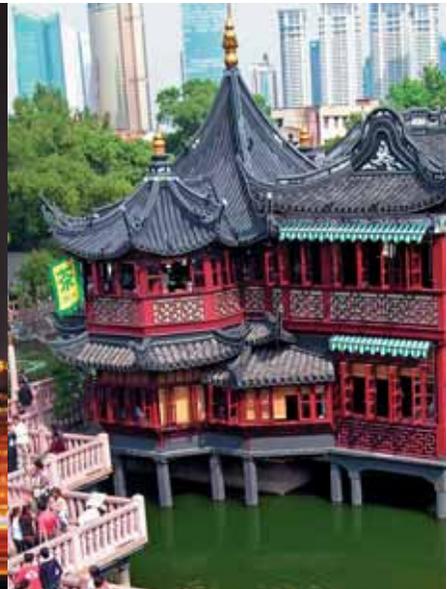


Givaudan[®] Leading Sensory Innovation



Annual Report 2006

Key Figures

<i>in millions of Swiss francs, except for per share data</i>	2006	2005
Sales	2,909	2,778
Gross profit	1,436	1,359
<i>as % of sales</i>	49.4%	48.9%
EBITDA at comparable basis ^{a c}	660	640
<i>as % of sales</i>	22.7%	23.0%
EBITDA ^a	628	640
<i>as % of sales</i>	21.6%	23.0%
Operating profit at comparable basis ^b	550	534
<i>as % of sales</i>	18.9%	19.2%
Operating profit	514	513
<i>as % of sales</i>	17.7%	18.5%
Result attributable to equity holders of the parent	412	406
<i>as % of sales</i>	14.2%	14.6%
Earnings per share – basic (CHF)	58.62	56.57
Earnings per share – diluted (CHF)	58.22	56.17
Operating cash flow	449	502
<i>as % of sales</i>	15.4%	18.1%

a) EBITDA: **Earnings Before Interest (and other financial income), Tax, Depreciation and Amortisation**. This corresponds to operating profit before depreciation, amortisation and impairment of long-lived assets.

b) Comparable operating profit for 2006 excludes: restructuring charges, long-lived assets impairments, a one time gain on a land disposal and the net cost of the butter flavours litigation case settlement. Comparable operating profit for 2005 excludes: long-lived assets impairments.

c) Comparable EBITDA for 2006 excludes: restructuring charges, a one time gain on land disposal and the net cost of the butter flavours litigation case settlement.

Sales by Division

Sales Flavours 58%

CHF 1,686 million

+2.4% in Swiss francs

+1.2% in local currencies

Sales Fragrances 42%

CHF 1,223 million

+8.2% in Swiss francs

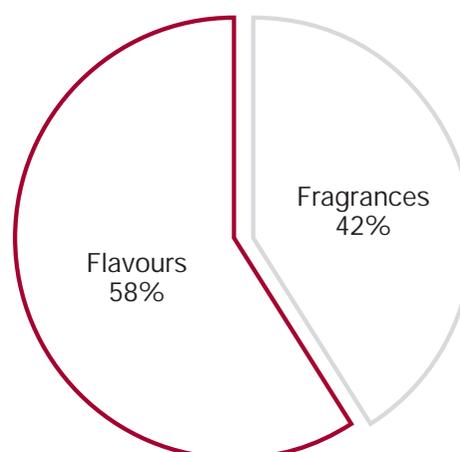
+6.9% in local currencies

Total Sales

CHF 2,909 million

+4.7% in Swiss francs

+3.5% in local currencies





In the last 25 years, China has seen a fast, multi-faceted development. Market-based economic reforms started and helped lift hundred millions of people out of poverty, bringing the poverty rate down from 53% of population in 1981 to substantially below 10% nowadays (World Bank). Today, China is the world's largest producer of steel and concrete, and uses a third of the world's steel, over half of the world's concrete, and is the second largest importer and user of world oil. Shanghai alone uses as much concrete as Germany. Disposable income has risen over the years and millions of people have reached living standards that are in line with the developed regions of the world. Hand in hand with these developments, lifestyles in China are changing. More and more industrially produced goods are asked for by the end consumers, raising the importance of fragrances and flavours.

The Chinese market for fragrances and flavours developed nearly as quick as the whole economy with growth rates of 4-7%, which is double the rate of the mature Western markets. In the 1980s this market was still dominated by state-owned fragrance and flavour houses, which used mainly single chemicals rather than compounds. The 1990s have seen the entry of foreign fragrance

and flavour houses, with Givaudan operating out of Hong Kong and founding a joint venture in Shanghai in 1995. Today, more and more privately owned Chinese companies enter into the fast growing, promising domain of fragrances and flavours.

Despite the fast development, China remains a country of contrasts. Old and new, rural and urban, poor and rich, simple and sophisticated: they all exist side-by-side, and these contrasts have implications on the development of habits and preferences for different products. You don't have to go far from an area where the normal practice is hand washing with bars of soap to find the use of washing machines and powder detergents, fabric softeners and dryers. The ever-changing lifestyle gives rise to the consumption of fast food and the desire for convenience products. In the urban centres, life and economy increasingly have a Westernised character, but with a Chinese soul and face. This is what we want to visualise in this annual report 2006, a year in which Givaudan made a further quantum leap in its Chinese business and operations, with the opening of a brand-new state-of-the-art flavour centre.

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Letter from the Chairman and the CEO



Dear Shareholder,

2006 was a decisive year for Givaudan. The company captured further market share in a continued competitive environment, fuelled by organic sales growth and resulting in increased returns for its shareholders. In addition, Givaudan played an active role in the industry's consolidation by announcing its intention to acquire Quest International – a division of ICI Plc.

This acquisition, which is the largest in the company's long heritage, will extend Givaudan's strong position in the global fragrance and flavour industry and will solidify its presence in all strategic market segments, once all necessary regulatory approvals have been obtained.

In 2006, total group sales increased to CHF 2,909 million, representing a 4.7% rise when measured in Swiss Francs and a 3.5% rise in local currencies. Despite the continued elimination of low value-added ingredients from Givaudan's product portfolio, the company continued to deliver above market sales growth for the sixth consecutive year. This streamlining impacted annual sales by CHF 33 million. Without this effect, sales in local currencies would have progressed by 4.9%.

The strong sales performance of the Fragrance division in 2006 is a particularly gratifying achievement given the competitive business environment. Sales rose to CHF 1,223 million, an increase of 8.2% in Swiss Francs and a 6.9% rise in local currencies. This result was driven by strong market share gains across all the divisions' core businesses and in particular by

double-digit sales growth in Fine Fragrances and specialty ingredients and high single digit sales growth in Consumer Products.

Sales in the Flavour Division increased 2.4% in Swiss Francs and 1.2% in local currencies to CHF 1,686 million. The strong demand in the emerging markets of Asia Pacific, Latin America and Eastern Europe could not fully offset the slower sales development in the mature markets of Japan and North America. In addition, the Flavour Division's performance was negatively impacted by discontinuing sales of low value-added commodity products. This effect amounted to a decline in sales of CHF 16 million for the division.

During 2006, Givaudan's gross profit margin further improved to 49.4% from 48.9% in 2005. This sound performance underlines Givaudan's continuous efforts to improve efficiencies and productivity in the supply chain and allowed the company to offset the increase in raw material costs. The Group's net profit after tax rose to CHF 412 million, up 1.5% compared to the very strong previous year's result. Earnings per share (basic) rose to CHF 58.62 from CHF 56.57, due to a lower number of outstanding shares and the increase in net profit.

Cash flow generation continued to be strong, amounting to CHF 449 million at the end of 2006. Due to lower net debt, the equity ratio further improved to 59% of total assets.

During the Annual General Meeting in Geneva on 7 April 2006, you approved the cancellation of 200,000 repurchased shares from the second share buyback program, which resulted in a further reduction of the share capital to CHF 72,000,000 from previous CHF 74,000,000, or a 2.7% decline. You also approved to extend the existing authorised capital of CHF 10,000,000

until 7 April 2008. The Board of Directors will recommend at the next Annual General Meeting, taking place on 30 March 2007 in Geneva, to increase the ordinary dividend to CHF 18.80 from the CHF 17.60 paid in 2005. This represents the sixth successive dividend increase since the company went public in 2000.

In 2006, several new initiatives and projects were launched to maintain and further expand Givaudan's market position. The Accelerated Sales Growth Strategies for both divisions were developed over several months and introduced in July. Givaudan's management identified specific growth opportunities in key strategic areas, respective initiatives were developed and action plans are being implemented. At its meetings in 2006, the Board of Directors analysed and discussed in depth various options to complement Givaudan's strategy of profitable organic growth by value adding acquisitions. As a result, an announcement was made on 22 November 2006 to acquire Quest International, a division of ICI Plc. This acquisition is complementary to Givaudan's organic growth strategy and will enable us to implement our growth initiatives even faster.

Givaudan also introduced an ambitious global project with the objective to further harmonise business processes and data streams across the company. This joint effort of both divisions, together with the Information Technology organisation, will focus on the areas of finance, supply chain management, regulatory affairs and product safety. This business transformation will be supported by the implementation of a single integrated information systems platform, based on SAP. The project will further enhance the company's ability to deliver best-in-class products and services to its customers. After a

development and pilot phase running until 2007, we will commence the roll out of the system in 2008.

In line with the ongoing optimisation of production processes in the Flavour Division, the expansion of our U.S. flavour production facility in Devon (Cincinnati) was completed in 2006. The subsequent closings of the production sites in New Milford (Connecticut) and Oconomowoc (Wisconsin) were successfully finished. The Fragrance Division's production capacity was expanded at the Mount Olive (New Jersey) site and in Vernier, Switzerland. Furthermore, to improve flavour material handling efficiencies, a fully automated warehouse is currently under construction in Dübendorf, Switzerland.

Over the last few years, the strong sales growth in the developing markets has called for continued investments in those regions. As a result of Givaudan's relentless efforts to provide the best products, best service and production technology to local, regional and international customers in all regions, a new Flavour creation, technology and production centre was inaugurated in November in Shanghai, China. Going forward, Givaudan will continue to invest in the developing markets.

Long term succession planning has always been a commitment for Givaudan. In July 2006, we implemented another successful transition of leadership with Mauricio Graber becoming the new head of the Flavour Division. He has been with Givaudan for more than 11 years. He replaced Michael Davis, who retired after a 30 year long, outstanding career within the industry. He was instrumental in setting the base for Givaudan's industry leadership in Flavours and we thank him for his great contribution to Givaudan's success.

