Givaudan

ENGAGING THE SENSES

HALF YEAR RESULTS 2010

Double-digit sales growth and strongly improved profitability

- Sales CHF 2.2 billion; 10.5% growth in local currencies
- Developing markets reach 41% of group sales
- EBITDA improved to CHF 529 million, up 26% in local currencies
- EBITDA margin improved to 24.1% from 21.2%
- Net income CHF 200 million, up 108%

Geneva, 5 August 2010 – "Givaudan is capitalising on its expanded leadership position resulting from the successful integration of Quest. This translates into numerous new wins and strong sales growth across all geographies and customers, as well as into significant profitability improvements. We are on track with our targets," said Gilles Andrier, Chief Executive Officer.

Group sales for the first six months of the year totalled CHF 2,199 million, an increase of 10.5% in local currencies and 10.2% in Swiss francs compared to the previous year. The strong performance from the first quarter continued into the second quarter.

Developing markets sales continued its strong 2009 growth momentum and reached 41% of group sales.

Fragrance Division sales were CHF 1,017 million, an increase of 13.3% in local currencies and 13.1% in Swiss francs versus the same period in 2009.

Flavour Division sales were CHF 1,182 million, an increase of 8.1% in local currencies and 7.8% in Swiss francs compared to the previous year.

Gross Margin

The gross profit margin increased to 46.8% from 44.9% as a result of the strong sales performance, further integration savings and better absorption of fixed production costs compared to 2009.

Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)

EBITDA increased to CHF 490 million in 2010 from CHF 388 million in 2009. On a comparable basis EBITDA reached CHF 529 million increasing from the CHF 424 million reported last year. When measured in local currency terms, the EBITDA on a comparable basis increased by 25.9%. The comparable EBITDA margin was 24.1% in 2010, significantly higher than the 21.2% reported in 2009. The strong sales performance, tight cost control and continued integration savings all contributed to this outstanding improvement.

Operating Income

The operating income increased to CHF 330 million from CHF 245 million last year. On a comparable basis, excluding CHF 47 million of integration costs and impairments, the operating income increased to CHF 377 million in 2010 from CHF 282 million for the same period in 2009.

When measured in local currency terms, the operating income on a comparable basis increased by 35.1%. The operating margin on a comparable basis increased to 17.1% in 2010 from 14.1% reported for the same period in 2009.

Financial Performance

Financing costs were CHF 54 million in the first half of 2010, down from CHF 75 million for the same period in 2009. Other financial expense, net of income was CHF 13 million in 2010, versus CHF 40 million in 2009. In particular, the impairment charges incurred in the first half of 2009 were not repeated.

The Group’s income taxes as a percentage of income before taxes were 24% in 2010, versus 26% in 2009.

Net Income

In actual terms, the net income increased by 108.3% to CHF 200 million in 2010 from CHF 96 million in 2009. This results in a net profit margin of 9.1%, versus 4.8% in 2009. Basic earnings per share increased to CHF 22.58 from CHF 12.62 for the same period in 2009.

Cash Flow

Givaudan delivered an operating cash flow of CHF 229 million for the first six months of 2010, down from the CHF 422 million generated for the comparable period in 2009. The strong sales growth resulted in an increase in working capital, with both inventories and accounts receivable up. As a percentage of sales, working capital remained stable.

Total investments in property, plant and equipment were CHF 33 million, down from the CHF 43 million incurred in 2009. Intangible asset additions were CHF 34 million in 2010, a significant portion of this investment being in the company’s ERP project, based on SAP. SAP was successfully implemented in North America (Fragrances) and South America is on track to be completed by the end of 2010.

Operating cash flow after investments was CHF 163 million, down versus the CHF 344 million recorded in 2009. Free cash flow, defined as operating cash flow after investments and interest paid, was CHF 82 million in the first half of 2010, down from CHF 256 million for the comparable period in 2009.

Financial Position

Givaudan’s financial position remained solid at the end of June 2010. A strong operating performance was only dampened by pressure on working capital, although as a percentage of sales, working capital remained constant. Net debt at June 2010 was CHF 1,716 million, up from CHF 1,499 million (excluding the Mandatory Convertible Securities, MCS) at December 2009. The main increase in the net debt was due to the CHF 187 million payment of the dividend. In March 2010 the MCS with a value of CHF 750 million matured and the Givaudan shares were delivered to holders of theses securities. In total 736,785 new shares were delivered to holders of MCS, increasing the total number of outstanding shares to 9,233,586.

