Givaudan

ENGAGING THE SENSES

Full Year 2008 Results - Givaudan delivers solid results in a challenging environment

- 6.7% sales growth in local currencies
- 2.5% pro forma sales growth in local currencies, excluding streamlining
- Integration ahead of plan, CHF 140 million of savings at the end of 2008
- Comparable EBITDA margin at 20.6% (20.9% in 2007)
- Net profit on actual basis increased to CHF 111 million
- Earnings per share on actual basis CHF 15.61 up from CHF 13.12
- Proposed dividend targeted at CHF 20.00, paid in cash and equity

Geneva, 17 February 2009. In 2008, Givaudan group sales totalled CHF 4,087 million, an increase of 6.7% in local currencies and a decrease of 1.1% in Swiss francs compared to the previous year. On a pro forma basis, and, excluding the impact of the ongoing portfolio streamlining, sales increased by 2.5% in local currencies. Including this effect, sales on pro forma basis increased by 1.0% in local currencies and decreased by 6.4% in Swiss francs.

The Fragrance Division sales were CHF 1,898 million, an increase of 7.9% in local currencies and a decrease of 0.1% in Swiss francs versus 2007. On a pro forma basis, and, excluding the impact of discontinued ingredients, sales grew by 1.7% in local currencies

Sales of the Flavour Division were CHF 2,189 million, an increase of 5.8% in local currencies and a decrease of 2.0% in Swiss francs compared to the previous year. On a pro forma basis, and, excluding the streamlining of commodity ingredients and the St. Louis divestment, sales increased by 3.1% in local currencies.

Gross Margin

The gross profit margin on a pro forma basis declined from 47.1% to 45.6% as a result of exceptional increases in raw material, energy and transportation costs. Although basic commodity and energy prices fell towards the end of 2008, the impact of this on Givaudan input costs will only be felt once these reductions work through the global supply chain.

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

The EBITDA increased to CHF 765 million in 2008 from CHF 680 million in 2007, an increase of 12.5%. The EBITDA margin, on a comparable basis, was 20.6% in 2008, compared to 20.9% in pro forma terms reported last year. The incremental integration savings of CHF 90 million in 2008 partially compensated for the continued pressure on the gross profit margin. On a comparable basis, the EBITDA was CHF 842 million in 2008, below the CHF 911 million in pro forma terms reported last year, mainly as a result of exchange rate developments.

Operating income

The operating income increased to CHF 379 million from CHF 322 million last year, an increase of 17.7%. The operating margin, on a comparable basis, was flat at 11.9% in 2008 versus 2007. On a comparable basis, the operating income was CHF 486 million in 2008, below the CHF 521 million in pro forma terms reported last year, mainly as a result of exchange rate developments.

Financial Performance

Financing costs were CHF 153 million in 2008, up by CHF 12 million from 2007. This was primarily due to the Group taking a full twelve month charge on the debt incurred in the Quest International acquisition. Other financial expense, net of income was CHF 71 million in 2008, versus CHF 16 million in 2007. In 2008, Givaudan incurred significant hedging costs as well as some exchange rate losses as a result of extreme currency volatility.

The Group's income taxes as a percentage of income before taxes were 28% in 2008, versus 43% in 2007. In 2007 a one time, non cash tax adjustment of CHF 28 million impacted the income tax rate, excluding this adjustment the income tax rate would have been 26%. This increase in the underlying tax rate was as a result of certain integration related activities, which occured in different tax jurisdictions in 2008.

Net Income

In actual terms, the net income increased by 19.4% from CHF 93 million in 2007 to CHF 111 million in 2008. This represents 2.7% as a percentage of sales in 2008, versus 2.3% in 2007. Basic earnings per share increased to CHF 15.61 in 2008 from CHF 13.12 in the previous year. Adjusted for the integration expenses and intangible amortisation the EPS would have been CHF 51.20.

Cash Flow

Givaudan delivered an operating cash flow of CHF 541 million, up CHF 9 million on 2007. Total net investments in property, plant and equipment were CHF 194 million, flat versus 2007, mainly driven by investments to integrate the Quest business. The company completed the investment in the Consumer Products Creation Centre in the USA, and acquired a previously leased facility in Paris. France. Intangible asset additions were CHF 76 million in 2008, a significant portion of this investment being in the company's ERP project, based on SAP. Implementation was completed in three countries, France, Switzerland and Germany, covering 35% of expected final end users. Operating cash flow after investments was CHF 271 million in 2008.

Cash flow management during 2008 allowed the company to reduce its net debt from CHF 2,621 million in 2007 to CHF 2,438 million in 2008.

Dividend

The Board of Directors will recommend to the Annual General Meeting on 26 March 2009 to make a distribution to the shareholders in the aggregate amount of approximately CHF 20.00 per share. The distribution will consist of a cash dividend of CHF 10.00 and the issue of one shareholder's warrant per share. A certain number of warrants (ratio to be determined) will give the right to receive one share of Givaudan SA by paying the strike price, which shall be not less than 50% of the prevailing share price at the time of the issue of the warrant. The warrants will be traded at the SIX Swiss Exchange for a limited period of time. Further information will be provided together with the invitation to the Annual General Meeting.

