Financial Report

Detailed contents:

Consolidated financial statements

Consolidated Income Statement

For the year ended 31 December

in millions of Swiss francs, except for earnings per share data	Note	**2016**	2015 [a]
Sales	7	4,663	4,396
Cost of sales		(2,535)	(2,366)
Gross profit		**2,128**	**2,030**
as % of sales		45.6%	46.2%
Selling, marketing and distribution expenses		(640)	(608)
Research and product development expenses		(400)	(366)
Administration expenses		(186)	(169)
Share of (loss) profit of jointly controlled entities	10	(1)	(2)
Other operating income	11	75	41
Other operating expense	12	(101)	(132)
Operating income		**875**	**794**
as % of sales		18.8%	18.1%
Financing costs	14	(51)	(61)
Other financial income (expense), net	15	(40)	(37)
Income before taxes		**784**	**696**
Income taxes	16	(140)	(71)
Income for the period		**644**	**625**
Attribution			
Income attributable to equity holders of the parent		644	625
as % of sales		13.8%	14.2%
Earnings per share – basic (CHF)	**17**	**69.95**	**67.89**
Earnings per share – diluted (CHF)	**17**	**69.34**	**67.06**

a) Previous year figures have been restated in accordance with early adoption of IFRS 9 (see Note 2).

The notes on pages 121 to 175 form an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December

in millions of Swiss francs	Note	2016	2015 [a]
Income for the period		**644**	**625**
Items that may be reclassified to the income statement			
Cash flow hedges			
Movement in fair value, net		(14)	(15)
Gains (losses) removed from equity and recognised in the consolidated income statement	15	10	11
Movement on income tax	16	1	1
Exchange differences arising on translation of foreign operations			
Change in currency translation		(125)	(206)
Movement on income tax	16	2	5
Items that will not be reclassified to the income statement			
Defined benefit pension plans			
Remeasurement gains (losses) of post employment benefit obligations	8	(148)	67
Movement on income tax	16	33	(24)
Other comprehensive income for the period		**(241)**	**(161)**
Total comprehensive income for the period		**403**	**464**
Attribution			
Total comprehensive income attributable to equity holders of the parent		403	464

a) Previous year figures have been restated in accordance with early adoption of IFRS 9 (see Note 2).

The notes on pages 121 to 175 form an integral part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December

in millions of Swiss francs	Note	**31 December 2016**	31 December 2015 [a]	1 January 2015 [a]
Cash and cash equivalents	18	328	478	412
Derivative financial instruments	5	9	17	21
Derivatives on own equity instruments	25	3	6	10
Financial assets at fair value through income statement	5	1	2	64
Accounts receivable - trade	5, 19	996	901	911
Inventories	20	788	716	771
Current tax assets	16	26	16	22
Other current assets	5	192	143	146
Current assets		**2,343**	**2,279**	**2,357**
Property, plant and equipment	21	1,442	1,384	1,430
Intangible assets	22	2,311	2,197	2,293
Deferred tax assets	16	259	260	258
Post-employment benefit plan assets	8	12	15	7
Financial assets at fair value through income statement	5	59	76	76
Jointly controlled entities	10	35	27	17
Other long-term assets		53	44	34
Non-current assets		**4,171**	**4,003**	**4,115**
Total assets		**6,514**	**6,282**	**6,472**
Short-term debt	5, 23	7	208	57
Derivative financial instruments	5	32	18	19
Accounts payable - trade and others	5	494	400	423
Accrued payroll & payroll taxes		143	120	119
Current tax liabilities	16	46	70	82
Financial liability: own equity instruments	25	57	48	54
Provisions	24	6	12	12
Other current liabilities		174	138	155
Current liabilities		**959**	**1,014**	**921**
Derivative financial instruments	5	62	62	50
Long-term debt	5, 23	1,251	947	1,150
Provisions	24	59	51	36
Post-employment benefit plan liabilities	8	722	637	735
Deferred tax liabilities	16	93	92	88
Other non-current liabilities		75	64	79
Non-current liabilities		**2,262**	**1,853**	**2,138**
Total liabilities		**3,221**	**2,867**	**3,059**
Share capital	26	92	92	92
Retained earnings and reserves	26	5,477	5,373	5,209
Own equity instruments	26	(109)	(79)	(78)
Other components of equity	25, 26	(2,167)	(1,971)	(1,810)
Equity attributable to equity holders of the parent		**3,293**	**3,415**	**3,413**
Total equity		**3,293**	**3,415**	**3,413**
Total liabilities and equity		**6,514**	**6,282**	**6,472**

a) Previous year figures have been restated in accordance with early adoption of IFRS 9 (see Note 2).

