Givaudan

Media Release

Geneva, 26 January 2018

2017 Full Year Results

Strong financial performance – investing for the future

- Sales of CHF 5.1 billion, up 4.9% on a like-for-like basis and 8.3% in Swiss francs
- EBITDA of CHF 1,089 million
- Net income of CHF 720 million, up 11.7% year-on-year
- Free cash flow of 11.8% of sales
- Proposed dividend of CHF 58.00 per share, up 3.6% year-on-year
- Givaudan Business Solutions progressing as planned

Business performance

Givaudan Group full year sales were CHF 5,051 million, an increase of 4.9% on a like-for-like basis and 8.3% in Swiss francs when compared to 2016.

Fragrance Division sales were CHF 2,343 million, an increase of 4.5% on a like-for-like basis and 5.1% in Swiss francs.

Flavour Division sales were CHF 2,708 million, an increase of 5.3% on a like-for-like basis and 11.3% in Swiss francs.

Givaudan completed the year with good business momentum and with the project pipeline and win rates being sustained at high levels. The good growth was achieved across all product segments and geographies, with recent acquisitions all contributing positively. The Company continues to implement price increases in collaboration with its customers to fully compensate for the increases in input costs.

Gross Margin

The gross margin was 44.5% compared to 45.6% in 2016. Despite continued productivity gains and cost discipline, the decline in the gross margin was mainly due to the dilution arising from the pricing actions to fully compensate for increased input costs.

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

The EBITDA was CHF 1,089 million in 2017 compared to CHF 1,126 million in 2016, a decrease of 3.3% in Swiss francs and 3.8% in local currency. The EBITDA margin was 21.6% in 2017 compared to 24.1% in 2016.

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The reduction is largely attributed to the costs incurred in relation to the Givaudan Business Solutions (GBS) program with full year costs of CHF 107 million, of which CHF 47 million was cash, being partially offset by non-cash gains resulting from changes in pension plans of CHF 20 million. As a reminder, in 2016 the Group recognised a net one-off non-cash gain of CHF 62 million resulting mainly from changes in pension plans.

Operating Income
The operating income was CHF 869 million compared to CHF 875 million, a decrease of 0.8% versus 2016. When measured in local currency terms, the operating income decreased by 1.5%. The operating margin decreased to 17.2% in 2017 from 18.8% in 2016.

Financial Performance
Financing costs in 2017 were CHF 42 million, versus CHF 51 million for the same period in 2016. In 2017, the Group continued to refinance at lower interest rates. Other financial expense, net of income, were CHF 32 million in 2017, versus the CHF 40 million reported in 2016, with increased hedging costs offset by reduced currency volatility in markets where currencies could not be hedged.

The income tax expense as a percentage of income before taxes was 9%, compared to 18% in 2016 mainly arising from lower tax expenses in the United States. Excluding items of a non-recurring nature, the income tax expense as a percentage of income before taxes was 15%.

Net Income
The net income increased to CHF 720 million in 2017 from CHF 644 million in 2016, an increase of 11.7%. This results in a net profit margin of 14.2%, versus 13.8% in 2016. Basic earnings per share increased to CHF 78.18 versus CHF 69.95 for the same period in 2016.

Cash Flow
Givaudan delivered an operating cash flow of CHF 861 million in 2017, compared to CHF 805 million in 2016. As a percentage of sales, working capital was essentially flat when compared to 2016.

Total net investments in property, plant and equipment were CHF 189 million, compared to CHF 135 million in 2016. During 2017 the Group continued its investments to support growth in high growth markets, most notably the new flavours savoury facility in Pune, India, the Zurich Innovation Centre (ZIC) and the Fragrance Division investments in Singapore and China.

Intangible asset additions were CHF 53 million in 2017, compared to CHF 40 million in 2016 as the Company continued to invest in its IT platform capabilities, including those to support the introduction of the Givaudan Business Solutions organisation. Total net investments in tangible and intangible assets were 4.8% of sales in 2017, compared to 3.8% in 2016.

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Operating cash flow after net investments was CHF 619 million in 2017, versus the CHF 630 million recorded in 2016. Free cash flow, defined as operating cash flow after investments and interest paid, was CHF 594 million in 2017, versus CHF 597 million for the comparable period in 2016. As a percentage of sales, free cash flow in 2017 was 11.8%, compared to 12.8% in 2016.

Financial Position
Givaudan's financial position remained solid at the end of the year. Net debt at December 2017 was CHF 1,074 million, compared to CHF 930 million at December 2016, with the increase driven by the Group's acquisitions and investment programme. At the end of December 2017 the leverage ratio was 21%, compared to 19% at the end of 2016.

Givaudan Business Solutions
In July 2017 Givaudan announced the details of the planned implementation of Givaudan Business Solutions, a global organisation providing best-in-class internal processes and services.

The introduction of Givaudan Business Solutions is fully on track, with the first implementation steps expected in the first half of 2018 in Europe and in Asia Pacific.

