member of the Board of Directors of Cendres et Métaux SA, Schweizerische Mobiliar Holding AG, Schweizerische Mobiliar Genossenschaft, Jungfraubahn Holding AG and Ypsomed AG

Prof. Dr John Marthinsen

Director

Professor, US national, born 1949

Non-executive

First elected in 2000

Current term of office expires in 2006

The Distinguished Chair in Swiss Economics at Babson College, Member of the Glavin Center for Global Management

Prof. Dr Dr hc Henner Schierenbeck

Director

Professor, German national, born 1946

Non-executive

First elected in 2000

Current term of office expires in 2008

Professor of bank management and controlling at the University of Basel, scientific adviser for the "Zentrum für Ertragsorientiertes Bankmanagement" (Münster/Westfalen), Member of the Council of the European Centre for Financial Services, Member of the Supervisory Board of DIA Consult AG

The curriculum vitae of the Board members are available on Givaudan's website www.givaudan.com – [about us] – [leadership] – [board of directors]



(from left to right):
 Peter Kappeler, Prof. Henner Schierenbeck, Dietrich Fuhrmann,
 Dr Henri B. Meier (Honorary Chairman), Dr Andres F. Leuenberger,
 Prof. John Marthinsen, Dr Jürg Witmer (Chairman), André Hoffmann

The term of office of the Board members is three years, subject to prior resignation or removal. Board members have to resign at the latest at the General Meeting following their 70th birthday. Elections are by rotation in such a way that the term of about one third of the Board members expires every year. The election is individual.

Dr Jürg Witmer, Chairman, was the CEO of Givaudan until 27 April 2005. He was also, until that date, the only executive member of the Board of Directors. Mr Dietrich Fuhrmann, non-executive member of the Board of Directors retired as member of the Executive Committee on 31 March 2004. None of the Board members has any business connections with Givaudan SA or any of the members of the Givaudan Group.

Committees of the Board

With the aim of further improving Corporate Governance within Givaudan, the Board of Directors decided in 2005 to reduce the number of Board Committees and to increase the minimum number of Board members per Committee.

Also, each Board Committee will be formally led by a Committee Chairman whose main responsibilities are to organise, lead and minute the Committee meetings. The roles and responsibilities delegated to the Committees have been reviewed in order to better segregate the duties between the individual Committees and the full Board. As a consequence, the number of regular Board meetings to be held in 2006 will be increased compared to 2005. Meetings of Board Committees are usually held before or after each Board meeting. Moreover, the Board has delegated specific tasks to other Committees, consisting of the CEO and managers with technical expertise: the Safety and Environment Committee and the Corporate Compliance Committee.

The roles of the Committees are described on Givaudan's website www.givaudan.com – [about us] – [leadership] – [board of directors] – [committees of the board]

Committees of the Board	Jürg Witmer	Andres F. Leuenberger	Dietrich Fuhrmann	André Hoffmann	Peter Kappeler	John Marthinsen	Henner Schierenbeck
Audit			■		■		■
Nomination & Governance	■		■			■	
Compensation	■	■		■			

■ = Chairman of the Committee

Board Meetings

In 2005, the Givaudan Board of Directors held four regular meetings and six extraordinary meetings. The seven Board members attended all meetings. Since Givaudan's public listing in the year 2000, there has been full attendance at all Board meetings.

During each regular Board meeting, the operational performance of the company was presented by management and reviewed by the Board. Selected members of management were invited to address specific projects. The Chairman met frequently with members of the Executive Committee and he closely supported the CEO with his advice.

All Board members have direct access to the Givaudan Intranet where all internal information on key events, presentations and organisational changes are posted. In addition, the Board members receive via e-mail all press releases and information sent to investors/analysts.

In preparation for Board meetings, information is sent to the Board members via e-mail and ordinary mail. A data room containing additional information and historical data is set up prior to each meeting where Board members can consult relevant documents.

Executive Committee

The Executive Committee, under the leadership of the CEO, is responsible for all areas of management of the company that are not specifically reserved for the Board of Directors. The Executive Committee holds regular meetings at Givaudan sites around the world or by teleconference.