The notes on pages 121 to 175 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December

2016 in millions of Swiss francs	Share Capital	Retained earnings and reserves	Own equity instruments	Cash flow hedges	Available-for-sale financial assets	Currency translation differences	Remeasure-ment of post employment benefit obligations	Total equity
Note	26	26	25, 26				8	
Balance as at 1 January published	**92**	**5,361**	**(79)**	**(70)**	**12**	**(1,396)**	**(505)**	**3,415**
Balance as at 1 January restated	**92**	**5,373**	**(79)**	**(70)**		**(1,396)**	**(505)**	**3,415**
Income for the period		644						644
Other comprehensive income for the period				(3)		(123)	(115)	(241)
Total comprehensive income for the period		**644**		**(3)**		**(123)**	**(115)**	**403**
Dividends paid		(495)						(495)
Movement on own equity instruments, net			(30)					(30)
Transfers		(45)					45	
Net change in other equity items		**(540)**	**(30)**				**45**	**(525)**
Balance as at 31 December	**92**	**5,477**	**(109)**	**(73)**		**(1,519)**	**(575)**	**3,293**

2015 [a] in millions of Swiss francs	Share Capital	Retained earnings and reserves	Own equity instruments	Cash flow hedges	Available-for-sale financial assets	Currency translation differences	Remeasure-ment of post employment benefit obligations	Total equity
Note	26	26	25, 26					
Balance as at 1 January published	**92**	**5,187**	**(78)**	**(67)**	**22**	**(1,195)**	**(548)**	**3,413**
Balance as at 1 January restated	**92**	**5,209**	**(78)**	**(67)**		**(1,195)**	**(548)**	**3,413**
Income for the period		625						625
Other comprehensive income for the period				(3)		(201)	43	(161)
Total comprehensive income for the period		**625**		**(3)**		**(201)**	**43**	**464**
Dividends paid		(461)						(461)
Movement on own equity instruments, net			(1)					(1)
Net change in other equity items		**(461)**	**(1)**					**(462)**
Balance as at 31 December restated	**92**	**5,373**	**(79)**	**(70)**		**(1,396)**	**(505)**	**3,415**

a) Previous year figures have been restated in accordance with early adoption of IFRS 9 (see Note 2).

The notes on pages 121 to 175 form an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December

in millions of Swiss francs	Note	**2016**	2015[a]
Income for the period		644	625
Income tax expense	16	140	71
Interest expense	14	42	47
Non-operating income and expense	14, 15	49	51
Operating income		**875**	**794**
Depreciation of property, plant and equipment	21	113	112
Amortisation of intangible assets	22	132	157
Impairment of long-lived assets	21, 22	6	7
Other non-cash items			
- share-based payments		33	40
- pension expense	8	(23)	1
- additional and unused provisions, net	24	10	30
- other non-cash items		(10)	43
Adjustments for non-cash items		**261**	**390**
(Increase) decrease in inventories		(38)	4
(Increase) decrease in accounts receivable		(107)	(76)
(Increase) decrease in other current assets		(53)	3
Increase (decrease) in accounts payable		55	(7)
Increase (decrease) in other current liabilities		52	(4)
(Increase) decrease in working capital		**(91)**	**(80)**
Income taxes paid		**(127)**	**(107)**
Pension contributions paid	8	(45)	(45)
Provisions used	24	(8)	(12)
Purchase and sale of own equity instruments, net		(48)	(43)
Impact of financial transactions, net		(12)	18
Cash flows from (for) operating activities		**805**	**915**
Increase in long-term debt		299	200
(Decrease) in long-term debt		–	(202)
Increase in short-term debt		463	506
(Decrease) in short-term debt		(663)	(564)
Interest paid		(33)	(36)
Distribution to the shareholders paid	26	(495)	(461)
Purchase and sale of derivative financial instruments, net		(8)	(16)
Others, net		–	(5)
Cash flows from (for) financing activities		**(437)**	**(578)**
Acquisition of property, plant and equipment	21	(136)	(126)
Acquisition of intangible assets	22	(40)	(35)
Increase in share capital of jointly controlled entities	10	(9)	(14)
Acquisition of subsidiary, net of cash acquired	6	(331)	(91)
Proceeds from the disposal of property, plant and equipment	21	1	1
Interest received		2	1
Purchase and sale of financial assets at fair value through income statement, net		23	52
Purchase and sale of derivative financial instruments, net			–
Others, net		(13)	(13)
Cash flows from (for) investing activities		**(503)**	**(225)**
Net increase (decrease) in cash and cash equivalents		**(135)**	**112**
Net effect of currency translation on cash and cash equivalents		(15)	(46)
Cash and cash equivalents at the beginning of the period	18	478	412
Cash and cash equivalents at the end of the period		**328**	**478**

a) Previous year figures have been restated in accordance with early adoption of IFRS 9 (see Note 2).
The notes on pages 121 to 175 form an integral part of these financial statements.

Notes to the consolidated financial statements

1. Group Organisation

Givaudan SA and its subsidiaries (hereafter 'the Group') operate under the name Givaudan. Givaudan SA is a limited liability company incorporated and domiciled in Switzerland. The Group is headquartered in Vernier, near Geneva, Switzerland. Givaudan is a leading supplier of creative fragrance and flavour products to the consumer goods industry. It operates in over 100 countries and has subsidiaries and branches in more than 40 countries. Worldwide, it employs 10,476 people. A list of the principal Group companies is shown in Note 31 to the consolidated financial statements.

The Group is listed on the SIX Swiss Exchange (GIVN).