In 2017, the Group incurred costs of CHF 107 million, of which CHF 47 million was cash, in relation to the preparation and first steps of the Givaudan Business Solutions organisation.

Dividend Proposal
At the Annual General Meeting on 22 March 2018, Givaudan's Board of Directors will propose a cash dividend of CHF 58.00 per share for the financial year 2017, an increase of 3.6% versus 2016. This is the seventeenth consecutive dividend increase following Givaudan's listing at the Swiss stock exchange in 2000.

2020 Guidance – Responsible growth. Shared success.
The Company's 2020 ambition is to create further value through profitable, responsible growth. Capitalising on the success of the 2011-2015 strategy, Givaudan's 2020 ambition is built on the three strategic pillars of growing with its customers; delivering with excellence; and partnering for shared success.

Ambitious financial targets are a fundamental part of Givaudan's strategy. We aim to outpace the market with 4-5% sales growth and a free cash flow of 12-17% of sales, both measured as an average over the five-year period of the strategy cycle. It is Givaudan's intention to maintain its current dividend practice as part of this ambition.

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Key Figures

For the twelve months ended 31 December, in million CHF except per share data	2017	2016
Group Sales	**5,051**	**4,663**
Fragrance sales	2,343	2,230
Flavour sales	2,708	2,433
Gross profit	**2,250**	**2,128**
as % of sales	44.5%	45.6%
EBITDA [1]	**1,089**	**1,126**
as % of sales	21.6%	24.1%
Operating income	**869**	**875**
as % of sales	17.2%	18.8%
Income attributable to equity holders of the parent	**720**	**644**
as % of sales	14.2%	13.8%
Earnings per share – basic (CHF)	**78.18**	**69.95**
Operating cash flow	**861**	**805**
as % of sales	17.0%	17.3%
Free cash flow	**594**	**597**
as % of sales	11.8%	12.8%

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

Sales January to December 2017

in millions of Swiss francs	2016 Sales	LFL	Acquisition impact	Currency	2017 Sales	Change % LFL*	Change % In CHF
Group	**4,663**	**229**	**177**	**(18)**	**5,051**	**4.9%**	**8.3%**
Fragrance	2,230	100		13	2,343	4.5%	5.1%
Flavour	2,433	129	177	(31)	2,708	5.3%	11.3%

Sales October to December 2017

in millions of Swiss francs	2016 Sales	LFL	Acquisition impact	Currency	2017 Sales	Change % LFL*	Change % In CHF
Group	**1,145**	**108**	**35**	**6**	**1,294**	**9.4%**	**12.9%**
Fragrance	531	64		8	603	12.0%	13.4%
Flavour	614	44	35	(2)	691	7.2%	12.5%

Sales evolution by market

Sales January to December 2017 in millions of Swiss francs	2017	2016	Change % LFL*	Change % In CHF
Mature markets	2,867	2,566	5.1%	11.7%
High growth markets	2,184	2,097	4.8%	4.2%

LFL = Like-for-like, which excludes the impact of currency, acquisitions and disposals

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Fragrance Division

Fragrance Division sales were CHF 2,343 million, an increase of 4.5% on a like-for-like basis and 5.1% in Swiss francs.

Total sales for Fragrance Compounds (Fine Fragrances and Consumer Products combined) increased by 4.8% on a like-for-like basis. In Swiss francs, sales of compounds increased to CHF 2,036 million from CHF 1,933 million in 2016.

Fine Fragrances sales grew 7.2% on a like-for-like basis, driven both by strong new business and low erosion levels.

Consumer Products sales increased by 4.1% on a like-for-like basis, driven by all customer groups and balanced growth in both high growth and mature markets.

Sales of Fragrance Ingredients and Active Beauty increased by 2.8% on a like-for-like basis. Sales in Active Beauty grew double digit, driven by strong sales of the Active ingredients and Encapsulation systems. Sales of Fragrance ingredients were flat versus last year as a result of an improved performance in the latter months of the year.

The EBITDA of the Fragrance Division was CHF 486 million in 2017 compared to CHF 603 million in 2016, despite consistent underlying profitability. The reduction is largely attributed to the costs incurred in relation to the Givaudan Business Solutions (GBS) programme with full year costs of CHF 107 million in 2017, partially offset by non-cash gains resulting from pension changes of CHF 18 million. As a reminder, in 2016 the division recognised a net one-off non-cash gain of CHF 62 million resulting mainly from changes in pension plans.

As a result, the EBITDA margin was 20.7% in 2017 compared to 27.0% in 2016.

The operating income was CHF 396 million in 2017, versus CHF 493 million for the same period in 2016. The operating margin was 16.9% in 2017 compared to 22.1% in 2016.

As part of the Group's 2020 strategy to expand the capabilities of its fragrance business, Givaudan announced on December 18, 2017, that it had entered into exclusive negotiations to acquire Expressions Parfumées, a French fragrance creation house.