Outlook

For the full year 2010, Givaudan is confident to further outgrow the underlying market, based on its growing pipeline of briefs and new wins. Despite the strong comparables of the second half year of 2009, the company expects sales to grow above 5% in local currencies for the full year. The integration achievements have reinforced Givaudan’s unique platform for accelerated growth and performance improvement. The company is confident to achieve the announced savings target of CHF 200 million by the end of the year and therefore to reach its pre-acquisition EBITDA margin level of 22.7%. In an improved environment, Givaudan continues to focus on its growth initiatives to expand in developing countries and in key segments.

Key Figures

in Mio CHF except per share data	HY 2010	HY 2009
Group sales	2,199	1,996
Fragrance sales	1,017	899
Flavour sales	1,182	1,097
Gross profit	1,029	896
as % of sales	*46.8%*	*44.9%*
EBITDA at comparable basis 1) 2)	529	424
as % of sales	*24.1%*	*21.2%*
EBITDA 1)	490	388
as % of sales	*22.3%*	*19.4%*
Operating income at comparable basis 2)	377	282
as % of sales	*17.1%*	*14.1%*
Operating income	330	245
as % of sales	*15.0%*	*12.3%*
Net income	200	96
as % of sales	*9.1%*	*4.8%*
Basic Earnings per share	22.58	12.62

in Mio CHF	30 June 2010	31 December 2009
Current assets	*2,411*	*2,389*
Non-current assets	*4,644*	*4,694*
Total Assets	**7,055**	**7,083**
Current liabilities	*774*	*1,466*
Non-current liabilities	*2,721*	*2,805*
Equity	*3,560*	*2,812*
Total liabilities and equity	**7,055**	**7,083**

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

2) EBITDA at comparable basis excludes acquisition related restructuring expenses. Operating income at comparable basis excludes acquisition related restructuring expenses and impairment of long-lived assets.

Fragrance Division

Fragrance Division sales increased to CHF 1,017 million during the first six months of 2010, an increase of 13.3% in local currencies and 13.1% in Swiss francs. The excellent performance during the first quarter continued into the second quarter, which posted a growth of 12.4% in local currencies. Improved sales of existing products and a number of new wins with key customers contributed to this result. Total sales for Fragrance compounds (Fine Fragrances and Consumer Products combined) increased by 12.9%, in both local currencies and Swiss francs, to CHF 884 million from CHF 783 million.

Sales in Consumer Products increased by 9.9% in local currencies. All regions contributed to the strong growth. Fine Fragrances grew 24.2% in local currencies driven by a number of new wins with key accounts, the significant success of some recent launches, customers returning to order patterns seen before 2009 and some re-stocking in retail. Fragrance Ingredients sales also contributed to the division's strong performance with a 15.8% growth in local currencies. This growth was achieved in all product categories with a certain degree of re-stocking.

EBITDA increased by 23.3% to CHF 196 million from CHF 159 million. The EBITDA on a comparable basis was CHF 226 million, above the CHF 179 million reported last year, mainly as a result of the higher sales and the higher gross profit. When measured in local currency terms, the EBITDA on a comparable basis increased by 27.3%.The EBITDA margin on a comparable basis increased to 22.2% from 19.9% versus last year.

The operating income increased by 26.1% to CHF 116 million from CHF 92 million last year. The operating income on a comparable basis was CHF 153 million, above the CHF 112 million reported last year. When measured in local currency terms, the operating income on comparable basis increased by 38.4 %. The operating margin on a comparable basis increased to 15.0% from 12.5% reported last year, as a result of the strong operational performance.

Fine Fragrances

Fine Fragrances grew 24.2% in local currencies driven by a number of new wins with key accounts, the significant success of some recent launches, customers returning to order patterns seen before 2009 and some degree of re-stocking. This compares to the significant de-stocking experienced in the first half of 2009 and the generally weak consumer demand throughout last year. The strong sales performance was achieved in both developing and mature markets, across all key segments.

On a regional basis, Europe and North America delivered both strong double-digit gains. The business pipeline remains strong with a significant number of new briefs received during the first half of the year.

Givaudan fragrances were behind a significant number of awards for our clients' products. In the prestige feminine category, Givaudan fragrances for Lola by Marc Jacobs and Ricci Ricci by Nina Ricci won every award in the U.S. and all countries in Europe. In the prestige men's category, One Million by Paco Rabanne and Artisan by John Varvatos also won numerous awards. In total, 19 Fine Fragrance products with fragrances created by Givaudan were recognised in different ceremonies across Europe and the US.

In addition, the Fragrance Foundation, New York, awarded Givaudan's Miriad® 2.0 the FiFi® Technological Breakthrough of the Year for Fragrance Creation & Formulation.