2. Summary of Significant Accounting Policies

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

2.1 Basis of Preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the IASB and Swiss law.

They are prepared under the historical cost convention as modified by the revaluation of financial assets and financial liabilities at fair value through the income statement, and of own equity instruments classified as derivatives. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Critical accounting estimates and judgments are disclosed in Note 3.

Givaudan SA's Board of Directors approved these consolidated financial statements on 27 January 2017.

2.1.1 Changes in Accounting Policies and Disclosures

Standards, amendments and interpretations effective in 2016

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2015, as described in the 2015 consolidated financial statements, with the exception of the adoption as of 1 January 2016 of the standards and interpretations described below:

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment and introduce the rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. The adoption of these amendments does not result in a change in the financial information currently disclosed because the long-lived assets are depreciated / amortised on a straight-line basis over the estimated economic useful life of the asset (see Notes 2.15 and 2.17).

Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations clarify that the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3, is required to apply all of the principles on business combinations accounting in IFRS 3. The adoption of these amendments has no impact on the joint arrangements currently held by the Group.

IFRS 14 Regulatory Deferral Accounts permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP. This standard does not affect the Group as it is not a first-time adopter of IFRS.

Amendments to IAS 27: Equity Method in Separate Financial Statements reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. The adoption of these amendments has no impact because the Group does not prepare separate financial statements in accordance with IFRS.

Amendments to IAS 16 and IAS 41: Agriculture: Bearer Plants require bearer plants to be accounted for as property, plant and equipment. The produce growing on bearer plants remains in the scope of agriculture activities. The adoption of these amendments has no impact because the Group does not hold bearer plants.

Annual Improvements to IFRSs 2012-2014 Cycle include amendments to a number of IFRSs (IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 Financial Instruments: Disclosures with consequential amendments to IFRS 1, IAS 19 Employee Benefits and IAS 34 Interim Financial Reporting) which do not affect the information currently disclosed by the Group.

Amendments to IAS 1: Disclosure Initiative are designed to address concerns expressed by constituents about existing presentation and disclosure requirements and to encourage entities to use judgement in the application of IAS 1 when considering the layout and content of their financial statements. The Group assessed that the adoption of these amendments does not result in a change in the information currently disclosed.

Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception introduce a requirement that if an entity met the definition of an 'investment entity' it would be required to measure and present its investments in particular subsidiaries at fair value through the income statement in its consolidated and separate financial statements, rather than consolidating them. The adoption of these amendments has no impact because the Group does not hold investment entities.

IFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. As at 1 January 2016, the Group has early adopted IFRS 9 as issued in July 2014. As a result of the adoption of IFRS 9, the Group classifies all financial assets as financial assets at fair value through the income statement except for trade receivables which are classified at amortised cost.

The adoption of IFRS 9 helps to align the accounting of financial assets with the objectives to collect contractual cash flows as they come due and to sell financial assets.

Financial assets at fair value through the income statement
Financial assets that are used to fund the settlements of long-term incentive plans recognised in the liabilities fulfil the objectives of collecting contractual cash flows and selling financial assets. Investments accounted for as available-for-sale financial assets in accordance with IAS 39 change their measurement category to "at fair value through the income statement" which is more consistent, in the Group's opinion, with the Group's strategic investments objectives.

Derivative financial assets accounted for at fair value through the income statement in accordance with IAS 39 remain in the same measurement category unless they are designated as effective hedging instruments.

Financial assets at amortised cost
Trade receivables reach the objective of collecting contractual cash flows over their life. Trade receivables accounted for as "loans and receivables" financial assets in accordance with IAS 39 change their measurement category to "at amortised cost".

The new hedging rules align hedge accounting more closely with the Group's risk management practices. The hedging strategy of the Group is not changed.

The new impairment model is an expected credit loss (ECL) model which may result in the earlier recognition of credit losses than the incurred loss impairment model used in IAS 39. The Group applies a simplified approach for trade receivables, for which the tracking of changes in credit risk is not required but instead the base lifetime expected credit loss at all times is applied. The current practice for measuring the trade receivables does not change.

For financial liabilities, there is no change in their classification and measurement except for liabilities designated at fair value through the income statement for which the amount of change in the fair value that is attributable to changes in own credit risk is presented in other comprehensive income. The Group has currently only financial liabilities at amortised cost and therefore there is no impact in their classification.

The following tables summarise the impact of the above changes on the Group's financial position, on the statement of comprehensive income, and on earnings per share.

Financial position as at 1 January 2015

in millions of Swiss francs	Reported	Adjustments	Restated
Available-for-sale financial assets	64	(64)	
Financial assets at fair value through income statement		64	64
Current assets			
Financial assets at fair value through income statement	35	41	76
Other long-term assets	75 [a]	(41)	34
Non-current assets			
Retained earnings and reserves	5,187	22	5,209
Other components of equity	(1,788) [a]	(22)	(1,810)
Equity			

a) Including available-for-sale financial assets.