Integration of Quest International

After completing the first phase of the integration, which mainly focused on the commercial integration, Givaudan made further progress in the more complex consolidation of its global site network. Many projects which will support the identified future growth strategies, were successfully completed.

In the Fragrance Division, the existing North American Creation Centre was transferred to a new, larger site with enhanced consumer testing facilities, located in East Hanover, New Jersey, USA. In Europe, we expanded our Creation Centre in Argenteuil, France, in order to consolidate all creative activities at this site during 2009.

In the US, Givaudan consolidated its compounding activities into one expanded facility in Mount Olive, New Jersey. The first investment phase was completed at the chemical ingredient manufacturing plant in Pedro Escobedo, Mexico. The fragrance ingredients manufacturing site in Lyon, France, will be closed by end March 2009.

In the Flavour Division, the production at the Pedro Escobedo site in Mexico was transferred to the expanded Cuernavaca site. Continuing with its integration plan, Givaudan announced the closure of the flavour production site in Owings Mills, USA, following the expansion of the US-based production sites in Devon and East Hanover. In the developing markets, the production capacity in Indonesia was expanded and in Shanghai, Givaudan invested in an expansion of its science and technology laboratories.

Outlook

For the full year 2009, Givaudan is confident to outgrow the underlying market, based on brief pipeline and new wins.

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 2010 and therefore to reach its pre-acquisition EBITDA margin level of 22.7% by 2010.

In a challenging environment, Givaudan continues to focus on its growth initiatives to increase its share in developing countries and in key market segments over the coming five years.

Key Figures in actual terms

in Mio CHF except per share data	**2008**	**2007**
Group sales	4,087	4,132
Fragrance sales	1,898	1,899
Flavour sales	2,189	2,233
Gross profit	1,862	1,941
as % of sales	*45.6%*	*47.0%*
EBITDA 1)	765	680
as % of sales	*18.7%*	*16.5%*
Operating profit	379	322
as % of sales	*9.3%*	*7.8%*
Net income	111	93
as % of sales	*2.7%*	*2.3%*
Earnings per share (basic)	15.61	13.12

in Mio CHF	**31 December 2008**	**31 December 2007**
Current assets	*2,180*	*2,242*
Non-current assets	*4,817*	*5,655*
Total Assets	**6,997**	**7,897**
Current liabilities	*1,109*	*1,013*
Non-current liabilities	*3,795*	*4,202*
Equity	*2,093*	*2,682*
Total liabilities and equity	**6,997**	**7,897**

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

Key Figures compared to 2007 figures in pro forma terms [1)]

in Mio CHF	2008	2007[1)]
Group sales	4,087	4,366
Fragrance sales	1,898	2,027
Flavour sales	2,189	2,339
Gross profit	1,862	2,057
as % of sales	*45.6%*	*47.1%*
EBITDA at comparable basis 2) 3)	842	911
as % of sales	*20.6%*	*20.9%*
EBITDA 2)	765	911
as % of sales	*18.7%*	*20.9%*
Operating profit at comparable basis 3)	486	521
as % of sales	*11.9%*	*11.9%*
Operating profit	379	521
as % of sales	*9.3%*	*11.9%*

1) Prepared on an adjusted pro forma basis, reflecting the combined activity of Givaudan and Quest International over the periods ended 31 December 2007, excluding one-off expenses incurred in connection with the combination with Quest International, reorganisation charges and charges resulting from the accounting treatment of the transaction, and assuming that the combination had taken place as of 1 January 2007.

2) 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.

3) Comparable EBITDA and operating profit for 2007 and 2008 excludes acquisition related restructuring expenses and non acquisition related expenses (latter only in 2007).

Fragrance Division

The Fragrance Division recorded sales in actual terms of CHF 1,898 million, which represents a growth of 7.9% in local currencies and 0.1% decline in Swiss francs. In pro forma terms and excluding the impact of discontinued ingredients, sales showed a growth of 1.7% in local currencies and a decrease of 6.1% in Swiss francs. The total impact of the streamlining of lower value adding fragrance ingredients amounted to CHF 14 million. Including this effect, pro forma sales advanced 1.0% in local currencies, but declined 6.4% in Swiss Franc.

The solid result was driven by the above market growth of Fine Fragrances which had an excellent second half year, the good growth of specialty ingredients and the Consumer Products business.

The EBITDA increased to CHF 348 million in 2008 from CHF 288 million in 2007, an increase of 20.8%. The EBITDA margin, on a comparable basis, was 21.1% in 2008, compared to 20.7% in pro forma terms reported last year. The incremental integration savings in 2008 compensated for the continued pressure on the gross profit margin. On a comparable basis, the EBITDA was CHF 400 million in 2008, below the CHF 420 million in pro forma terms reported last year.