Miriad® 2.0 is an interactive knowledge management tool which combines in-depth knowledge about ingredients, consumers and markets in one single, globally-accessible system.

This award is an acknowledgement of Givaudan's ability to bring the consumer voice to every phase of the fragrance development process.

Consumer Products

Sales of Consumer Products grew 9.9% in local currencies. The developing markets in particular continued to generate double-digit growth while mature markets improved and delivered significant positive growth versus prior year.

First half sales were the strongest in any reporting period since the acquisition of Quest. This increase was achieved across both international and regional customer segments.

Asia Pacific posted double-digit sales growth across all customer groups and all product segments. Sales increase was especially strong in India, Thailand and China.

Latin America reported strong growth, especially in Mexico, Argentina and Venezuela. Local and regional customer sales grew at double-digit rates.

Europe, Africa and the Middle East reported a solid increase versus previous year among all customer groups. The sales increase was driven by a double-digit growth in the developing markets of Central and Eastern Europe, Africa and the Middle East as well as growth in the mature markets.

North America posted double-digit growth driven by a strong air care category performance and solid results with international customers.

On a worldwide basis, all product segment sales increased above prior year levels. Sales in home, fabric and personal care categories posted double-digit growth. In particular the air care category, which had declining sales in the same period of last year, continued to deliver a strong double-digit increase in the second quarter.

Fragrance Ingredients

Sales of Fragrance Ingredients increased 15.8% in local currencies versus last year. Sales volumes continued at good levels in both quarters of 2010. Double-digit growth was achieved in all product categories, supported by re-stocking with key customers.

Flavour Division

Flavour Division sales increased to CHF 1,182 million, a growth of 8.1% in local currencies and 7.8% in Swiss francs. The excellent sales performance seen in the first quarter accelerated in the second quarter, which posted a growth of 8.7% in local currencies.

In an improved economic environment, the Flavour Division grew across all four regions. Strong new wins in the Sweet Goods, Beverage and Snacks segments contributed to the increase. Strong high double-digit gains were reported in all developing markets, continuing the strong growth trends from the first quarter. The mature markets delivered an accelerated growth over the first quarter, driven by volume gains and new wins particularly in North America.

EBITDA increased by 28.4% to CHF 294 million from CHF 229 million. The EBITDA on a comparable basis was CHF 303 million, above the CHF 245 million reported last year, mainly as a result of the higher sales, higher gross profit and tightly controlled expenses. When measured in local currency terms, the EBITDA on a comparable basis increased by 24.9%. The EBITDA margin on a comparable basis increased to 25.6% from 22.3% last year.

The operating income increased by 39.9% to CHF 214 million from CHF 153 million last year. The operating income on a comparable basis was CHF 224 million, above the CHF 170 million reported last year. When measured in local currency terms, the operating income on a comparable basis increased by 33.5%. The operating margin on a comparable basis increased to 19.0% from 15.5% reported last year.

The Flavour Division growth strategies continued to have a positive impact on performance as demonstrated by the double-digit growth in developing markets, Health and Wellness taste solutions and with key targeted accounts.

AsiaPacific

Sales in Asia Pacific increased 10.6% in local currencies versus the first half of 2009. The developing markets of China, India and Thailand recorded strong growth stemming from significant Beverage, Snack and Sweet Goods wins. The mature markets growth for the first six months was driven by improved results in Japan, South East Asia and the Korean markets. All major segments contributed to this result.

Europe, Africa and Middle East

Sales across Europe continued to improve in both mature and developing markets, recording a 5.8% growth in local currencies. The mature markets growth was driven by Western Europe and Central Europe as a result of new wins in key categories. The developing markets grew at a double-digit pace for the first six months as Africa and Middle East continued their strong growth while Poland and Russia rebounded in an improved economic environment compared to 2009. Significant wins in Beverage, Sweet Good and Snacks helped contribute to this result.

North America

Improved economic conditions, volume gains combined with strong Beverage, Dairy and Sweet

Good wins fuelled a 3.4% sales growth in local currencies. The sales momentum significantly improved in the second quarter and the pipeline for new customer briefs has grown compared to first six months of 2009, particularly in the areas of Savoury, Beverage, Snacks and Sweet Goods.

Latin America

Sales performance in Latin America again delivered a strong growth rate of 26.1% against high comparables. Organic growth and significant new wins coming from all major segments supported the strong result particularly in the Beverage, Sweet Good and Snack segments.

On 5 August 2010 at 15.00 CET a conference call between the company and analysts and investors will be broadcasted on Givaudan's web site http://www.givaudan.com.

Available documents as downloadable files:

Half Year Report 2010
Half Year Results 2010 presentation

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