It is at the core of Givaudan's efforts to maintain and expand a sustainable business model. The company believes that focusing on sustainability does not conflict with superior short term business performance. On the contrary, Givaudan is convinced that a sustainable business approach is a key factor to achieve long term value creation. Indeed, the company addresses and mitigates at an early stage possible business challenges evolving from several economic, environmental and social developments. To ensure the sustainability of Givaudan's business, additional programmes ranging from supporting fair trade to the installation of more energy efficient technologies, have been introduced during 2006. These programmes complement already existing efforts regarding the company's responsibilities towards its shareholders, customers, employees, suppliers and the environment.

In our industry, innovation is the key success factor to create sensory solutions which will help our clients to remain successful and competitive in their respective markets. Thus, the focus on innovation in taste and smell continued in 2006. In Fragrances, three new patented molecules have been added to our perfumer's palette. In Flavours, the important Health and Wellness initiative, for which Givaudan has introduced its Taste Solutions™ programme, has made further progress. Several possibilities to reduce salt and sugar in a wide array of products while not compromising on the taste have been identified. Health and wellness is more than a trend. Consumers are changing their lifestyle and dietary habits, which creates an increasing demand for healthier products.

The acquisition of Quest is consistent with Givaudan's objective to be the leader in every strategic business area of our industry. By adding the talent, creativity and the expertise of Quest, Givaudan is even more confident to successfully address the industry's challenges ahead and to continue to generate increasing returns for its shareholders over the long term. By integrating Quest, Givaudan will be able to serve its customers with the largest pool of creative talent in the industry, a critical success factor to develop the winning, innovative products our customers and the end-consumers demand. Givaudan will not only be able to build on a strengthened technology, research and development portfolio, but will also expand its capabilities for in-depth consumer understanding. Quest's strength, particularly in Fine Fragrances, will complement Givaudan's capabilities and as a result, the company will become the industry leader in this important segment. In Flavours, the acquisition will solidify and further expand the company's strong presence in the developing markets. In addition, the company will have the ability to significantly increase investments in research and development over the long term. Hence, Givaudan will have the unique opportunity to create an unrivalled innovation platform in the flavour and fragrance industry.

We are aware that the results achieved in the past year would not have been possible without the dedication and passion of our employees worldwide. We would like to personally thank all members of our staff for their hard work and commitment. We would also like to extend the gratitude and appreciation of the Board of Directors for the achievements of our employees in the interest of Givaudan.

It remains our vision to be the Essential Source for Sensory Innovation for our customers, driven by the passion of our employees and the strong potential created by adding the capabilities and talents of Quest. The acquisition of Quest, combined with the challenging sales growth strategy sets an ambitious agenda for 2007. We are confident that Givaudan will continue to generate above-average value for its shareholders.

Dr Jürg Witmer
Chairman

Gilles Andrier
CEO



Fragrance Division



Traditional hand washing of clothes is still predominant in most parts of China. The clothes are then hung outside or in a room to dry. The use of washing machines has been growing over the last couple of years, mainly in urban areas. Powder detergent has already become the more common product although in the urban centres laundry soap is also still used to pre-wash or to hand wash delicate clothes. Laundry soap remains the main product used in rural areas. Laundry tends to be done at night because, in the average Chinese family, both the man and woman are at work and so have little time during the day for housework.

In the 1980s, when washing machines had not yet become a common household device, detergent powders with simple straightforward scent such as lemon or jasmine were used. These were mainly manufactured by domestic suppliers, and the main objective was to cover the base odour of the soap.

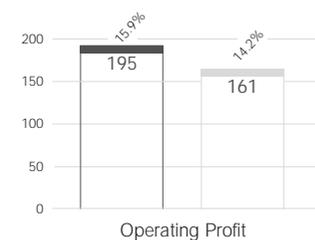
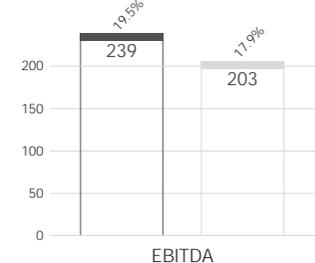
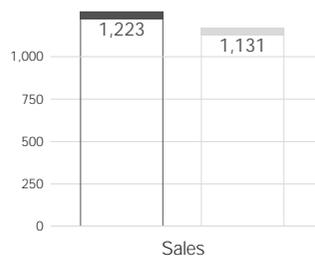
In the 1990s, companies started to produce perfumed detergent powders, exploring new areas of consumer preference for different "flavours" such as citrus, floral-fruity, woody and musk. The intensity of the fragrance remained discreet.



Today, Chinese consumers tend to attach more importance to the fragrance as a key element for choosing a detergent or fabric softener. Even the Florida Water (see back cover for explanation), which was considered to be one of the most popular and prestigious forms of fragrance in China, is sometimes added into the laundry water.

Another example is the sun-dried laundry smell which taps strongly into consumer habits and preferred smells. Consumers tend to dry laundry outside as soon as the weather is good enough, because sunlight is considered a germ-killer and the smell of sun-dried laundry is perceived as the ultimate fresh and clean experience.

■ Year 2006 ■ Year 2005
in millions of Swiss francs and in per cent. of sales



EBITDA: Earnings Before Interest (and other financial income), Tax, Depreciation and Amortisation. This corresponds to operating profit before depreciation, amortisation and impairment of long-lived assets.

In 2006, the Fragrance Division recorded sales of CHF 1,223 million, resulting in a growth of 6.9% in local currencies and 8.2% in Swiss francs. This result is based on the strong performance of all three core businesses namely Fine Fragrances, Consumer Products and speciality ingredients.

Fine Fragrance sales grew at a double-digit rate following last year's flat development. Consumer Products again significantly outgrew the market. In Fragrance Ingredients, commodities continued to be streamlined, whilst specialties delivered a double-digit growth.

The division's operating profit increased to CHF 195 million, resulting in an increased operating margin of 15.9% versus 14.2% in 2005. The favourable product mix, due to the higher share of fine fragrances and speciality ingredients sales, had a positive impact

on the operating margin. In addition, increased volumes led to a higher absorption of fixed production costs. These favourable developments more than compensated for a further increase of raw material prices and price pressure from customers. In addition, these developments enabled the division to further invest in marketing and product development in order to sustain the excellent growth momentum.

Important investments have been made in 2006 to further increase the degree of automation and the capacity of the compounding facilities. This will enable Givaudan to sustain its high service levels, which are unique in the industry. The Mount Olive, USA, production facilities are being expanded and additional compounding robots will be installed. In Vernier, Switzerland, a high capacity mixing tank, one of the largest in the industry, was installed.



Laundry soap is still widely used in rural areas as the basic laundry product. In the past, soaps contained no fragrance. From the 1990s onwards, packaging and therefore colour and design became very important and increasingly the fragrance became the ultimate purchasing factor. Chinese appreciate fruity, floral and fresh

fragrances, such as citronella, which is an imprinting smell for laundry soap, whereas single floral scents, such as jasmine, are becoming old fashioned.

In fabric softeners, the trend is for sweet fruity smells with sparkling freshness and more subtle

The creative team of perfumers has been strengthened by students who have graduated from Givaudan's Perfumery School located in Paris. In autumn a new three year programme started with promising young talents, laying the foundation for sustained future success.

Fine Fragrances

Fine Fragrances had the best year in the company's history. In Europe, North and Latin America, sales grew double-digit. The combination of several successful new launches with a lower erosion rate of the existing portfolio, complemented by the strong performance of the specialty retail business in North America, were the drivers of this positive result. Asia Pacific, still a very small market for fine fragrances, also recorded positive growth in 2006.

This strong performance was achieved in an environment where the underlying growth of both mature markets, Europe and North America, remained flat. It was particularly the case in key countries, such as Italy and France, where the fine fragrances market has decreased in 2006. In North America, retail sales of men's perfumes grew at a very slow rate and sales of women's perfumes were declining.

At the Annual Fragrance Foundation FiFi awards ceremony, held in New York and Paris, perfumes created by Givaudan were again amongst the winners. The Armani Privé collection including Pierre de Lune and Eau de Jade, won the awards for the best luxury fragrance in Paris and best men's nouveau niche fragrance in New York. The very successful Armani Code won the award for the best men's luxury fragrance in New York.

In 2006, Givaudan further expanded its capabilities to serve customers in the fine fragrance market. In the creation studios in New York, a new floor dedicated to the fast growing specialty retail segment was opened.

New perfumes created by Givaudan in 2006 included:

Women's Fragrances

- *Midnight Fantasy by Britney Spears*
Elizabeth Arden
- *Black Orchid by Tom Ford*
Estee Lauder
- *Enchanted by Celine Dion*
Coty
- *Shine*
Avon
- *Sexy Little Thing*
Victoria's Secret
- *Kaiak Aventura*
Natura



milder perfumes with a touch of naturalness. Since the Chinese market was culturally and historically accustomed to very simple and discreet perfumes, an approach of "natural memory smell" is important. The use of white flowers such as jasmine, osmanthus and less frequently michelia alba (a magnolia variety) has been reconstituted

with the ScentTrek® method. These smells nowadays are used as the inspiration for many applications such as air fresheners, shower gels, shampoos, bars of soap and softeners. A widely used concept is also lavender, although this is still something of a "fantasy" smell for many Chinese people.

- *Vintage Soul*
Liz Claiborne
- *Sunrise*
Liz Claiborne
- *Winterkiss by Naomi Campbell*
Procter & Gamble
- *Marc O'Polo Woman*
Procter & Gamble
- *Old Spice Signature*
Procter & Gamble
- *Reflets d'Eau, Rochas*
Procter & Gamble
- *Touch of Sun, Lacoste*
Procter & Gamble
- *Mexx Ice Touch Woman*
Procter & Gamble
- *Ralph Lauren Hot*
L'Oréal
- *S by Sherrer*
Sherrer
- *L'orchidée*
Léonard
- *Young Sexy Lovely*
Yves Saint Laurent Parfums

Men's Fragrances

- *Roots for men*
Coty
- *Prada Man*
Puig
- *Comme des garçons, Guerilla 1 & 2*
Puig
- *Red Delicious, DKNY*
Estée Lauder
- *Polo Double Black, Ralph Lauren*
L'Oréal
- *Boss Selection*
Procter & Gamble
- *Burberry London*
Interparfums
- *Story, Paul Smith*
Interparfums

Consumer Products

The Consumer Products business unit substantially outperformed the market with high single-digit growth. For the last six consecutive years, Consumer Products has grown two to three-times faster than the market. This performance has been achieved by providing efficient, creative, unique and innovative solutions to customers. Continued investments in Givaudan's talents and capabilities have created an organisation uniquely positioned to efficiently serve its customers. The creation centres in all regions made further investments in evaluation and laboratory facilities, enabling them to service customers' increasing demand. These achievements are the result of Givaudan's capabilities to be the partner of choice for its international and regional customers as well as the expert for unique solutions for local customers.