Comprehensive income for the year ended 31 December 2015

in millions of Swiss francs	Reported	Adjustments	Restated
Income statement			
Total other financial income (expense), net	(27)	(10)	(37)
Other comprehensive income			
Available-for-sale financial assets			
Movements in fair value, net	2	(2)	
(Gains) losses removed from equity and recognised in the consolidated income statement	(12)	12	

Earnings per share

in Swiss francs	Reported	Restated
Basic earnings per share	68.98	67.89
Diluted earnings per share	**68.14**	**67.06**

Financial position as at 31 December 2015

in millions of Swiss francs	Reported	Adjustments	Restated
Available-for-sale financial assets	2	(2)	
Financial assets at fair value through income statement		2	2
Current assets			
Financial assets at fair value through income statement	35	41	76
Other long-term assets	85 [a]	(41)	44
Non-current assets			
Retained earnings and reserves	5,361	12	5,373
Other components of equity	(1,959) [a]	(12)	(1,971)
Equity			

a) Including available-for-sale financial assets.

2.1.2. IFRSs and IFRICs issued but not yet effective

New and revised standards and interpretations, issued but not yet effective, have been reviewed to identify the nature of the future changes in accounting policy and to estimate the effect of any necessary changes in the consolidated financial statements and supporting notes upon their adoption.

a) Issued and effective for 2017

Amendments to IAS 7: Disclosure Initiative improve the information provided to the users of financial statements on an entity's financing activities. Entities shall provide disclosures to enable users of financial statements to evaluate changes in liabilities arising from financing activities. The Group is currently evaluating the disclosure impact of the adoption of this standard.

Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses clarify that unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use. The adoption of these amendments do not change the current practice applied by the Group.

Annual Improvements to IFRS Standards 2014-2016 Cycle set out amendments across three different standards, related basis for conclusions and guidance, out of which one is effective in 2017, amendments to IFRS 12 Disclosure of Interests in Other Entities. The Group has not yet evaluated the impact of these amendments on its consolidated financial statements.

b) Issued and effective for 2018 and after

IFRS 9 Financial Instruments (as revised in 2014). The Group has early adopted this standard (see Note 2.1.1).

Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts do not change the impact of the earlier adoption of IFRS 9 as the Group is not exposed to IFRS 4.

IFRS 15 Revenue from Contracts with Customers. The Group has evaluated the impacts of this standard on its consolidated financial statements. IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces existing revenue recognition guidance including IAS 18 Revenues, IAS 11 Construction Contracts and IFRIC 13 Customers Loyalty Programme.

The Group has assessed that the adoption of IFRS 15 does not impact its consolidated financial statements. Contracts with customers relate primarily to the delivery of manufactured products and molecules of fragrance and flavour to the agreed upon specifications and may contain additional performance obligations for certain clients such as the assignment of specific application technologies, joint market research and particular stock conditions. Most of these additional performance obligations are not distinct because they are highly dependent on the delivery of manufactured product and molecules of fragrance and flavour. Generally, the transaction price includes estimating variable consideration such as rebates granted to customers.

The clarifications to IFRS 15 issued in April 2016 do not change the above described assessment.

Amendments to IFRS 10 and IAS 28: Sales or Contribution of Assets between an Investor and its Associate or Joint Venture clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The adoption of these amendments has no impact on the joint arrangements currently hold by the Group.

IFRS 16 Leases provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases, and lessors confirm the continuation of classifying leases as operating or finance. The Group is currently evaluating the accounting impact of the adoption of this standard.

Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions clarify the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The adoption of these amendments has no impact on the current share-based payments programmes held with the Group.

Annual Improvements to IFRS Standards 2014-2016 Cycle set out amendments across three different standards, related basis for conclusions and guidance, out of which two are effective in 2018, amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and amendments to IAS 28 Investments in Associates and Joint Ventures. The Group has not yet evaluated the impact of these amendments on its consolidated financial statements.

Amendments to IAS40: Transfers of Investment Property reinforce the principle for transfers into, or out of, investment property in IAS 40. The Group has not yet evaluated the impact of these amendments on its consolidated financial statements.

IFRIC 22: Foreign Currency Transactions and Advance Consideration sets out requirements about which exchange rate to use when recording a foreign currency transaction on initial recognition in an entity's functional currency. The Group has not yet evaluated the impact of this interpretation on its consolidated financial statements.

2.2 Consolidation

The subsidiaries that are consolidated are those companies controlled, directly or indirectly, by Givaudan SA. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether or not it controls an investee if there are indications of a change in facts and circumstances.

Companies acquired during the year are consolidated from the date on which operating control is transferred to the Group, and subsidiaries to be divested are included up to the date on which control passes to the acquirer.

The acquisition method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets acquired, shares issued and liabilities undertaken or assumed at the date of acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed are measured initially at their fair values at the acquisition date. Acquisition related costs are expensed as incurred. The excess of the cost of acquisition over the fair value of the Group's share of net assets of the subsidiary acquired is recognised as goodwill.

Where necessary, changes are made to the accounting policies of subsidiaries to bring and ensure consistency with the policies adopted by the Group.

Assets and liabilities, equity, income, expenses and cash flows resulting from inter-company transactions are eliminated in full on consolidation.