The operating income increased to CHF 153 million from CHF 118 million last year, an increase of 29.7%. The operating margin, on a comparable basis, increased to 12.1% in 2008 versus 11.5% in 2007. On a comparable basis, the operating income was CHF 230 million in 2008, below the CHF 234 million in pro forma terms reported last year.

By the end of the year, the Division completed the consolidation of creation, development and commercial activities of Givaudan and former Quest International in all key markets. Significant investments were made to further upgrade the European Consumer Products Creation Centre in Argenteuil, France.

The new Consumer Products Creation Centre in East Hanover, New Jersey was fully operational in late 2008. This new facility increases considerably Givaudan’s evaluation, laboratory and science capabilities in North America.

The first phase of the expansion of the production site at Mount Olive, USA was completed in June and the second phase, planned for mid-2009, will allow the full consolidation of the complete Givaudan compounding activities in North America. In line with the strategy to have a competitive ingredients palette for perfumers the closure of the commodity ingredients manufacturing site in Lyon, France was announced in October and should be completed by the end of March 2009.

Flavour Division

The Flavour Division reported sales of CHF 2,189 million, representing a growth of 5.8% in local currencies and a decline of 2.0% in Swiss francs. In pro forma terms, excluding the discontinuation of commodity ingredients and the St. Louis divestment, sales increased 3.1% in local currencies. All regions recorded good sales growth in 2008 supported by new business wins across all segments.

Including this effect, pro forma sales growth recorded 1.0% in local currencies and a decline of 6.4% in Swiss franc. The total impact of the streamlining of lower value adding flavour ingredients and the divestiture in February 2008 of the manufacturing site based in St. Louis, USA amounted to CHF 47 million.

Despite adverse economic conditions, sales in mature markets of Europe and North America increased due to a strong inflow of new wins. Sales grew across all segments, led by double-digit growth in Snacks and high single-digit growth in the Savoury and Dairy segments.

The Food service and Health and Wellness categories showed significant double-digit growth, in line with the Division’s growth initiative.

The EBITDA increased to CHF 417 million in 2008 from CHF 392 million in 2007, an increase of 6.4%. The EBITDA margin, on a comparable basis, was 20.2% in 2008, compared to 21.0% in pro forma terms reported last year. On a comparable basis, the EBITDA was CHF 442 million in 2008, below the CHF 491 million in pro forma terms reported last year.

The operating income increased to CHF 226 million from CHF 204 million last year, an increase of 10.8%. The operating margin, on a comparable basis, decreased to 11.7% in 2008 versus 12.3% in 2007. On a comparable basis, the operating income was CHF 256 million in 2008, below the CHF 287 million in pro forma terms reported last year.

During the course of 2008, the Flavour Division focused on launching key universally popular flavours through its TasteEssentials™ programme for citrus, vanilla and chicken. This was achieved thanks to novel ingredients introduced in 2008 and innovative consumer research, demonstrating global leadership in those flavour families.

New innovative ingredients were developed to enable flavourists to create superior dairy, tea and coffee flavour profiles with enhanced palatability, authenticity, stability and cost effectiveness. The new SunThesis™ Citrus product line offers cost-effective, authentic natural replacements for lemon oils, as prices spiked in 2008 due to a worldwide shortage.

Continuous investment in TasteSolutions™ for salt reduction, sweetness enhancement and bitterness masking, led to the introduction of breakthrough flavour systems. This resulted in double-digit sales growth in the strategic area of Health and Wellness applications.

The CulinaryTrek™ Chicken programme was conducted in ten key mature and developing markets supported by an in-house global ethnographic study. This led to the development of new flavours by combining this consumer understanding knowledge with sensory exploration and technology. The programme further strengthens Givaudan's competitive advantage in this area.

In 2008, the Flavour Division held its global ChefsCouncil™ event in Spain at the development centre for El Bulli, one of the world's most regarded restaurants. Other highlights included a TasteTrek™ Citrus, which was conducted in partnership with the University of California, Riverside. It is the home of the world's largest citrus collections and a key strategic alliance partner for Givaudan. During the last quarter of 2008, the Division launched its ByNature™ range of natural meat and poultry flavours in Europe to meet increasing consumer demand. The breakthrough EverCool™ (mint and cooling) product portfolio, based on patented flavour development expertise and molecular biology technology, has resulted in significant successes in chewing gum applications. This important achievement solidifies Givaudan's leadership position in cooling agents.

Delivery systems are critical to enhance the flavour performance in food and beverage applications. Combining Givaudan's and former Quest's expertise, the PureDelivery™ portfolio of industry leading delivery solutions was launched.

This afternoon, 17 February 2009 at 15.00 CET, a conference call will be broadcasted on Givaudan's internet site http://www.givaudan.com

Available Documents and Links:

Annual & Financial Report 2008

Full Year 2008 Results Presentation

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