Fine Fragrances
Fine Fragrances sales grew 7.2% on a like-for-like basis led by strong new business wins across all customer groups. In mature markets double-digit growth in Western Europe was delivered through new business and the solid performance of existing fragrances. North America sales grew against a strong prior year comparable driven by high new business levels offsetting erosion. Growth in high growth markets was driven by the Middle East with a combination of new business and volume gains at a number of customers and growth in Latin America in the second half of 2017.

Fine Fragrances enjoyed a successful awards season for Givaudan perfumes around the world. Numerous awards have been received in the USA, Latin America and Europe across both men's and women's fragrance categories. These awards confirm the leading role in the fine fragrance industry and recognise Givaudan's capabilities in creating products that consumers love.

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Consumer Products
The Consumer Products Business increased by 4.1% on a like-for-like basis with balanced growth in both high growth and mature markets. This performance was supported by a solid increase with international customers and sustained growth with local and regional customers which experienced double-digit growth in 2016.

On a regional basis, Latin America continued to deliver double-digit growth with all customer groups against strong prior year comparables. Asia recorded a sustainable increase driven by international customers, with particularly strong results in the South Asia sub-region across all product segments.

In Europe, Africa and Middle East, sales growth was reported on all customer groups and all sub-regions. Sales in North America showed strong year on year growth against a high prior year comparable thanks to all customer groups and product segments.

On a product segment basis, home care delivered solid sales growth, whilst Oral care and fabric care segments also contributed to the performance.

Fragrance Ingredients and Active Beauty
Sales of Fragrance Ingredients and Active Beauty increased by 2.8% on a like-for-like basis. Sales of Active Beauty were double-digit driven by strong sales on the Active ingredients and Encapsulation systems. Sales of Fragrance ingredients were flat versus last year as a result of an improved performance in the latter months of the year. Sales of Fragrance Ingredients in Europe and South America recorded solid growth, whilst in Asia and North America the sales were below prior year levels.

Flavour Division

Flavour Division sales were CHF 2,708 million, an increase of 5.3% on a like-for-like basis and 11.3% in Swiss francs. Including Spicetec, acquired in July 2016, Activ International, acquired in January 2017 and Vika B.V. acquired in September 2017, the growth was 12.4% in local currency.

From a segment perspective, Dairy, Snacks and Beverages were the main contributors to the division's growth, with all segments in positive territory.

Asia Pacific and North America experienced robust growth whilst Latin America was negatively impacted by the economic situation in Brazil. Europe, Africa and the Middle East delivered good growth, driven by Beverages, Snacks and Savoury. All regions delivered a high level of new wins in the key segments.

As a result of the 2020 strategy, sales in Naturals increased at double-digit levels and in high single-digits in the Health & Wellness area.

The EBITDA increased by 15.4% to CHF 603 million from CHF 523 million in 2016. The EBITDA margin was 22.3% in 2017, up from 21.5% in 2016.

The operating income increased by 23.9% to CHF 473 million in 2017 from CHF 382 million for the same period in 2016. The operating margin increased to 17.5% in 2017 from 15.7% in 2016.

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Asia Pacific
Sales in Asia Pacific grew by 3.8% on a like-for-like basis. Singapore, India, Philippines and Thailand delivered a double-digit performance, whilst Australia delivered a high single-digit increase. Despite challenging market conditions, China reported good growth in the second half of the year, whilst Indonesia saw a decline versus strong comparables in 2016.

Growth in the mature markets was driven by strong double-digit growth in Singapore and positive performance coming from Taiwan and Oceania.

Local and regional customers continued to grow strongly across the region, whilst from a segment perspective, Beverages, Dairy and Savoury contributed significantly to the overall growth.

Europe, Africa and Middle East
Sales increased by 5.1% on a like-for-like basis, with double-digit growth in Africa and the Middle East led by Egypt, Saudi Arabia and Nigeria and single-digit growth in the markets of Central and Eastern Europe, led by Turkey and Russia. The mature markets of Western Europe grew moderately led by the Benelux, UK, Ireland and Italy.

Within the segments there was good growth in Beverages, Snacks and Savoury as main contributors to the positive growth.

North America
On a like-for-like basis, sales in North America grew 8.5% in 2017. The strong performance was a result of new wins and growth of existing business in the Beverages and Dairy segments.

Latin America
Latin America sales increased by 1.5%, against a strong comparable of 17.1% in 2016. Good sales momentum in Argentina and Mexico was offset by the negative result related to the economic situation in Brazil.

Annual General Meeting 2017

At the Annual General Meeting on 22 March 2018, all Board members will stand for re-election.

Note: Like-for-like excludes the impact of currency, acquisitions and disposals

The 2017 Annual Report can be downloaded on www.givaudan.com.
A conference call will be broadcast on www.givaudan.com on 26 January 2016 at 15.00 CET.

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