2.3 Interest in a Joint Venture

A joint venture is a joint arrangement whereby the Group and other parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists when the strategic, financial and operating decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in the consolidated financial statements using the equity method of accounting until the date on which the Group ceases to have joint control over the joint venture. Under the equity method, an investment in a joint venture is initially recognised at cost and adjusted thereafter to recognise the Group's share of the income statement and the other comprehensive income of the joint venture. Adjustments are made where necessary to bring the accounting policies in line with those adopted by the Group. Unrealised gains and losses on transactions between the Group and a jointly controlled entity are eliminated to the extent of the Group's interest in the joint venture.

2.4 Foreign Currency Valuation

2.4.1 Functional and presentation currency
Items included in the financial statements of each entity in the Group are measured using the functional currency of that entity. The functional currency is normally the one in which the entity primarily generates and expends cash. The consolidated financial statements are presented in millions of Swiss francs (CHF), the Swiss franc being the Group's presentation currency.

2.4.2 Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions, or using a rate that approximates the exchange rates on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the reporting period-end rates of monetary assets and liabilities denominated in foreign currencies are recognised in other financial income (expense), net, except for:

– Exchange differences deferred in equity as qualifying cash flow hedges on certain foreign currency risks and qualifying net investment hedges.

– Exchange differences on monetary items to a foreign operation for which settlement is neither planned nor likely to occur, therefore forming part of the net investment in the foreign operation, which are recognised initially in other comprehensive income and reclassified from equity to the income statement on disposal of the net investment or on partial disposal when there is a loss of control of subsidiary or a loss of joint control over a jointly controlled entity.

– Exchange differences on foreign currency borrowings relating to assets under construction which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

Non-monetary items that are measured in terms of historical cost in foreign currencies are not retranslated.

2.4.3 Translation of the financial statements of foreign subsidiaries
For the purpose of presenting consolidated financial statements, the assets and liabilities of Group companies reporting in currencies other than Swiss francs (foreign operations) are translated into Swiss francs using exchange rates prevailing at the end of the reporting period. Cash flows, income and expenses items of Group companies are translated each month independently at the average exchange rates for the period when it is considered a reasonable approximation of the underlying transaction rate. All resulting exchange differences are recognised in other comprehensive income and accumulated in equity.

2.5 Segment Reporting
The operating segments are identified on the basis of internal reports that are regularly reviewed by the Executive Committee, the members of the Executive Committee being the chief operating decision makers, in order to allocate resources to the segments and to assess their performance. The internal financial reporting is consistently prepared along the lines of the two operating Divisions: Fragrances and Flavours.

The business units of each Division, respectively Fine Fragrances, Consumer Products and Fragrance and Active Beauty for the Fragrance Division and Beverages, Dairy, Savoury and Sweet Goods for the Flavour Division, are not considered as separately reportable operating segments as decision making about the allocation of resources and the assessment of performance are not made at this level.

Inter-segment transfers or transactions are set on an arm's length basis.

Information about geographical areas is determined based on the Group's operations; Switzerland, Europe, Africa and Middle-East; North America; Latin America and Asia Pacific. Revenues from external customers are shown by destination.

2.6 Sales of Goods

Revenue from sales of goods is measured at the fair value of the consideration received or receivable in the ordinary course of the Group's activities. Sales of goods are reduced for estimated volume discounts, rebates, and sales taxes. The Group recognises revenue when the amount can be reliably measured, it is probable that future economic benefits will flow to the entity and when significant risks and rewards of ownership of the goods are transferred to the buyer.

2.7 Research and Product Development

The Group is active in research and in formulas, technologies and product developments. In addition to its internal scientific efforts, the Group collaborates with outside partners.

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Internal developments or developments obtained through agreements on formulas, technologies and products costs are capitalised as intangible assets when there is an identifiable asset that will generate probable economic benefits and when the cost can be measured reliably. When the conditions for recognition of an intangible asset are not met, development expenditure is recognised in the income statement in the period in which it is incurred.

2.8 Employee Benefit Costs

Wages, salaries, social security contributions, annual leave and paid sick leave, bonuses and non-monetary benefits are expensed in the year in which the associated services are rendered by the Group's employees.

2.8.1 Pension obligations

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, principally dependent on an employee's years of service and remuneration at retirement. Plans are usually funded by payments from the Group and employees to financially independent trusts. The liability recognised in the statement of financial position is the aggregate of the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets. Where a plan is unfunded, only a liability representing the present value of the defined benefit obligation is recognised in the statement of financial position. The present value of the defined benefit obligation is calculated by independent actuaries using the projected unit credit method twice a year, at interim and annual publication. This reflects the discounted expected future payment required to settle the obligation resulting from employee service in the current and prior periods. The future cash outflows incorporate actuarial assumptions primarily regarding the projected rates of remuneration growth, and long-term indexation rates. Discount rates, used to determine the present value of the defined benefit obligation, are based on the market yields of high quality corporate bonds in the country concerned. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past service costs are recognised immediately in the income statement. Pension assets and liabilities in different defined benefit schemes are not offset unless the Group has a legally enforceable right to use the surplus in one plan to settle obligations in the other plan.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into publicly or privately administrated funds. The Group has no further payment obligations once the contributions have been made. The contributions are charged to the income statement in the year to which they relate.