Members of the Executive Committee

Gilles Andrier

Chief Executive Officer

joined Givaudan in 1993, born 1961
French national

Mike Davis

President Flavour Division

joined Givaudan in 1997, born 1947
United States national

Michael Carlos

President Fragrance Division

joined Givaudan in 1984, born 1950
Indian national

Matthias Währen

Chief Financial Officer

joined Givaudan in 2004, born 1953
Swiss national

Adrien Gonckel

Information Technology

joined Givaudan in 1982, born 1952
French national

Bruce Bachmeier

Human Resources

joined Givaudan in 1995, born 1957
United States national

The curriculum vitae of the members of the Executive Committee are available on Givaudan's website www.givaudan.com – [about us] – [leadership] – [management team]



(from left to right):
Michael Carlos, Bruce Bachmeier, Mike Davis, Gilles Andrier,
Matthias Währen, Adrien Gonckel

Compensation, Shareholdings and Loans

Compensation

Givaudan has established a remuneration policy designed to attract, motivate and reward key executives for the achievement of ambitious goals required for future growth, profitability and creation of shareholder value. Compensation of senior executives consists typically of base salary, annual performance incentive and long-term incentive in the form of call options. The annual performance incentive payout is based on the achievement of previously agreed objectives and parameters. The most important performance criteria for senior executives are sales growth, operating performance and return on net operating assets. The performance incentive is paid in the first quarter of each year and calculated on the basis of the operating performance of the previous year.

The **Compensation Committee** of the Board of Directors approves the remuneration policy of the Group and the remuneration of the members of the Executive Committee. It approves share option plans and other performance-related remuneration instruments as well as the pension-fund policies.

Compensation of non-executive members of the Board

Compensation for the Board members consists of Director Fees and Committee Fees. These Fees are paid shortly after the Annual General Meeting for the year in office accomplished. In addition, each Board member is entitled to participate in the share option plan of the company and is eligible to receive an amount for out-of-pocket expenses. This amount is paid for the coming year of office.

Compensation of non-executive members of the Board

Compensation 2005	Henri B. Meier	Andres F. Leuenberger	Dietrich Fuhrmann	André Hoffmann	Peter Kappeler	John Marthinsen	Henner Schierenbeck	Total
Director fees	210,000	70,000	70,000	70,000	-	70,000	70,000	560,000
Committee fees	80,000	60,000	40,000	40,000	-	40,000	20,000	280,000
Total Cash in CHF	290,000	130,000	110,000	110,000	-	110,000	90,000	840,000
<i>Number of options granted ¹</i>	-	6,000	6,000	6,000	6,000	6,000	6,000	36,000
Value at grant in CHF	-	64,440	64,440	64,440	64,440	64,440	64,440	386,640

Payments for Board members for out-of-pocket expenses amounted to CHF 60,000

1) Options vest on 21 March 2007

Compensation of the Executive Committee, the CEO and the Chairman

At the Annual General Meeting of 27 April 2005 Dr Jürg Witmer took over as Chairman of the Board from Dr Henri B. Meier and stepped down from his function of CEO and executive member of the Board. Gilles Andrier, former Head of the worldwide Fine Fragrances business, took over the function of CEO. As formerly announced, in order to ensure continuity, Dr Jürg Witmer will

advise and support his successor in the period leading up to the Annual General Meeting of 2006. The compensation of Dr Jürg Witmer reflects the compensation as CEO and executive member of the Board until April 2005 and the compensation for the transition period in 2005. The compensation of Mr Andrier reflects his compensation as Head of the Fine Fragrances business until April 2005 and his compensation as CEO as from May 2005.