Consumers in Southern China have a longer history of exposure to scents and perfumes and tend to be more discriminating when it comes to scents. Consumers in Shanghai tend to be more brand aware, whilst consumers in Northern China prefer more functional fragrances.

The demand for fragrances in China is growing at a fast rate. Since Givaudan opened its own operations in Shanghai in 1997, its fragrance sales showed a compound annual growth rate of over 16%.

In North America, sales growth was mainly driven by international customers. In Asia Pacific, strong growth was achieved across all customer groups and particularly in the key strategic markets of China and India. The Latin American region delivered a double-digit sales increase with all customers, helped by strong results in the markets of Argentina and Mexico. Europe, Africa and Middle East posted solid growth thanks to local and regional customers.

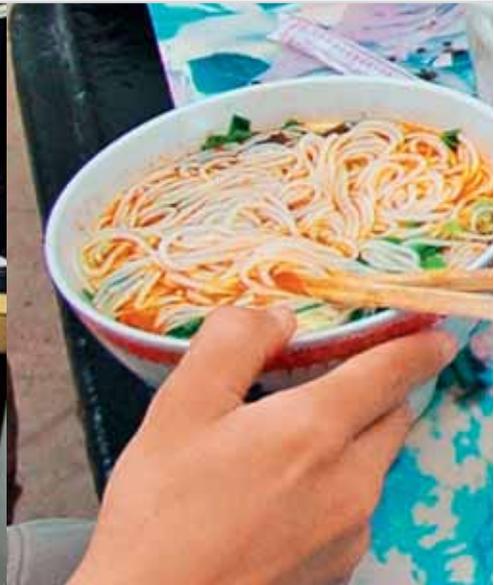
All product categories have delivered good growth. The strongest performance was recorded in household and air care, followed by fabric care and personal wash.

Fragrance Ingredients

Givaudan's strategy to move to higher value adding fragrance molecules resulted in another year of double-digit growth in speciality ingredients. Javanol – a sandalwood molecule sold since 2004 – enjoys a growing popularity with perfumers throughout the industry and will soon join Givaudan's top ten selling products. At present, five specialities are amongst the ten best selling ingredients.

The Givaudan commodity ingredients portfolio has been further streamlined during 2006. The impact of the discontinued products amounted to CHF 17 million, resulting in slightly lower sales of the overall ingredients business unit.

Cost improvement, thanks to improved production processes and better raw material sourcing, is ongoing and allows Givaudan to retain market share in an increasingly competitive environment for fragrance ingredients.



Flavour Division



Chinese love to eat. They love food so much, that a traditional greeting is Chi Le Ma? (Have you eaten?). A meal amongst friends should have at least eight courses, since the pronunciation of eight sounds like "getting rich". There are many other rules and sayings around eating. Many old celebrations

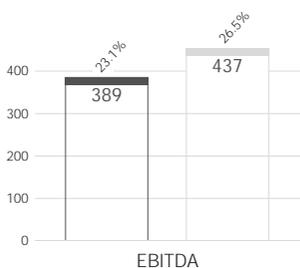
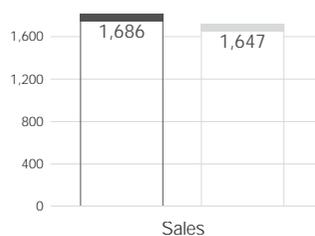
and traditions, like the spring and moon festivals are tightly connected to eating (e.g. spring rolls and moon cakes). Eating fish for example is very important for the spring festival and also for birthdays, since Yu (fish) sounds like "abundance", meaning that in the coming year, your life will be full of good things.



Traditionally China featured four main styles of cooking: the cuisine of the North, Lu, the Sichuan cuisine, Chuan, the cuisine north of Shanghai, Su, and the Cantonese cuisine, Yue. These styles have developed further. The Lu style of cooking evolved to the Jin cuisine, which is found in the capital

Beijing. One of the important dishes of this cooking tradition is Beijing Duck. Today the cookery with the most variety is the cuisine of Shanghai, called Hu. Hu has developed out of the northern Su and the Zhejiang traditions.

■ Year 2006 ■ Year 2005
in millions of Swiss francs and in per cent. of sales



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In 2006, the Flavour Division recorded sales of CHF 1,686 million, representing a growth of 1.2% in local currencies and 2.4% in Swiss Francs. The streamlining of commodity ingredients impacted flavour sales by CHF 16 million, mainly in North America and in Europe, Africa and Middle East (EAME). Excluding this effect, the underlying sales growth would have been 2.3% in local currencies.

Latin America, EAME and China continued to show strong growth, whilst sales in the mature markets of North America and Japan declined. The Confectionery, Dairy and Savoury segments continued on their solid growth paths, whereas Beverage sales suffered primarily in North America and Japan.

The operating margin decreased from 21.4% to 18.9%, resulting in an operating profit of CHF 319 million. On a comparable basis, the operating margin declined

from 22.6% to 21.1%. This comparison excludes asset impairments and restructuring charges for site closures (2005, 2006), the one time impact of the butter flavour claims and the net income from the sale of land (2006). Increased expenses to fund the growth strategies of the division and higher raw material prices were the main reasons for the margin decrease.

Givaudan strengthened its position as the clear industry leader through important investments. The inauguration of the Shanghai creation, technology and production centre in November was a significant milestone for Givaudan in Asia and especially in the fast growing market in China.



The Hu cuisine is well-known for its panfried-steamed dumplings and very original tastes.

It is light, and soy sauce plays an important role as a spice and ingredient. The Chuan style of cooking is very spicy, using Sichuan pepper; Sichuan hot

pot, originally a dish from Mongolia, is a popular meal for feasts. Cantonese cooking, Yue, is well known for its lightness. Important dishes are Ha Cao (Xia Jiao, shrimp dumpling), honey roast pork and many varieties of roast poultry.

Asia Pacific

The year 2006 was marked by a contrasting sales performance between the developing and mature markets. The growth of the developing markets was led by a double-digit performance in China and the Indian subcontinent. Continued investments in these important growth areas resulted in new wins and a strong increase of the existing business. Sales development in the mature markets was not up to the expected level. The strong growth in Korea could not offset the disappointing performance of the Japanese Beverage segment.

Overall, all segments with the exception of Beverages, showed a positive performance. Foodservice sales achieved high double-digit growth rates as the region successfully expanded its product and service offering to key customers in this strategic segment.

The new Shanghai creation, technology and production centre expands

Givaudan's position in China. The company has increased its capabilities in all segments to better service its customers with innovative flavour solutions in this important growth market.



"Pasta" as Italians call it, comes from China, where it is eaten as fried noodles, noodle soup and wonton soup (Chinese ravioli). The very popular noodle soups exist in hundreds of varieties all over China, vegetarian, pork, beef, seafood; you name

it, and it exists. With changing lifestyles, shorter lunch breaks and less time for cooking, Chinese are increasingly making use of convenient, ready-made noodle soups. In 2005 a massive 45 billion packets were consumed in China.

Europe, Africa, Middle East (EAME)

Sales performance was strong in EAME. In both, developing and mature markets, Givaudan continued to increase its market share. Sales in Western Europe made good progress. The developing markets delivered a high double-digit growth rate. All major segments have contributed to this achievement. Givaudan's continued investments in local development centres, like Vienna (Austria) for Eastern Europe, have enabled the company to offer flavour solutions, which are tailor-made for local consumer preferences.

A double-digit growth rate was achieved in Confectionery whilst Dairy delivered a good performance. Savoury benefited from the initiative to provide clean label solutions to customers in an increasingly demanding regulatory environment. The Beverage segment capitalised on

the strong trend towards healthier products by introducing several new ingredients. Developing taste solutions for health and wellness products continued to be a primary focus, which was the basis for several important new wins in 2006.

A state-of-the-art, fully automated warehouse in Dübendorf, Switzerland, is currently under construction. It will significantly improve efficiency in serving customers.

North America

Sales in the United States and Canada overall declined. Sales in the Beverage segment were lower due to a lack of new product launches. The Confectionery segment continued its previous year's good performance, whereas sales in the Dairy segment declined. Sales of the Savoury segment came in lower due to weak demand of the retail sector, modest growth in Foodservice and the continued streamlining of commodity ingredients. Growth of cheese and dairy flavours for savoury applications was very strong thanks to Givaudan's unique technology portfolio.

The expansion of the facility in Devon (Kentucky) was completed. The plants in New Milford (Connecticut) and Oconomowoc (Wisconsin) were closed on schedule with part of the production being transferred to Devon.



The variety of ready-made noodle soups is now starting to approach the number of freshly made varieties. In grocery stores and supermarkets, you find them on nearly endless long shelves and Givaudan makes sure they taste like the real thing.

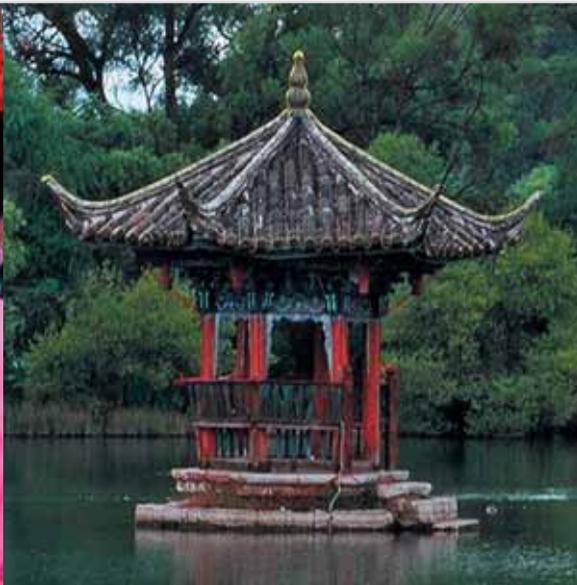
It's very important to know the taste preference of the end consumer and what pleases a Cantonese person might not necessarily be attractive for an end consumer in Shanghai.

Latin America

Sales in Latin America achieved a high single digit growth, clearly outperforming the market. Sales growth was partially driven by the expansion of the customer base. The markets of Argentina, Brazil, Colombia and Chile delivered the strongest growth in the region. Sales in Mexico declined, but Central America sustained its solid growth trend from previous years.

Beverages recorded a low single digit growth, whilst Confectionary, Dairy and Savoury achieved double-digit sales increases driven by new wins.