2.8.2 Other post-retirement obligations

Some Group companies provide certain post-retirement healthcare and life insurance benefits to their retirees, the entitlement to which is usually based on the employee remaining in service up to retirement age and completing a minimum service period. The expected costs of these benefits are accrued over the periods in which employees render service to the Group.

2.9 Share-Based Payments

The Group has established share option plans and a performance share plan to align the long-term interests of key executives and members of the Board of Directors with the interests of the shareholders.

Key executives are awarded a portion of their performance-related compensation in equity-settled share-based payment transactions. The costs are recorded in each relevant functions part of the employees' remuneration as personnel expenses with a corresponding entry in equity in own equity instruments for equity-settled share-based payment transactions. The different share-based payments are described below:

2.9.1 Performance Share Plan

Key executives are awarded a portion of their performance-related compensation in equity-settled share-based payment transactions in the form of a performance share plan.

The performance share plan is established with Givaudan registered shares and a vesting period of three years. The Group has at its disposal either treasury shares or conditional share capital.

The cost of equity-settled instruments is expensed as employee remuneration over the vesting period, together with a corresponding increase in equity in own equity instruments. The cost is determined by reference to the fair value of the shares expected to be delivered at the date of vesting. Performance conditions are included in the assumptions in which the number of shares varies. No market conditions are involved.

The fair value is determined as the market price at grant date reduced by the present value of dividends expected or any other expected distribution to the shareholders to be paid during the vesting period, as participants are not entitled to receive dividends or any other distribution to the shareholders during the vesting period.

At each statement of financial position date, the Group revises its estimates of the number of shares that are expected to be delivered. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation.

2.9.2 Restricted Shares Plan

The members of the Board of Directors receive a portion of their compensation in equity-settled share-based payment transactions in the form of restricted share units.

Restricted shares are set generally with a vesting period of three years, during which the restricted shares cannot be settled or transferred. The Group has at its disposal treasury shares for the delivery of the restricted shares.

The cost of these equity-settled instruments to be expensed, together with a corresponding increase in equity, over the vesting period, is determined by reference to the fair value of the restricted shares granted at the date of the grant. Service conditions are included in the assumptions about the number of restricted shares that are expected to become deliverable. No performance conditions are included.

The fair value is determined as the market price at grant date reduced by the present value of dividends expected or any other expected distribution to the shareholders to be paid during the vesting period, as participants are not entitled to receive dividends or any other distribution to the shareholders during the vesting period.

At each statement of financial position date, the Group revises its estimates of the number of restricted shares that are expected to be delivered. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation.

2.10 Taxation

Income taxes include all taxes based upon the taxable profits of the Group, including withholding taxes payable on the distribution of retained earnings within the Group. Other taxes not based on income, such as property and capital taxes, are included either in operating expenses or in financial expenses according to their nature. The Group's liability for current income tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are provided based on the full liability method, under which deferred tax consequences are recognised for temporary differences between the tax bases of assets and liabilities and their carrying values. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which those items can be utilised. Management considers that these tax benefits are probable on the basis of business projections on the relevant entities.

Such deferred tax assets and liabilities are not recognised if the temporary difference arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting nor the taxable income.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and interests in jointly controlled entities, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Current tax assets and liabilities are offset and deferred income tax assets and liabilities are offset when the income taxes are levied by the same taxation authority and when there is a legally enforceable right to offset them.

Current and deferred tax are recognised as an expense or income in the income statement, except when they relate to items that are recognised outside the income statement, in which case the tax is also recognised outside the income statement.

2.11 Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and demand deposits with banks and similar institutions. Cash equivalents are held for the purpose of meeting short-term cash commitments (maturity of three months or less from the date of acquisition) and are subject to an insignificant risk of changes in value.

2.12 Financial Assets

Financial assets are classified as financial assets at fair value through the income statement except for trade receivables which are classified at amortised cost. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Regular way purchases or sales of financial assets require delivery of assets within the time frame established by regulation or convention in the marketplace. All regular way purchases or sales of financial assets are recognised and derecognised at the settlement date i.e. the date that the asset is delivered to or by the Group. Financial assets are classified as current assets, unless they are expected to be realised beyond twelve months of the statement of financial position date.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. On derecognition of a financial asset in its entirety, the following amounts are recognised in the income statement: (i) the difference between the asset's carrying amount and the sum of the consideration received and receivable; (ii) the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity.

Dividend income from investments is recognised in the line Other financial income (expense), net when the right to receive payment has been established. Interest income is accrued on a time basis and included in the line Other financial income (expense), net.

2.12.1 Financial assets at fair value through the income statement

Financial assets such as debt instruments, equity securities, investment funds and derivatives not designated as effective hedging instruments are classified in this category.

Debt instruments are held with the objective to manage cash flows by both collecting their contractual cash flows and selling them at market price when needed. The main purpose of such instruments is to fund obligations related to employees. They are designated as financial assets measured at fair value through the income statement to avoid recognition inconsistency resulting from changes in fair values of the financial assets and the obligations.