Compensation of the Executive Committee, the CEO and the Chairman

Compensation 2005	Gilles Andrier CEO ¹	Executive Committee members (excl. CEO) ²	Total	Jürg Witmer Chairman ¹
Director fees	-	-	-	70,000
Committee fees	-	-	-	60,000
Base salary ³	526,481	2,058,724	2,585,205	613,421
Performance Incentive ⁴	238,581	1,066,131	1,304,712	744,631
Other benefits in kind	20,449	328,106	348,555	18,593
Total Cash in CHF	785,511	3,452,961	4,238,472	1,506,645
Annualised expense accrued for supplementary retirement benefit	52,804	435,794	488,598	-
No. of options granted ⁵	50,000	175,000	225,000	53,000
Value at grant in CHF	537,000	1,879,500	2,416,500	569,220

Payments to the Chairman for out-of-pocket expenses amounted to CHF 30,000

1) Represents full year compensation in 2005 independent of their respective former functions

2) Represents 5 Executive Committee members

3) Represents an increase of 4.4% in local currencies compared to 2004 for the Executive Committee members (excl. CEO)

4) Performance incentive is paid based on the year 2004 performance

5) Options vest on 21 March 2007

Compensation of the Board member with the highest compensation

The Board member with the highest compensation in 2005 is Dr Jürg Witmer, CEO until 27 April 2005 and Chairman of the Board as of 28 April 2005. For compensation details please refer to the table shown under the previous section.

Special compensation of members of the Board and Executive Committee who left the company during the reporting period

No such compensation was incurred during the reporting period.

Compensation of former members of the Board and Executive Committee

No such compensation was incurred during the reporting period.

Ownership of Share Options

Givaudan's share options are fully tradable after vesting. Details about the Givaudan share option plan are described in the Financial Report 2005, note 8 "Share-based payment".

The following share options were granted during the corresponding periods and are still owned by the Chairman and the other non-executive members of the Board as per 31 December 2005. The company is not aware of any ownership of share options, as per 31 December 2005, by persons closely connected to the Board of Directors.

Year of grant	Maturity date	Vesting date	Ticker	Strike price ¹ (CHF)	Ratio (option: share)	Value per option at grant date (CHF)	Number of options
2001	20 Feb 2006	19 Feb 2004	GIVUP	506.3	100:1	1.012	-
2002	29 Jan 2007	28 Jan 2005	GIVBB	575.0	10:1	8.120	13,800
2003	17 Mar 2008	17 Mar 2005	GIVMS	509.7	10:1	5.670	15,900
2004	18 Mar 2009	18 Mar 2006	GIVOV	656.4	10:1	10.870	91,200
2005	21 Mar 2010	21 Mar 2007	GIVAB	805.0	10:1	10.740	89,000

The following share options were owned by the CEO, the other members of the Executive Committee and by persons closely connected to them as per 31 December 2005.

Year of grant	Maturity date	Vesting date	Ticker	Strike price ¹ (CHF)	Ratio (option: share)	Value per option at grant date (CHF)	Number of options
2001	20 Feb 2006	19 Feb 2004	GIVUP	506.3	100:1	1.012	-
2002	29 Jan 2007	28 Jan 2005	GIVBB	575.0	10:1	8.120	12,500
2003	17 Mar 2008	17 Mar 2005	GIVMS	509.7	10:1	5.670	37,000
2004	18 Mar 2009	18 Mar 2006	GIVOV	656.4	10:1	10.870	175,400
2005	21 Mar 2010	21 Mar 2007	GIVAB	805.0	10:1	10.740	227,000

1) Strike price of options have been adjusted consecutively to the approval by the shareholders, at the Annual General Meetings held on 16 April 2004 and on 27 April 2005, to distribute extraordinary dividends

Additional Fees and Loans

No additional fees and/or compensation were paid during the reporting period to any member of the Board, any member of the Executive Committee or any closely connected person. None of them had any loan outstanding as per 31 December 2005.

Ownership of Shares

No shares were allocated to any member of the Board, any member of the Executive Committee or any person closely connected to any of them during the reporting period. As per 31 December 2005, the CEO and the other members of the Executive Committee including closely connected persons held 20 Givaudan shares. The Chairman and the other non-executive Board members including closely connected persons held 136,995 Givaudan shares.