Investments to increase manufacturing capacity and commercial capabilities were completed in Argentina and Ecuador respectively in order to support further growth.



Research and Development



ScentTrek® is the proprietary technology used by Givaudan to find innovative fragrance concepts in nature. The search for novel concepts and molecules in nature started off from rather modest trips to the Ligurian coast in Italy, to the Swiss Mountains or to Indonesia and culminated in spectacular canopy, undergrowth and forest-floor explorations in the rainforests of French Guiana,

Gabon and Madagascar. The expeditions continued then to the South of India and Africa, to the Death Valley during the Century Spring in 2005 and to the remote Hawaiian islands of Kauai and Molokai, where the scent of critically endangered species have been studied by applying the non-destructive Givaudan ScentTrek® method.



One of these ScentTrek® journeys has led Givaudan also to China, to the north-western highlands of Yunnan, the regions of Dali, Lijang, Zhongdian and Deqen, named Shangri-la. Shangri-la is a Tibetan word meaning land of

sacredness and peace. The region is not only characterised by a high biodiversity, but is also famous for its many ancient cultural plants which can be found in gardens, parks and temples – a real scent paradise.

In 2006, the Givaudan research teams in Zurich and in Cincinnati continued on their successful path to understand smell and taste mechanisms and to develop innovative sensory solutions. Leading Sensory Innovation has become a daily reality for hundreds of Givaudan employees involved in research and development from understanding end consumer liking to creating the desired taste and smell profiles for a multitude of consumer products. Unique, novel ingredients have been found to create successful, appealing and innovative fragrances and flavours. With Tonkarose™, Givaudan developed the first light-activated precursor molecule. This ingredient is odourless. Under the influence of light, it liberates two distinct fragrance molecules.

The ability to investigate many technologies simultaneously and to identify emerging technology opportunities is essential to accelerate the speed of

innovation. To carry out this process effectively, Givaudan has created an innovative mix of internal and external expertise. The new chemical research team in Shanghai, which is active in finding new molecules, has delivered encouraging first results.

The Health and Wellness initiative to find sugar and salt replacers has made further progress. A number of TasteEssentials™ building blocks are now available to magnify the salty impression in products with reduced sodium chloride. In addition, several bitter masking agents have been identified.

Encapsulation and delivery techniques are now widely used in both divisions. These help Givaudan's customers to create products that provide accurate smell or taste at the intended time.

ScentTrek® expeditions continued to find novel smells in nature. Equally, TasteTrek® expeditions unveiled new tastes in nature and in authentic cuisines of the world.

Intellectual property remains an important strategic element of Givaudan's research. In the past year, 43 priority patent filings in the domains of new molecules, precursors, formulations, procedures and devices have been made; 25 in Fragrances and 18 in Flavours.



Lijiang is the centre of the Naxi culture, one of the tiny minority communities in China. The typical postcard view of Lijiang is the Black Dragon Pool, the moon embracing pavilion and in the background the Yulong Shan (Jade Dragon Snow

Mountains). Lijiang hosts many well-known temples; one of them, the Jade Summit Temple, also offers a natural phenomenon with probably the oldest known Magnolia tree.

Fragrances

In 2006, three new patented molecules have been added to Givaudan's captive ingredients on the perfumer's palette:

■ Tanaïsonne™:

- A strong, powerful and diffusive herbaceous note, accompanied with a hint of fruitiness characterised distinctly by natural notes of Armoise, Tanaïsie and Wormwood with a touch of Thyme and freshness.
- A biodegradable, unique signature ingredient which brings impact to the top note and gives body to the fragrance while remaining delicately natural.

■ Pepperwood™:

- A fresh, natural, pleasant smelling molecule with a spicy-peppery top note.
- This biodegradable molecule gives freshness to fruity spicy, floral and musky notes and adds performance and vividness to a perfume.

■ Tonkarose™:

- The first molecule of its kind on the market – an odourless precursor molecule that liberates two fragrant molecules upon exposure to light.
- This biodegradable molecule has greatly enhanced tenacity on fabrics and other surfaces as compared to the traditional method of applying the two molecules separately. Therefore it will find wide use in all kinds of applications such as fabric care, hair care as well as fine fragrances.



This *Magnolia delavayi* may be as much as 1200 years old and in May it bears thousands of large white, pleasantly scented flowers immersing the temple in a fragrant cloud competing with the

smell of the burning incense sticks. The temple is home to another botanical rarity: in late February to early March, a 1000-year old *Camelia* plant displays thousands of red blossoms.

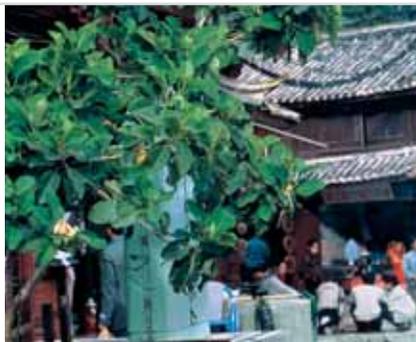
Givaudan's activities in the domain of delivery systems have been regrouped in Argenteuil (Paris, France), close to the fragrance creation centre, in order to speed up market launches of fragrance delivery systems. Several of such systems have already been successfully commercialised:

- Permascent, a spray dried powder to boost the fragrance in powder detergents
- Granuscent®, a granulate to control the release of fragrance in cat litter
- SmartScent, a salt clay silica perfume mixture, which improves the fragrance blooming in fabric refresher formulations

Givaudan's extensive work in various areas of malodour coverage and prevention has led to a biotechnological approach to predict the efficacy of flavour materials to reduce bad breath odour (halitosis). The oral malodours are mostly originating from bacterial degradation products. Hence an elegant way to suppress the creation of the "bad breath cocktail" is to interfere with bacterial catabolism. The bacterial enzymes which are responsible for the formation of the malodours have been characterised in detail, and technologies were developed to identify odorants as blockers of the enzymatic activity. Prototype flavours have been created based on the biotechnological studies and positive results were found in applications such as chewing gum.

Smelling odours is a complex process where the nose acts as the interface to convey an impression of the smells that surround us. From the five senses, olfaction is the least understood, despite strong efforts in recent years. A twist to olfaction research was provided by the discovery of a family of olfactory receptor proteins which dates back to 1991 and was awarded with the Nobel Prize in 2004.

Whether it's the scent of a perfume, the smell of a flower or the aroma of a well-aged cheddar cheese – the receptor proteins translate the chemical features of the smelly molecules into electric signals which travel along nerve cells to different regions in the brain to elicit a response. Each compound can trigger a unique neuronal pattern by activating one or several receptor proteins, and such activation fingerprints allow us to identify the smell.



Back to nature, the Yulong Shan outside Lijiang are home of dozens of wild, native roses. The predominant is the endemic *Rosa lichiangensis*, with its pink flowers. Its scent is reminiscent of the old

Bourbon rose named "Souvenir de la Malmaison"; it has a characteristic sensual smell of wet rose petals. Chinese roses complemented the European rose culture in an important way.

The scientific community was astonished when they learned about the large number of 350 different receptors in the nasal cavity. For most of them, the pairing odorants have not yet been identified. The characterisation of the entire repertoire of flavour and fragrance molecules lies ahead of us. The race is on to decipher the olfactive code on the receptor level and to exploit that knowledge base to design and develop novel flavour and fragrance materials.

The nasal receptors play a decisive role in smell perception, yet recent work of Givaudan scientists demonstrated that there is another intriguing mechanism at work which makes the picture even more complex than originally thought.

For decades, scientists speculated whether another group of proteins in the human nose could influence the odour and/or the intensity of odorants. The proteins which have been on debate are P450 enzymes that are well known for catalysing biochemical reactions in the liver, but surprisingly they also appear to be present in the nose. Givaudan undertook the challenge to identify the enzymes in the human nose in collaboration with an external expert in the field. In the next step, perfume ingredients were fed to selected members of the identified enzymes, to observe what they would do to these molecules. Unexpectedly, many standard odorants are metabolised by the nasal enzymes.

Givaudan's well-established ScentTrek® programme was continued. For the current project, The Scent of the Vanishing Flora, over thirty scent samples of

very rare and endangered plants have been captured from several, important botanical gardens.

ScentTrek® reconstitutions have been used in a wide range of successful Fine Fragrance launches, amongst them Black Orchid, the first perfume by Tom Ford.

In August, the new book by Roman Kaiser, *Meaningful Scents around the World*, was successfully presented to the public. The book takes the reader on a fascinating fragrant journey around the world to some of the exciting places the author has visited during his thirty years of olfactory research. The author revisits some memorable scents in such exotic places as Lower Amazonia, Papua New Guinea, India and many rain-forest biotopes in his quest for new molecules and new scent concepts.



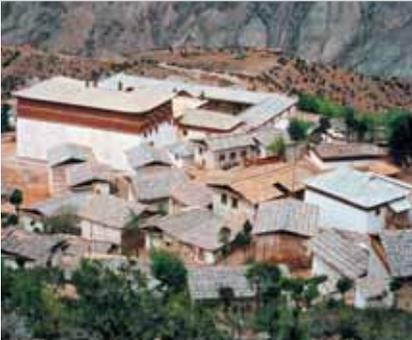
The old China roses are mainly crosses between *Rosa gigantea* and *Rosa chinensis*, both very rich in carotenoid-derived scent components. They have contributed significantly to the characteristic

odour of hybrid tea roses. We don't need to explain here how important rose scents are in the world of perfumery.

To investigate rare and endangered fragrant plants of the Hawaiian Islands for the project "The Scent of the Vanishing Flora", a co-operation with the National Tropical Botanical Garden on Kauai has been established. Thus, Givaudan went for a ScentTrek® on Kauai to trap scent samples from a series of very rare and endangered plants.

In 2006, collaborations with leading universities and research institutes remained an important element of Givaudan's fragrance research. These activities have been further strengthened with new collaborations in India and China, mainly in the field of chemical synthesis. The expansion of the research facilities in Shanghai has been successfully completed. Givaudan's activities related to odorants have been presented at various local conferences and in Chinese scientific journals.

In the past year, Givaudan has invested in emerging analytical techniques that will rapidly become very important for complex research projects. With these new techniques, magnitudes of resolution are gained and previously hidden trace chemicals can be detected and identified. This addition to the existing powerful analytical equipment has already shown its superior performance to analyse complex natural products or to perform in-depth quality investigations of synthetic raw materials.