Other financial assets which are not debt instruments are held with the main objectives to participate in long-term partnerships, to hedge certain financial risks, and to fund obligations related to employees. Their designation as financial assets measured at fair value through the income statement is in line with management intentions to hold such assets.

These financial assets are initially measured at fair value whereas directly attributable transaction costs are expensed in the income statement. At the end of each period, the carrying value is adjusted to the fair value with a corresponding entry in the income statement until the investment is derecognised.

The subsidiaries in the United States of America entered over the years into various life insurance contracts called corporate-owned life insurance (COLI) to fund long-term obligations related to employees. For both the COLI contracts and the associated long-term obligations, adjustments to the fair value, gains and losses, are recognised in the income statement.

For quoted equity instruments, the fair value is the market value, being calculated by reference to share exchange quoted selling prices at close of business on the statement of financial position date. Non-quoted financial assets are valued at fair value based on observable market transactions or if not available based on prices given by reputable financial institutions or on the price of the latest transaction.

2.12.2 Financial assets at amortised cost
Trade receivables are the only financial assets classified as subsequently measured at amortised cost. They reach the objective of collecting contractual cash flows over their life.

Trade receivables are carried at amortised cost less allowances for loss. They generally do not contain a significant financing component. The allowance loss measurement is then determined by applying a simplified approach equalling the lifetime expected credit losses. Under this approach the tracking of changes in credit risk is not required but instead the base lifetime expected credit loss at all times is applied. An allowance for loss is made for potentially impaired receivables during the year in which they are identified based on a periodic review of all outstanding amounts. Allowance losses are recorded within selling, marketing and distribution expenses in the income statement. Trade receivables are deemed as impaired when there is an indication of significant financial difficulties of the debtor (delinquency in or default on payments occurs, probability of bankruptcy or need for financial reorganisation).

Trade receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

2.13 Derivative Financial Instruments and Hedging Activities
Most derivative instruments are entered into to provide economic hedges. They are initially recognised at fair value on the date a derivative contract is entered into and are subsequently measured at their fair value. The method to recognise the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged.

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, as to whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.
Movements on the hedging reserve in shareholders' equity are shown in the statement of changes in equity. These derivatives are presented as current or non-current on the basis of their settlement dates.

2.13.1 Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within other comprehensive income, limited to the cumulative change in fair value of the hedged item on a present value basis from the inception of the hedge. The gain or loss relating to the ineffective portion is immediately recognised in financing costs in the income statement.

Amounts accumulated in equity are reclassified to the income statement when the hedged transaction affects income, such as when hedged financial income (expense), net is recognised or when a forecast sale or purchase occurs.

When forward contracts are used to hedge forecast transactions such as future debt issuance, management assumes that the sources of hedge effectiveness in regards of the characteristics of the hedging relationship is sufficiently immaterial to exclusively perform a qualitative assessment.

When the hedging instrument expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the ultimate forecast transaction occurs. If the forecast transaction is no longer expected to occur, any cumulative gain or loss existing in equity is immediately taken to the income statement.

2.13.2 Derivatives at fair value through the income statement

Certain derivative instruments do not qualify for hedge accounting and are accounted for at fair value through the income statement. At each statement of financial position date, these derivative instruments are valued at fair value based on quoted market prices, with the unrealised gain or loss recognised in the income statement. They are derecognised when the Group has lost control of the contractual rights of the derivatives, at which time a realised gain or loss is recognised in the income statement.

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using a weighted average cost formula. The cost of finished goods and work in process comprises raw materials, direct labour, other direct costs and related production overheads but excludes borrowing costs. Cost of sales includes the corresponding direct production costs of goods manufactured and services rendered as well as related production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

2.15 Property, Plant and Equipment

Property, plant and equipment are initially recognised at cost of purchase or construction and subsequently at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment includes expenditure that is attributable to the purchase or construction. It includes, for qualifying assets, borrowing costs in accordance with the Group's accounting policy (see Note 2.19), and cost of its dismantlement, removal or restoration, related to the obligation for which an entity incurs as a consequence of installing the asset.

The assets are depreciated on a straight-line basis, except for land, which is not depreciated. Estimated useful lives of major classes of depreciable assets are as follows:

– Buildings and land improvements	40 years
– Machinery and equipment	5 – 15 years
– Office equipment	3 years
– Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

The carrying values of plant and equipment are written down to their recoverable amount when the carrying value is greater than their estimated recoverable amount (see Note 2.18).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount with gains being recognised within other operating income and losses being recognised within other operating expense within the income statement. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Subsequent costs such as repairs and maintenance are recognised as expenses as incurred.

2.16 Leases

Leases of assets are classified as operating leases when substantially all the risks and rewards of ownership of the assets are retained by the lessor. Operating lease payments are charged to the income statement on a straight-line basis over the term of the lease. The Group holds only operating leases.

2.17 Intangible Assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions is recognised in the statement of financial position as an intangible asset. Goodwill is tested annually for impairment or more frequently when there are indications of impairment, and carried at cost less accumulated impairment losses. Impairment charges on goodwill are not reversed. Any goodwill or fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are recognised in the local currency at the effective date of the transaction and translated at year-end exchange rates. For the purpose of impairment testing, goodwill is allocated to the cash-generating units being the Group's reportable operating segments: Fragrance Division and Flavour Division.