Shareholders' Participation Rights

In exercising voting rights, no shareholder may, with his own shares and the shares he represents, accumulate more than 10% of the entire share capital. Entities which are bound by voting power, common management or otherwise or which act in a co-ordinated manner to circumvent the 10% rule are considered as one shareholder. This restriction does not apply to the exercise of voting rights through members of a corporate body, independent representatives and holders of deposited shares, to the extent that no avoidance of the said restriction to the voting rights results therefrom. Any change in this rule requires a positive vote of the absolute majority of the share votes represented at a shareholders' meeting, as prescribed by Swiss law.

Any shareholder who, on the day determined by the Board of Directors, is registered as a shareholder with voting rights has the right to attend and to vote at the shareholders' meeting. Each shareholder may be represented by another shareholder who is authorised by a written proxy, or by a legal representative, a holder of deposited shares, a member of a corporate body or an independent person designated by the company.

The articles of incorporation of Givaudan SA follow the majority rules prescribed by Swiss law for decisions of shareholders' meetings.

Shareholders registered with voting rights are convened to shareholders' meetings by ordinary mail and by publication in the Swiss official trade journal at least 20 days prior to the day of the meeting. Shareholders representing shares for a nominal value of at least CHF 1 million may demand in writing, at least 45 days before the meeting, that an item be included in the agenda, setting forth the item and the proposals.

Shareholders registered in the share register with voting rights at the date specified in the invitation will be convened to the Annual General Meeting, which will be held on 7 April 2006. The specified date will be approximately two weeks before the meeting.

Change of Control and Defence Measures

The articles of incorporation of Givaudan SA do not have any rules on opting out or opting up. The legal provisions apply, by which anyone who acquires more than 33 1/3% of the voting rights of a listed company is required to make a public offer to acquire all listed securities of the company that are listed for trading on the SWX Swiss Exchange.

In the event of a change of control, share options granted by the company to members of the Board of Directors will become immediately vested. Options granted to a total of 194 employees will be deemed exercised and will entitle these employees to an amount equal to four times the value at grant or the market value at the time of the change of control, whichever is higher. Additionally, in the event of a change of control that has not been approved by the Board of Directors, the members of the Executive Committee and a group of a further 24 executives will be entitled to a compensation equivalent to two years' remuneration.

Internal Audit

Corporate Internal Audit is an independent and objective corporate function established to assist management in achieving their objectives. The Internal Audit's role is to evaluate and contribute to the continuous improvement of the company's risk management and control systems. This specifically includes also the analysis and evaluation of the effectiveness of business processes and recommendations for adjustments where necessary.

The audit approach is based on the business process audit methodology, which provides value to the local entities and to Group management. Effective communication and reporting ensure an efficient implementation of the audit recommendations.

Corporate Internal Audit reports to the Audit Committee of the Board of Directors. The yearly Internal Audit programme is approved by the full Board after review by the Audit Committee. Results of audits are presented annually to the Board. The audit function has been headed since the year 2000 by Jean-Pierre Wirtz. For specific audits of affiliates, staff from Ernst & Young support the Internal Audit function.

External Auditors

PricewaterhouseCoopers SA (PwC) has been appointed as the world-wide auditors of the Givaudan Group since the spin-off in 2000. The responsible Principal Auditor since 2000 has been Ralph R. Reinertsen, Partner.

The fees of PwC for professional services related to the audit of the Group's annual accounts for the year 2005, amounted to CHF 2.4 million. This amount includes fees for the audit of Givaudan SA, of its subsidiaries, and of the consolidated financial statements. In addition, for the year 2005, PwC rendered other services (mainly tax related) for CHF 0.7 million.

The Audit Committee is responsible for evaluating the performance of PwC as external auditors. In addition, the Committee reviews and approves the compensation of PwC, reviews the nature of other services and fees provided to the Company by PwC and enquires into their independence. In 2005, PwC attended three meetings of the Audit Committee. The scope of the audit is defined in an engagement letter approved by the full Board of Directors.