Peonies, which are nominated by many Chinese to be the National Flower, enjoy a strong popularity as garden flowers in China and beyond. A series of rare species can be found in the northernmost part of Yunnan, in the region of Deqin and

Zhongdian at the upper stream of two famous rivers, the Yangtze and Mekong. The sulphur-yellow *Paeonia lutea* emits a tender floral scent with an accompaniment of cassia.

Flavours

In 2006, an expanded emphasis on health and wellness provided a number of major focal points for the science and technology efforts. Resources have been aligned to take full advantage of these opportunities to create true sensory innovation.

Incorporating consumer preferences into the flavour development process has become increasingly important. Sensory science has therefore designed a variety of quantitative and qualitative sensory measurement tools in order to accurately capture the specific aroma, taste and trigeminal sensory attributes from a consumer's perspective. For example, one tool is a predictive modelling methodology, Flavour Preference Research™, which leverages the Quantitative Flavour Profiling (QFP)

along with other proprietary consumer segmentation elements to predict consumer preference. The tool makes the connection between sensory profiling data and the language (flavouring components) specific to flavourists. This facilitates the creation of entire collections of consumer preferred flavours.

Different modelling mechanisms have been developed to identify attributes that increase liking. An especially valuable sensory innovation has been the application of a temporal approach to QFP, making it possible to simultaneously map changes in multiple flavour characteristics over time. This technique has been especially valuable for the analysis of the negative attributes such as the lingering bitterness in high intensity sweeteners. Furthermore, sensitivity to specific attributes, such as

bitterness, can influence consumer preferences for certain food and beverage products. Sensory Science has launched a research programme to understand the genetic underpinning that controls sensitivity to sweeteners, salty perception, bitterness and umami.

The use of the miniaturised Virtual Aroma Synthesiser™ (VAS) for consumer sensory research has continued to provide valuable preference data, which facilitates the sensory research by enabling exploration of greater flavour diversity. It has led to a ten-fold reduction in product development time while enabling in-depth exploration of flavour profiles with consumers. This technique maximises flexibility, allows prototyping based on consumer responses in the field and eliminates the typical preparation and transportation of large volumes of tasting materials.



Close relatives are the blood-red flowered *Paeonia delavayi* and a cross of the two: an attractively orange-coloured natural hybrid.

When leaving the Yunnan highlands towards the

south, heading more and more towards tropical climates, another renowned smell in China becomes a common companion: *Michelia alba*, a tree in the family of Magnoliaceae.

New flavour ingredient research activity for healthy foods and beverages is primarily targeting the modification of taste properties without compromising flavour performance. Advances in taste research, sensory and receptor science guided discovery have provided new knowledge to address the challenges associated with salt and sugar reduction, as well as masking negative attributes of, for example, high intensity sweeteners. Proprietary bio-processing technology has provided a number of Taste Essentials™ building blocks which are clean label alternatives that magnify the salt impression in sodium reduced products.

Lowering caloric intake is critical to address weight control. A biochemical approach is being developed to create sweetness enhancers which deliver a full sugar perception to compensate for a significant sugar reduction. Traditional

high intensity sweeteners generally have a number of sensory defects which render them undesirable to a segment of the population. Givaudan's investigations suggest that genetic variability underlies the sensitivity to one of these negative attributes, namely the bitter aftertaste present in many of the high intensity sweeteners. This influences the behavioural choices of consumers. Several bitter receptors which are triggered by a number of artificial sweeteners have been identified. Screening a diverse chemical library has yielded a series of ingredients with the ability to inhibit this bitter character. Optimisation studies are underway to take advantage of this opportunity to maximise the masking of bitterness associated with the sweeteners. This provides a pathway to artificially sweetened products which have taste characteristics much closer to naturally sweetened ones.

Givaudan's scientists have continued to expand upon their knowledge of structural requirements for activation of thermo-receptors in the mouth. Rational design of chemical scaffolds fed by molecular modelling tools has led to an expanded line of novel cooling agents. These additions to the existing Evercool™ line are significantly more intense and long lasting than traditional cooling compounds. They will deliver unique taste properties in oral care and confectionery formulations for end consumer products.

Knowledge gained in the TasteTrek® expeditions continues to feed the new ingredient discovery process. This year, the Natural Products team travelled to Xishungbanna, in China's Yunnan Province. The biodiversity of this ecosystem is quite interesting, from lush subtropical rainforests to dry river valleys. Identification work, currently



In China another Magnolia, *magnolia denudata*, is most well-known as the City Flower of Shanghai. When the first spring sun beams are warming Shanghai, thousands of magnolia trees along the avenues start flourishing and emitting a tender, yet

still refreshing, floral scent with a pleasant fruity shade, inspiring Givaudan's perfumers to create fragrances for a multitude of cosmetic and household products.

underway, has utilised taste dilution analysis to isolate and characterise highly potent natural taste-active components which can be employed in the Taste Essentials™ building block programme.

New encapsulation technology is being developed to solve some of the more difficult flavour performance challenges. With the commercial introduction of the patented TasteSaver™ matrix technology, the next step in the control of flavour release has been achieved. Through a combination of processing technology and a deeper understanding of the physical properties of the matrix beads, including wall materials and cross-linking techniques, release profiles of specific flavours can now be predicted. The use of the OPUS™ flavour performance algorithms provides a means for the design of flavour compositions which are optimised for the desired

encapsulate performance characteristics. Application of this technology in a toothpaste, where moisture and surfactants can typically destabilise encapsulated flavours, has given excellent flavour retention over the extended shelf life this application requires.



Sustainable Business Model



The two most important traditional festivals in China are the Spring festival and the Moon festival. Both are associated with important food items: spring rolls and moon cakes.

The Spring festival is the most important festival for the Chinese people. Family members get together, just like Christmas or New Year in the West.



Spring festival falls on the 1st day of the 1st lunar month, often one month later than the Western calendar. It originated in the Shang Dynasty

(c. 1600 BC-c. 1100 BC) from the people's sacrifice to gods and ancestors at the end of an old year and the beginning of a new one.

Striving for a sustainable business model does not conflict with superior short term business performance. On the contrary, Givaudan is convinced that a sustainable business approach is a key factor to achieve long term value generation. Indeed, the company addresses and mitigates possible business challenges evolving from several economic, environmental and social developments at an early stage.

Its sustainable business model also enables the company to continuously expand its industry leadership by being responsive to the expectations of its shareholders, customers, employees, suppliers, as well as the environment and the community at large in addition to offering unique capabilities for sensory innovation.

Corporate Compliance

Compliance with company policies, best practices, laws and regulations of every country in which Givaudan operates, is essential to maintaining a sustainable business model. The Principles of Business Conduct stretch out to all parts of Givaudan's activities and cover the relations with customers, suppliers, shareholders, employees, governments and communities throughout the world. On a regular basis, Givaudan reviews and updates the existing policies to adjust for ongoing developments in this area.

Compliance also requires that a management structure and control systems are in place to prevent and detect violations of the Principles of Business Conduct. A local compliance officer in each Givaudan company ensures that all employees know about

the Principles of Business Conduct and have access to them. Ensuring that Givaudan and its employees comply with existing laws and regulations is a priority for the company's management.

Givaudan's employees are committed to adhere to high ethical standards in their business conduct. This supports Givaudan's brand 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. All employees have access to the company's compliance policies through the internal website. Appropriate training on different aspects of compliance is provided as needed.



The Spring festival starts each year in the early days of the 12th lunar month and goes on until the middle of the 1st lunar month of the next year.

The most important days are Spring Festival Eve and the first three days of the New Year. People decorate their rooms, and all the door panels will

The principles of Givaudan's business conduct are published on our internet site:

- www.givaudan.com –
- [our company] –
- [corporate responsibility] –
- [corporate publications]

Shareholders

Since its spin-off in 2000 and until the end of 2006, Givaudan has created about CHF 4.46 billion in value for its shareholders in the form of dividend payments and share price appreciation.

Givaudan adheres to good corporate governance, following best practices coherent with those of major industrial countries. In particular, all information published in our Annual Report complies with both the Swiss Code of Corporate Governance and the SWX Corporate Governance Guidelines. For more

information please refer to the separate section on Corporate Governance.

Informing Givaudan's different stakeholders in a timely and responsible way is of key importance to ensure transparency and equal treatment. 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 the Art. 72 of the revised Listing Rules (Ad Hoc Publicity) of the SWX Swiss Exchange directives. The principles of Givaudan's disclosure and information policy can be found on:

- www.givaudan.com. –
- [our company] –
- [corporate responsibility] –
- [corporate publications]

At the close of 2006, Givaudan had 16,571 shareholders listed in the share register, owning 62,6% of the share capital. At year end, 51,7% of all shares were eligible to vote. The top twenty shareholders, including nominees and funds, represent around 60% of the share capital. With little changes compared to last year, approximately 40% of the shareholders are based in North America.

In 2006, Givaudan's management team conducted 21 road shows to meet existing and potential shareholders in 24 towns (Geneva, Zurich, Lugano, Milan, Paris, Munich, Francfort, Cologne, Dusseldorf, Amsterdam, Stockholm, Copenhagen, London, New York, Boston, Chicago, Montreal, Toronto, San Francisco, Los Angeles, San Diego, Santa Fe, Miami, and Denver). 27 group presentations and conferences with a total of 840 participants have been given. Over 200 individual meetings with fund managers globally



be pasted with Spring festival couplets, highlighting Chinese calligraphy with black characters on red paper.

The content of these verses vary from house owners' wishes for a bright future to good luck for the New Year.

have contributed to the increasing awareness about Givaudan. In order to inform the financial community directly, Givaudan organised three conference calls to provide more details about the full year results, the half year results and the acquisition of Quest. Together, they attracted over 300 participants. Furthermore, 11 visits to Givaudan sites with a total of 86 participants, mainly fund managers and sell-side analysts, were organised to provide an in-depth view of Givaudan's activities. The site visit programme in 2006 culminated in November with a trip to the company's facilities in Shanghai, Tokyo and Fukuroi (Japan). 24, mostly sell-side analysts, participated in this event to learn about the promising future of these markets and to see the state-of-the-art setup of Givaudan in this fast growing region. For the first time, Givaudan organised a year-end presentation in its fine fragrance creation studios in New York

to satisfy the increasing demand to visit these important facilities.

The complete agenda of forthcoming events for investors and shareholders is published on www.givaudan.com - [investors] – [calendar]

Customers

Givaudan is committed to provide its customers with superior products that will in return enable them to be successful in their respective markets. A high innovation rate and an in-depth consumer understanding are decisive contributors to successfully serve and expand the current strong customer base. Givaudan's business model is based on a "make to order" process in a business – to – business environment. 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' success as a reliable business partner lies in its long-term relationships with its customers and in adhering to high professional standards. In 2006 the company launched an initiative to further integrate its supply chain around the globe by using one information technology platform based on SAP. This will enable Givaudan to create an even closer partnership with its customers.

One of the key aspects of Givaudan's internal policies and practices is the commitment to maintain strict confidentiality on proprietary customer information and customer projects, as well as to fully protect their intellectual property.



On New Year's Eve, parents and relatives place money under the pillows on children's beds. According to this Ya Sui Qian tradition, this will

result in a year of abundance; in the same way, fish (Yu) is always on the menu, since its sound suggests abundance.

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 success. Sensory innovation in the research, development and creation process is a key success factor and an important differentiation. To maintain its high level of innovation and creativity, the company continues to invest above 8% of total sales in research and development.

Employees

Givaudan's success in the market continues to be driven by the passion, expertise, and talent of its employees. To this end, Givaudan's Human Resources Group is focused on the development and implementation of programmes and initiatives to attract develop and retain the best talent in the industry.

In 2006, Human Resources continued to evolve its organisation structure to be more closely aligned with Givaudan's businesses and growth plans. Best practice programmes and tools were developed at the corporate level to address compensation, benefits, and talent management needs. Divisional HR teams support directly their respective businesses and functions globally through talent management initiatives, senior level staffing efforts, total compensation management, and facilitation of international

mobility for key employees. To ensure consistent application of HR policies and practices, a global HR process review is close to completion.

Functional skills & competencies for commercial roles were developed within the Flavour and Fragrance divisions. These competency models will provide a framework for career planning discussions, employee development and staffing, as well as succession planning. Functional competencies are also being developed for the technical, operational, and support functions. They are targeted for completion by mid 2007. Finally, a People Management programme was delivered in the fourth quarter of 2006 with the goal of being rolled-out globally in 2007.

The company continues to focus on its succession planning process and the management development of internal



The Chinese Moon festival, or sometimes called the Mid-Autumn festival, takes place on the 15th day of the eighth lunar month, this year on 25 September 2007.

The festival dates back to the Tang dynasty in 618 A.D. and celebrates the biggest and brightest full moon of the year: the harvest moon.

candidates. In both divisions, talent-planning sessions are conducted annually by each management committee member, focusing on identifying succession candidates for key roles within their respective organisations. This initiative has highlighted managers and executives with the potential to assume leadership roles in the future as well as staffing opportunities to bring new talent to the company. Finally, the “Givaudan Experience” programme, aimed at integrating new employees and which was implemented in

Fragrances in 2005, was developed and implemented for Flavours in 2006. The platform under which the Givaudan Experience was developed is being expanded to become a comprehensive employee development tool.

Givaudan’s total remuneration philosophy is another key element used by the company to attract and retain the best talent globally, as well as rewarding outstanding performance. In 2006, a comprehensive benchmarking analysis for senior executives and key industry-

specific roles was developed to ensure that total compensation remains competitive. In addition, a major initiative was launched to harmonise job levels globally, facilitating the movement of talent, the development of competency models and career planning. Givaudan’s Long-Term Incentive Plan (LTIP) continues to successfully link executive rewards with the creation of shareholder value.

Givaudan continues to optimise its employee benefits programmes through initiatives such as international pooling

Head Count Development by Region

Region	Number of employees 31.12.2005	%	Number of employees 31.12.2006	%	Change from 2005 to 2006
Switzerland	1,404	23.7	1,447	23.9	43
Other Europe, Africa, Middle East	1,187	20.0	1,179	19.4	(8)
North America	1,638	27.7	1,610	26.6	(28)
Latin America	579	9.8	605	10.0	26
Asia Pacific	1,116	18.8	1,215	20.1	99
Total	5,924	100.0	6,056	100.0	132



As with many Chinese celebrations, there are ancient legends to explain the holiday. The Chinese were, and still are to a great extent, an

agricultural society. In ancient times, they planted and harvested by the lunar calendar, using the moon as an important time reference and guide.

and the transition to defined contribution or cash balance pension programmes for new employees in a number of markets. This optimisation has resulted in significant savings while maintaining our competitive positioning, and continues to meet the security needs of employees. Most importantly, these actions will help Givaudan to ensure the long-term sustainability of these programmes.

The new Human Resource Information System built upon the SAP platform, has now been implemented in all countries in which Givaudan operates. This platform is the foundation for the management of all employee-related information globally. Over time, the system's capabilities will reduce the administrative activities now performed by our Human Resources professionals as well as support Givaudan's talent management, compensation and

employee development initiatives. This allows for the redeployment of personnel to more value-added activities.

Suppliers

The company uses almost ten thousand natural and synthetic raw materials to produce a wide variety of fragrance and flavour compounds for our customers, on a "make to order" basis.

A large part of the raw materials are purchased from third parties, while the other part is produced in-house.

The purchased natural and synthetic raw materials are sourced by Givaudan from across the globe in a variety of quantities, ranging from several grams of unique natural products to container loads of key input materials. Thus, it is at the core of Givaudan's business model

to have strong relationships with its numerous suppliers. In addition, the company always strives to limit the environmental impact of its activities.

Within this broad portfolio of raw materials, prices for different ingredients can be very volatile. The price fluctuation of individual ingredients do normally compensate each other, creating a natural hedge on the whole portfolio. In addition, the company's innovation capabilities are used to create alternative solutions thus decreasing the dependency on raw materials with highly volatile price developments.

It is Givaudan's goal to establish long-term partnerships with its suppliers, in order to meet tight delivery deadlines and to produce products of a consistent quality.



One of the legends about the Moon festival is about an architect named Hou Yih, who built a beautiful jade palace for the Goddess of the

Western Heaven. The Goddess was so happy that she gave Hou Yih a special pill that contained the magic elixir of immortality. Hou Yih had a beautiful

Givaudan has developed a state-of-the-art supply chain, a benchmark within the industry, in order to manage this high level of complexity. Divisional purchasing teams ensure that Givaudan's global purchasing expertise is being leveraged and that appropriate make-or-buy decisions are taken. Only centrally approved ingredients are added to each division's raw material palette. Structured selection processes are conducted to ensure suppliers meet Givaudan standards.

Givaudan expanded its initiatives to cooperate directly with local producers in a fair and sustainable manner. In 2006, several additional initiatives were identified and will be completed in 2007. In some instances, Givaudan will support local producers by financing their crops and providing technical support. Such supplier relationships give Givaudan the opportunity to monitor

the product quality at the source. It also allows assessing business risks from material shortages in tight supply situations.

The company continued to audit local suppliers to guarantee compliance with quality standards as well as social, ethical and environmental regulations. This audit process, which has been successfully used for many years, can also be applied when a new ingredient is introduced to the raw materials palette or when a new supplier is added to the supplier list.

Environment

In 2006, Givaudan continued to pay close attention to the environmental impact of its business activities. The company further decreased the use of energy and other resources while at the same time promoting recycling processes throughout the Group.

Production processes used to manufacture flavour and fragrance ingredients have been optimised in 2006 to cut the use of energy, raw materials and water compared to 2005. Air emissions and waste generation diminished over the course of the year. New technologies, such as solar energy panels, are increasingly applied to new buildings, helping Givaudan to decrease energy consumption levels for heating and air conditioning.



wife named Chang-O, who was as curious as she was beautiful. One day she found the pill and without telling her husband, she swallowed it.

The Goddess of the Western Heaven was very angry and as a punishment, Chang-O was banished to the moon where, according to the

Biodegradability remains one of the most important criteria in the development of new fragrance ingredients. As a result, new molecules, used for the production of fragrances, are tested by Givaudan's toxicological unit to assess their possible environmental impact at an early stage of the development process.

In 2006, the company continued to upgrade several of its sites with odour emission control systems, to further minimise the release of harmless odours which are generated by the large volume production of fragrance and flavour compounds. In addition, the latest odour emission control systems consume less energy than the previous technology.

Givaudan has also carefully assessed the possible business impact from an outbreak of a pandemic disease.

A special task force has developed a company wide policy to provide guidelines to manage a possible crisis situation. The policy aims at providing the utmost protection to employees while at the same time ensuring business continuity.

Detailed information on all 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. – [our company] – [corporate responsibility] – [environment, health & safety]

Information Technology

Maintaining and expanding a leadership position in the flavour and fragrance industry also requires to constantly upgrade Givaudan's state-of-the-art information technology systems to ensure cost efficient business processes as well as enabling seamless global communication among the business units.

In 2006, Givaudan launched an ambitious strategic initiative called Outlook, with the objective to further harmonise business processes and data streams across the company worldwide. This joint effort of the Flavour and Fragrance division, together with Givaudan's Information Technology group, focuses on the areas of finance, supply chain management, regulatory affairs and product safety. This business transformation will be supported by the implementation of a single integrated IT platform, based on SAP.



legend, she can be seen at her most beautiful on the night of the bright harvest moon.

The Moon festival is a big holiday with family reunions and rich dinners. Dessert involves feasting on "moon cakes" which are round

The project Outlook will enable Givaudan to make a further step in fulfilling the increasing needs for closer partnership and data exchange with customers. The global integration of the supply chain and the consistent development of best practices will reinforce Givaudan's current leading position in customer service and supply chain management.

A dedicated team started working in Geneva in September 2006 to plan, design and implement this project.

Risk Management

Givaudan aims to ensure the sustainability of its activities through proper management of inherent business risks. The company carries out regular risk assessments to evaluate potential situations that could negatively influence the course of its business. These assessments are performed together 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 2006, Givaudan continued to assess possible risks related to human health and safety, property damages and business continuity. The company also continued, like in previous years, to conduct a risk engineering programme at all major production sites. This corporate audit activity is supported

by a close collaboration with an external insurance company. After a three year long audit process, all Givaudan production sites have now been assessed and are rated from "good" to "excellent" in terms of risk minimisation and business continuity.

Investing into new technologies to reduce and eliminate possible risks is a further aim of Givaudan's risk management programme. The new flavour warehouse in Dübendorf, Switzerland, is constructed to store the combustible materials in a low oxygen concentration atmosphere, eliminating the risk of fire.

Going forward, the company's management started an extensive review and validation process of Givaudan's Risk Management Framework. Givaudan also assesses the effectiveness of its risk management and its internal control mechanisms on a regular basis.



pastries filled with red bean paste and lotus seed paste with luxurious versions also containing one or two egg yolks, all symbolising the harvest moon.

Regulatory

Givaudan's global product safety and regulatory resources act as an early awareness and competency centre to ensure Givaudan complies with all regulatory requirements. This group works closely with the business units to enforce the controls and audits necessary to ensure not only compliance, but also to achieve industry leadership in these critical areas.