Information Policy

Givaudan's Principles of Disclosure and Transparency are described in a publication posted on our internet website www.givaudan.com – [investor center] – [publications] – [corporate policies]

Hardcopies of company publications, such as the Annual Report, Half-Year Report and Environment & Safety Report are available on request. They can also be downloaded from Givaudan's website under:
www.givaudan.com – [investor center] – [publications]

Other important website paths

Quarterly sales information and other media releases:
www.givaudan.com – [media room] – [media releases]

Calendar of events:
www.givaudan.com – [investor center] – [agenda]

Articles of Incorporation:
www.givaudan.com – [investor center] – [publications] – [corporate policies]

Givaudan Securities

Price development of shares since public listing



Givaudan Shares are traded at virt-x, ticker symbol 1064593.

Finance



The Aztecs believed that chocolate was a gift from the heavens and that cacao seeds had been brought from paradise by the gods, granting wisdom and power to whoever ate them. In fact, the botanical name *Theobroma cacao* literally means "food of the gods".

Chocolate was so revered by the Mayas and the Aztecs that it was used as both as a food and a currency. Cacao beans were believed to have fearsome magical powers and were used in rituals, religious ceremonies and as a variety of beverages.

The Aztec emperor, Montezuma, drank a thick chocolate drink laced with ground chillies and dyed red to look like blood. The drink was so prestigious that it was served in golden goblets that were thrown away afterwards. It is said that Montezuma enjoyed it so much that he drank up to fifty goblets each day!

The Spanish conquerors were probably the first Europeans to try chocolate. Although it is said that they were not particularly fond of the Aztec delicacy known as "chocolatl", they recognised its potential and took a load of cocoa beans back to Spain, where it quickly became trendy at the royal court.

To reduce the bitterness of the beverage, the Spaniards mixed the beans with sugar, vanilla, nutmeg, cloves, allspice and cinnamon. The results were tantalizing, coveted and fashionable; reserved for the Spanish nobility, the delight was kept a secret from the rest of the world for almost hundred years.

Although chocolate can now be found almost everywhere, it still excites the imagination. Chocolate makers continue to innovate as they combine chocolate with ever more novel ingredients. Growing demand to find new applications in drinks, desserts and even perfumes, bubble baths and body lotions, shows that chocolate is still very much a trendy "food of the gods".

Financial Summary

This section contains condensed financial information only. The reader is referred to the separate Financial Report, which contains the full financial statements and disclosures, should additional information be required.

Operating Performance

In an increasingly challenging environment, Givaudan again delivered a solid operating performance in 2005, particularly when compared with the strong results of the previous year.

Sales increased by 3.6 % in Swiss francs and 2.5 % in local currencies. It should be noted that both divisions continued the elimination of lower value-added ingredients from their respective product portfolios. Excluding this streamlining effect, sales increased by 3.5 % in local currencies.

Gross profit improved by 6% to CHF 1,359 million representing a gross margin of 48.9% compared to 47.7% for the previous year. Despite several raw material cost increases, this improvement was possible due to efficiency gains, the completion of the margin improvement initiatives initiated two years ago and the positive impact of the European Flavour site consolidation.

Operating profit increased by 7% to CHF 513 million, in spite of CHF 21 million of asset impairments recognised in connection with site closures. On a comparable basis, excluding restructuring expenses in 2004 and asset impairments in 2005, the EBIT margin improved from 18.7% to 19.2%, while the EBITDA rose from 21.8% to 23.0%. These results confirm the Givaudan commitment to maintaining a strong operating profitability.

Financial Performance

The global economic environment presented challenges as well as opportunities for Givaudan financial operations. The US dollar strengthened considerably during the year, requiring prudent management of currency exposures. Notwithstanding the strengthening of the US dollar, overall the average exchange rates of the key currencies remained at levels similar to those of the previous year.

Interest rates in Switzerland remained at low levels, offering the opportunity to issue in May 2005 a CHF 300 million straight bond at attractive terms. This transaction secured favourable long-term conditions in view of the repayment of the straight bond which matured on 29 December 2005. Interest expenses increased compared to the previous year, reflecting the higher average debt position during 2005.

Financial expenses, net of income, decreased by CHF 25 million to CHF 26 million, mainly due to net gains realised on the sale of marketable securities.