Several emerging legislations and regulations are impacting the flavour and fragrance industry. Existing and recently adopted regulations regarding the manufacture and use of chemicals, such as the High Production Volume requirements in the US and the new EU regulatory framework for chemicals, REACH (Registration, Evaluation, Authorization and Restriction of

Chemicals), require increased testing and documentation of each product's safety and environmental impact. A Task Force is working with the Research Institute for Fragrance Materials in the US and with the European Flavour and Fragrance Associations to address these issues.

New science regarding the hazards of allergens is impacting procurement, handling and labelling practices for both fragrances and flavours.

Positive list regulations for flavours in the European Union and many other countries of the world is a challenge to the industry's and the customers' ability to market products on a global basis.

Givaudan's global safety and regulatory organisation includes toxicologists and regulatory scientists dedicated to meet

these challenges and to establish industry leadership in this area. It is Givaudan's aim to provide optimal service and advice to its customers in this field.



Corporate Governance



In just ten years, Givaudan developed its Chinese business from a little sales office in Hong Kong to two state-of-the-art flavour and fragrance centres in the new development zones of Shanghai, in Pudong. In the same place where farmers in 1997 still cut rice by hand stands today the fragrance centre in Zhang Jiang and, just opened in November 2006, the new flavour centre in Jin Qiao. From a couple of dedicated sales to a full-fledged operation with more than 350 employees in fewer than ten years, Givaudan has been moving as fast as China itself.

The first contacts with China were made out of Hong Kong, where Givaudan established a sales office in 1970. In the following years the office was expanded and creation facilities were included, but the fragrances and flavours were mainly still produced in Vernier and Dübendorf. This changed with the establishment of the joint venture with Sunve Pharmaceuticals in 1995. At this time still a member of the Roche group, Givaudan signed an 85% joint venture with Sunve Pharmaceuticals, one of the biggest pharmaceutical companies in Shanghai. Sunve was founded in 1958 and employed at the time of the joint venture around 3000 people. Two years later the joint venture

company opened its first production facility for fragrances and flavours in the Zhang Jiang Hi-Tech zone in Pudong, the new area of Shanghai, just shortly after the acquisition of Tastemaker.

Just three years later, in 2000, Givaudan expanded its facilities to add on a sensory and technology centre and enlarged its production capacity.

In 2003 Givaudan started to plan a new flavour centre. During the negotiations with its joint venture partner, Givaudan and Sunve decided that Givaudan would become the 100% owner of the company, by buying the 15% stake of Sunve Pharmaceuticals.

A further expansion of the fragrance manufacturing capacities was realised in 2004. In the same year, in November, the "ground-breaking" for the new flavour centre took place in Jin Qiao. After an intense construction phase of two years, Givaudan completed its move to the new facilities from May to October 2006. On 22 November 2006 the grand opening was celebrated on the same day Givaudan announced the acquisition of Quest.

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 2006, the market capitalisation of the company was CHF 8.2 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 2006.

Significant Shareholders

On 31 December 2006, Nestlé SA with 11.93% and Chase Nominees Ltd with 6.89% were the only shareholders registered with voting rights holding more than 5% of total share capital.

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 2006, Givaudan SA's share capital amounted to CHF 72,321,600, fully paid in and divided into 7,232,160 registered shares with a par value of CHF 10 each, including 32,160 shares issued out of the conditional capital, but not yet registered.

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; this number will be reduced to 67,840 upon registration of 32,160 shares issued out of the conditional capital;
- 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 more than six years and the deadline for exercising conversion rights must be not more 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 annual general shareholders' meeting held on 7 April 2006, the Board of Directors is authorised until 7 April 2008 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 2004 is available in note 5 to the statutory financial statements of the 2005 annual report. Details about the changes in equity for the years 2005 and 2006 are given in note 5 to the statutory financial statements of the Financial Report 2006.

Shares

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

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 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 notes 2.22, 8, 19 and 22 to the consolidated financial statements in the Financial Report 2006.

Board of Directors

The Board of Directors is ultimately responsible for the 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 of the Board of Directors

Attorney, Swiss national, born 1948

Non-executive

First elected in 1999

Current term of office expires in 2009

Member of the Boards of Syngenta AG, Crucell NV and Bank Sal. Oppenheim jr. & Cie. (Switzerland) 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 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

Vice-Chairman of the Board of Aqua Nova AG,
Member of the Board of Logistable Ltd.

André Hoffmann

Director

Businessman, Swiss national, born 1958

Non-executive

First elected in 2000

Current term of office expires in 2009

Vice-Chairman of the Board of Roche Holding Ltd,
Member of the Board of Glyndebourne Productions Ltd,
Brunswick Capital Ltd, Chairman of Nemadi Advisors Ltd
and Living Planet Fund Management Co. as well as Massellaz SA
Vice-President of WWF International

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 2009

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

(from left to right):

Peter Kappeler, Dietrich Fuhrmann, Prof. Henner Schierenbeck, Dr Jürg Witmer (Chairman), Dr Andres F. Leuenberger, Prof. John Marthinsen, André Hoffmann



The curriculum vitæ of the Board members are available on Givaudan’s website www.givaudan.com – [our company] – [leadership] – [board of directors]

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. In order to allow a phased renewal of the Board’s composition, the Board has adopted an internal succession planning.

None of the Board members has important business connections with Givaudan SA or any of the members of the Givaudan Group. Dr Jürg Witmer, Chairman, was the CEO of Givaudan until 27 April 2005. Until then, he was also 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.

At the Annual General Meeting on 7 April 2006, Jürg Witmer, André Hoffmann and John Marthinsen were re-elected to an additional three year term on the Board of Directors.

Committees of the Board

The Board of Directors is comprised out of three Committees: an Audit Committee, a Nomination and Governance Committee and a Compensation Committee. Each committee is formally led by a Committee Chairman whose main responsibilities are to organise, lead and minute the meetings.

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 – [our company] – [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 2006, the Givaudan Board of Directors held five regular meetings and five extraordinary meetings. During each Board meeting, the company's operational performance was presented by management and reviewed by the Board. Selected members of the management were invited to address specific projects.

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 all press releases and information sent to investors and financial analysts via e-mail.

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 to 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

Mauricio Graber

President Flavour Division

joined Givaudan in 1995, born 1963

Mexican 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 – [our company] – [leadership] – [management team]

(from left to right):

Adrien Gonckel, Matthias Währen, Mauricio Graber, Gilles Andrier, Bruce Bachmeier, Michael Carlos



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 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 year in office accomplished. In addition, each Board member is entitled to participate in the share option plan of the company. With the exception of the Chairman, each Board member receives an amount for out-of-pocket expenses. This amount is paid for the coming year in office.

Compensation of members of the Board

Compensation 2006	Jürg Witmer	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	70,000	630,000
Other cash compensation ¹	280,000							280,000
Committee fees	80,000	60,000	40,000	40,000	40,000	40,000	40,000	340,000
Total Cash in CHF	570,000	130,000	110,000	110,000	110,000	110,000	90,000	1,230,000
Number of options granted ²	20,100	6,700	6,700	6,700	6,700	6,700	6,700	60,300
Value at grant in CHF	242,607	80,869	80,869	80,869	80,869	80,869	80,869	727,821

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

1) Represents compensation for additional duties as indicated in the 2006 Annual Report

2) Options vest on 6 March 2008

Compensation of the Board member with the highest compensation

The Board member with the highest compensation in 2006 is Dr Jürg Witmer, Chairman of the Board as of 28 April 2005. For compensation details please refer to the table on the previous page.

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

The amount of total cash compensation shown in the table below includes an expense which has been paid to one member of the Executive Committee from July 2006 through the end of the year.

Compensation of the Executive Committee

Compensation 2006	Gilles Andrier CEO	Executive Committee members (excl. CEO) ¹	Total
Base salary ²	655,150	2,549,686	3,204,836
Performance Incentive ³	418,789	1,648,953	2,067,742
Other benefits in kind	26,699	365,574	392,273
Total Cash in CHF	1,100,638	4,564,213	5,664,851
Annualised expense accrued for supplementary retirement benefit	129,049	495,885	624,934
No. of options granted ⁴	60,000	187,500	247,500
Value at grant in CHF	724,200	2,263,125	2,987,325

1) Represents full year compensation of 6 Executive Committee members with one member having retired in June 2006 and one having joined the Executive Committee in July 2006

2) Represents an 3.3% increase in local currency compared to 2005 for the Executive Committee members (excl. CEO)

3) Performance incentive is paid based on the year 2005 performance

4) Options vest on 6 March 2008

Compensation of former members of the Board and Executive Committee

No such compensation was incurred during the reporting period.

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 2006.

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 these individuals during the reporting period.

As per 31 December 2006, the members of the Executive Committee, including persons closely connected to them, held 20 Givaudan shares. In total, the members of the Board including persons close to them held 137,000 Givaudan shares.

Ownership of Share Options

Givaudan's share options are fully tradable after vesting. Details about the Givaudan share option plan are described in note 8 of the 2006 Financial Report.

The company is not aware of any ownership of share options as per 31 December 2006 by persons closely connected to the Board of Directors.

The following share options were granted to members of the Board during the corresponding periods and are still owned by them as per 31 December 2006.

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 held
2002	29 Jan 2007	28 Jan 2005	GIVBB	575.0	10:1	8.120	-
2003	17 Mar 2008	17 Mar 2005	GIVMS	509.7	10:1	5.670	10,600
2004	18 Mar 2009	18 Mar 2006	GIVOV	656.4	10:1	10.870	18,000
2005	21 Mar 2010	21 Mar 2007	GIVAB	805.0	10:1	10.740	89,000
2006	07 Mar 2011	06 Mar 2008	GIVLP	1,050.0	10:1	12.070	60,300

1) Strike price of options have been adjusted consecutively to the approval by the shareholders, at the Annual General Meetings held on 27 April 2004 and on 7 April 2005, to distribute extraordinary dividends

The following share options are owned by the CEO, the other members of the Executive Committee and by persons closely connected to them as per 31 December 2006.

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
2002	29 Jan 2007	28 Jan 2005	GIVBB	575.0	10:1	8.120	-
2003	17 Mar 2008	17 Mar 2005	GIVMS	509.7	10:1	5.670	15,000
2004	18 Mar 2009	18 Mar 2006	GIVOV	656.4	10:1	10.870	40,000
2005	21 Mar 2010	21 Mar 2007	GIVAB	805.0	10:1	10.740	202,000
2006	07 Mar 2011	06 Mar 2008	GIVLP	1,050.0	10:1	12.070	229,500

1) Strike price of options have been adjusted consecutively to the approval by the shareholders, at the Annual General Meetings held on 27 April 2004 and on 7 April 2005, to distribute extraordinary dividends

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 general meetings of shareholders.

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 30 March 2007. 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 33¹/₃% 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 203 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 23 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 audit function has been headed since the year 2000 by Jean-Pierre Wirtz. For specific audits of affiliates, staff from Ernst & Young supports the internal audit function.

In 2006, Corporate Internal Audit has participated in four meetings of the Audit Committee and in one meeting of the Board of Directors.

External Auditors

PricewaterhouseCoopers SA (PwC) has been appointed as the worldwide auditors of the Givaudan Group since the spin-off in 2000. The responsible principal auditor since 2000 has been Ralph R. Reinertsen, partner. His term will end with the audit of the year 2006.

The fees of PricewaterhouseCoopers SA for professional services related to the audit of the Group's annual accounts for the year 2006, amounted to CHF 2.6 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 2006, PricewaterhouseCoopers SA rendered other services (mainly tax related) for CHF 0.4 million.

The auditor presents the outcome of the audit directly to the Audit Committee at the end of each reporting year. The Audit Committee is also responsible for evaluating the performance of PricewaterhouseCoopers as external auditors. In addition, the Committee reviews and approves the compensation of PwC, evaluates and approves other services provided by the external auditor. In 2006, PricewaterhouseCoopers attended three meetings of the Board's 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 detail on [www.givaudan.com – \[investors \] – \[corporate governance \] – \[policies \]](#)

Hardcopies of company publications, such as 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 – \[investors \] – \[financial results \]](#) and [\[full & half year reports \]](#)

Other important website paths

Quarterly sales information and other media releases:
[www.givaudan.com – \[media \] – \[media releases \]](#)

Calendar of events:
[www.givaudan.com – \[investors \] – \[investor information \] – \[calendar \]](#)

Articles of Incorporation:
[www.givaudan.com – \[our company \] – \[corporate publications \]](#)

Givaudan Securities

Price development of shares since public listing



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



Finance



Huo Guo in Chinese means Fire Pot. This very popular meal is commonly known as hot pot or steamboat. In Western languages like French, German and English it can also be known as Chinese Fondue. Huo Guo is a communal dish (like Fondue), which originates from Mongolia. Nowadays it is eaten in a variety of forms throughout East Asia. It consists of a simmering pot of stock at the centre of the dining table. While the hot pot is kept simmering, ingredients are placed into the pot and are cooked at the table. Typical hot pot ingredients include thinly sliced meat, leafy vegetables, mushrooms, wontons, egg dumplings and seafood. The cooked food is sometimes eaten with a dipping sauce. At the end of the meal the nicely flavoured stock is also eaten.

The Chinese style of hot pot has its origins in Mongolia and Northern China, evolving from its simple form over a thousand years ago. Mongolian nomads would cook meat and vegetables in a pot over the embers of a camp fire. It is said that these nomads started the tradition of slicing meats thinly, allowing them to be cooked with minimal use of precious fuel. This tradition was then spread to Southern China during the Tang Dynasty. Later, the northern nomads

who settled in China enhanced the hot pot with various meats, and in the South seafood was added as an ingredient. During the time of the Qing Dynasty, the hot pot became popular throughout most of China. Today, in many modern homes, particularly in the big cities, the traditional coal heated steamboat or hot pot has been replaced with electric or gas versions.

The hot pot tradition is very famous in the Sichuan province, where it has evolved with a distinctive style. The cities of Chengdu and Chongqing are well-known for it and to distinguish this very popular dish, it is called Sichuan hot pot or Si Chuan Huo Guo. One of the most famous variations of Si Chuan Huo Guo is the Sichuan Ma La (numb and spicy) hot pot. A special spice known as Hua Jiao, or Sichuan pepper, is added to dull the sense of taste, hence Ma La.

It is usually eaten with a wide variety of meats. Givaudan has conducted in-depth research into the Sichuan Hot Pot and in particular to the Sichuan pepper and has found interesting ingredients for food flavour applications.

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 2006, particularly when compared to the strong results of the previous year.

Sales increased by 4.7 % in Swiss francs and 3.5 % in local currencies. It should be noted that both divisions continued to eliminate low value-added ingredients from their respective product portfolios. Excluding this streamlining effect, sales increased by 4.9 % in local currencies.

Gross profit improved by 5.7% to CHF 1,436 million representing a gross margin of 49.4% compared to 48.9% for the previous year. Despite several raw material cost increases, the margin level was maintained thanks to an improved product mix, selected price increases as well as disciplined cost control and efficiency gains.

As communicated on 4 August 2006, Givaudan achieved an out of court full and final settlement with 51 plaintiffs involved in the US butter flavour litigation. The net impact recorded in the 2006 income statement was CHF 44 million. Approximately CHF 24 million (USD 20 million) is still under discussion with insurers and Givaudan pursues the recovery of this amount.

2006 operating profit remained at 2005 level. However, on a comparable basis, (2005: excluding asset impairment in connection with announced site closures; 2006: excluding restructuring charges and asset impairments in connection with announced site closures, the net effect of

the butter flavour litigation case settlement and a one time gain resulting from land disposal) the operating profit increased by 3.0%. Comparable EBIT and EBITDA margins decreased slightly to 18.9% and 22.7% respectively.

Project Outlook

Our business transformation project "Outlook", which intends to implement a new Enterprise Resource Planning (ERP) system in the supply chain, regulatory and finance areas started in September 2006 is progressing as planned. It will allow Givaudan to establish an integrated enterprise architecture, further develop best in class processes and achieve operational efficiencies.

Financial Performance

Financial expenses, net of income, decreased by CHF 20 million to CHF 6 million in 2006, mainly thanks to lower interest charges as well as realised and unrealised net gains on some derivatives in connection with hedging transactions.

The average expected tax rate was maintained at 19%. The effective tax rate in 2006 reached 19%, compared to 16% in 2005. However, the latter was positively impacted by a one time effect of CHF 13 million.

Net profit after taxes increased by 1.5% to CHF 412 million, representing 14.2% of sales. As a consequence of the net profit improvement and the lower average number of outstanding shares, earnings per share increased by 3.6% to CHF 58.62.

Cash flow

Givaudan continued to deliver a sound operating cash flow of CHF 449 million, below 2005 by CHF 53 million, mainly due to payments made in connection with the butter flavour litigation case settlement. Total net investments of CHF 142 million remained stable, leading to an operating cash flow after investments of CHF 307 million.

During 2006, Givaudan returned CHF 126 million in cash to its shareholders in the form of a dividend.

Balance sheet

The Givaudan balance sheet remained strong. At the end of 2006, the equity ratio reached 59% of total assets, up from 54% at the end of 2005. Due to a lower debt, resulting mainly from changes in exchange rates, and increased cash, mainly due to the sale of shares from the third share buy back programme, net debt decreased from CHF 618 million to CHF 479 million.

Consolidated Condensed Balance Sheet at 31 December

<i>in millions of Swiss francs</i>	2006	2005
Current assets	1,920	1,723
Non-current assets	2,780	2,793
▶ Total assets	4,700	4,516
Current liabilities	619	763
Non-current liabilities	1,285	1,316
▶ Total liabilities	1,904	2,079
Share capital	72	74
Retained earnings, reserves and other equity components	2,721	2,361
Minority interest	3	2
▶ Equity	2,796	2,437
▶ Total liabilities and equity	4,700	4,516

Consolidated Condensed Cash Flow Statement for the Year ended 31 December

<i>in millions of Swiss francs</i>	2006	2005
▶ Cash flows from (for) operating activities	449	502
▶ Cash flows from (for) financing activities	(191)	(548)
▶ Cash flows from (for) investing activities	(122)	(138)
Net effect of currency translation on cash and cash equivalents	(1)	14
Increase (decrease) in cash and cash equivalents	135	(170)
Cash and cash equivalents at the beginning of the period	289	459
▶ Cash and cash equivalents at the end of the period	424	289

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Florida Water



Chinese tend to prefer mild fragrances. The exposure to Western style fine fragrances can be traced back to the early 19th century with Florida Water, one of the most popular and prestigious early fine fragrances and key imprinting smell in China, which is still nowadays widely used as functional product.

The name Florida Water refers to a fabled Fountain of Youth said to be located in Florida. In fact, one of the earliest brands of Florida Water imported in China came from Murray&Lanman, a cologne water already introduced in 1808 in the USA. In China two brands "Two Girls" and "Murray&Lanman Florida Water Cologne" were launched around 1905.

In the 1920s the Chinese brand "Ming Xing", meaning star or celebrity, came to the market and was a huge success.

In 1990, Liushen Florida Water was first launched, capitalising on the combined benefits of Chinese medicine and Florida Water. The traditional Chinese recipe of "liu shen" is mainly made out of pearl powder and musk, targeted at skin treatment in summer (anti itchiness, anti heat rash). The Chinese Florida Water is called "Hua Lu Shui", which literally means "flower nectar water".

The 19th century formula Florida Water blends an array of floral essential oils in a water alcohol base. The smell of the Chinese version differs from the Western style Florida Water. The latter is reminiscent of lavender. In China, rose and musk oils are used, since lavender oil was not available and the imported oils were too expensive. The portfolio of Chinese Florida Waters was expanded by other local smells, such as the Jasmine Florida Water, which is also still very popular nowadays. The movie "Jasmine Women" (2003), starring the famous Chinese actress Ziyi Zhang, refers to Jasmine Florida Water.



Florida Water is historically and culturally deeply imprinted in the Chinese olfactive memory. Furthermore it has various functionalities and applications: it is refreshing and energizing when applied to the temples; it is fragrant in the bath, especially in summer as an antiseptic or to control the heat rash; it serves to clean the bamboo bed mat and to take the itch out of mosquito bites; and it is also a welcomed air freshener and is used in the laundry water.

Givaudan market research tools developed to study the consumer reaction on fragrances include various parameters such as expectations, habits, attitudes and price. They help perfumers to be more effective in anticipating and identifying changes of preference in the Chinese market. These tools add a sensory insight to enhance fragrance development to meet the evolving desires of consumers.

Givaudan recently conducted a global survey on the olfactive memory. 48 odours were identified as relevant for the olfactive memory of a nation, meaning that this smell is deeply imprinted in each consumer's memory. Florida Water was identified as the imprinting smell in China, related to the modern culture. Sensory Intelligence is one of the four pillars of Givaudan's Leading Sensory Innovation, meaning in-depth consumer understanding supported by unique testing methodologies and market expertise.



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