The average expected tax rate decreased from 20% in 2004 to 19%, as the result of careful monitoring of this position. However, the effective tax rate in 2005 reached 16%, due to a one time positive effect of CHF 13 million.

Net profit after taxes increased by 21% to CHF 406 million, representing 14.6% of sales. As a consequence of the net profit improvement and the lower average number of outstanding shares, earnings per share increased by 27% to CHF 56.57.

Cash flow

Givaudan continued to deliver a sound operating cash flow of CHF 502 million, although not at the level of 2004. The decrease is due to the combined effect of an increase in working capital in 2005 and the exceptionally low taxes paid in 2004 (special tax credits and payment of some 2004 taxes in 2005). Total net investments of CHF 151 million remained stable, leading to an operating cash flow after investments of CHF 351 million.

During 2005, Givaudan returned a total of CHF 286 million in cash to its shareholders; CHF 169 million in the form of share buy back and CHF 117 million in the form of dividends.

Balance sheet

The Givaudan balance sheet remains strong. At the end of 2005, the equity ratio reached 54% of total assets, up from 46% at year end 2004. Net debt increased slightly from CHF 541 million to CHF 618 million. Cash and marketable securities decreased, mainly as a consequence of the share buy back programmes and the dividend payment, whereas total debt decreased as a consequence of the final redemption of the US dollar convertible bond. The debt maturity profile changed towards higher long term debt, as a result of the refinancing of the CHF 300 million straight bond redeemed on 29 December 2005.

Consolidated Condensed Balance Sheet at 31 December

<i>in millions of Swiss francs</i>	2005	2004
Current assets	1,723	1,766
Non-current assets	2,793	2,564
▶ Total assets	4,516	4,330
Current liabilities	763	1,238
Non-current liabilities	1,316	1,104
▶ Total liabilities	2,079	2,342
Share capital	74	78
Retained earnings, reserves and other equity components	2,361	1,909
Minority interest	2	1
▶ Equity	2,437	1,988
▶ Total liabilities and equity	4,516	4,330

Consolidated Condensed Cash Flow Statement for the Year ended 31 December

<i>in millions of Swiss francs</i>	2005	2004
▶ Cash flows from (for) operating activities	502	586
▶ Cash flows from (for) financing activities	(548)	(517)
▶ Cash flows from (for) investing activities	(138)	(103)
Net effect of currency translation on cash and cash equivalents	14	(1)
Increase (decrease) in cash and cash equivalents	(170)	(35)
Cash and cash equivalents at the beginning of the period	459	494
▶ Cash and cash equivalents at the end of the period	289	459

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During the TrendTrek™ to Northern Brazil, Givaudan also conducted research on local traditions and customs, interviewing people about their customs of herbal remedies to protect and cure themselves. These investigations led them to the “Mercado Ver-o-Peso”, a huge and picturesque outdoor marketplace, where thousands of people circulate daily between the numerous huts to find all sorts of medicinal, mysterious and edible goods. These include fruits, vegetables and plants that bestow a fascinating touch of colour and a mixture of fragrances and flavours to the place. Having the unique characteristics of ancient cities in Amazonia, the Ver-o-Peso market also forms a historic link between the Amazon River and Rainforest, the modern city and the traditional countryside.

The market displays a huge variety of plants, roots, barks, herbs, flowers, essential oils and witchcraft “Mandingas”: potions that are purported to

have mystical and magical powers against all sorts of diseases and ailments such as toothache or more suggestive concoctions bearing names like “Cry at my feet”, “Don’t leave me”, or “Come back to me”, which are sold in small flasks known as “Garrafadas”. A cure for every single human problem, ranging from envy to lack of money, broken hearts or even seduction can be found at this market.

Pripricoa, for example, was discovered at this market as one of the ingredients in the “Banho de cheiro”. Recipes depend very much on the person creating them. Responsibility for manipulating the herbs, mixing the necessary ingredients and prescribing the miraculous potions is a heritage transmitted from generation to generation. The basis of this knowledge of “natural medicine” originates from indigenous rituals and the syncretism of African beliefs.



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