Intangible assets acquired in a business combination are identified and recognised separately from goodwill when they satisfy the definition of an intangible asset and their fair values can be measured reliably.

Internal developments are capitalised as intangible assets when there is an identifiable asset that will generate probable economic benefits and when the cost can be measured reliably. Costs include all costs directly attributable to preparing the asset for use. Development costs previously recognised as an expense are not recognised as an asset in subsequent periods.

Separately acquired intangible assets are capitalised when the identifiable asset will generate probable economic benefits and when its cost can be measured reliably.

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is on a straight-line basis over the estimated economic useful life of the asset. Useful life is determined based on the character of the asset. Estimated definite useful lives of major classes of amortisable assets are as follows:

– Name and product brands	3 – 7 years
– Software/ERP system	3 – 7 years
– Process-oriented technology	5 – 20 years
– Client relationships	15 – 23 years

Gains or losses arising on the disposal of intangible assets are measured as the difference between the net disposal proceeds and the carrying amount with gains being recognised within other operating income and losses being recognised in other operating expense within the income statement.

2.18 Impairment of Long-Lived Assets

Non-financial assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. When the recoverable amount of a non-financial asset, being the higher of its fair value less cost to sell and its value in use, is less than its carrying amount, then the carrying amount is reduced to the asset's recoverable value. This reduction is recognised as an impairment loss within other operating expense within the income statement. Value in use is determined by using pre-tax cash-flow projections over a five-year period and a terminal value. These are discounted using a pre-tax discount rate that reflects current market conditions of the time value of money and the risks specific to the asset.

An impairment loss is reversed if there has been a change in the circumstances used to determine the recoverable amount. A previously recognised impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised.

2.19 Borrowing Costs
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to prepare for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

2.20 Accounts Payable – Trade and Others
Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers and are carried at amortised cost.

2.21 Debt
The proceeds of straight bonds, of private placements and of debt issued are recognised as the proceeds received, net of transaction costs incurred. Any discount arising from the coupon rate, represented by the difference between the net proceeds and the redemption value, is amortised using the effective interest rate method and charged to interest expense over the life of the bonds or the private placements. Debt is derecognised at redemption date.

Debt is classified within current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the statement of financial position date.

2.22 Provisions
Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and for which a reliable estimate of the amount of the obligation can be made. Provisions are reviewed regularly and are adjusted where necessary to reflect the current best estimates of the obligation.

Restructuring provisions comprise lease termination penalties, employee termination payments and 'make good' provisions. They are recognised in the period in which the Group becomes legally or constructively committed to payment.

2.23 Own Equity Instruments
Own equity instruments are own shares and derivatives on own shares. Purchases and sales are accounted for at the settlement date.

Purchases of own shares are recognised at acquisition cost including transaction costs as a deduction from equity. The original cost of acquisition, results from resale and other movements are recognised as changes in equity, net. Treasury shares acquired by the execution of own equity derivatives are recognised at the execution date market price.

The settlement and the contract for derivatives on own shares determine the categorisation of each instrument. When the contract assumes the settlement is made by exchanging a fixed amount of cash for a fixed number of treasury shares, the contract is recognised in equity except for a forward contract to buy and write puts which is recognised as a financial liability.
When the contract assumes the settlement either net in cash or net in treasury shares or in the case of option of settlement, the contract is recognised as a derivative. Instruments recognised in equity are recognised at acquisition cost including transaction costs. Instruments recognised as financial liabilities are recognised at the net present value of the strike price of the derivative on own shares with the interest charge recognised over the life of the derivative in the line Financing costs of the income statement. They are derecognised when the Group has lost control of the contractual rights of the derivative, with the realised gain or loss recognised in equity.

At each statement of financial position date, instruments recognised as derivatives are valued at fair value based on quoted market prices, with any unrealised gain or loss recognised in the line Other financial income (expense), net in the income statement. They are derecognised when the Group has lost control of the contractual rights of the derivatives, with any realised gain or loss recognised.

2.24 Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.25 Distribution to the Shareholders

Dividend distributions or distributions out of statutory capital reserves from capital contributions - additional paid-in capital are recognised in the period in which they are approved by the Group's shareholders.

3. Critical Accounting Estimates and Judgments

The estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

3.1 Critical Accounting Estimates and Assumptions

The key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are for the most part related to:

1) The impairment of goodwill requiring estimations of the value in use of the cash-generating units to which goodwill is allocated (see Note 22)

2) The impairment of long-lived assets requiring estimations to measure the recoverable amount of an asset or group of assets (see Note 21 and 22)

3) The calculation of the present value of defined benefit obligations requiring financial and demographic assumptions (see Note 8)

4) The determination and provision for income taxes requiring estimated calculations for which the ultimate tax determination is uncertain (see Note 16)

5) The provisions requiring assumptions to determine reliable best estimates (see Note 24)

6) The contingent liabilities assessment (see Note 28)

If, in the future, estimates and assumptions, which are based on management's best judgement at the date of the financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change.

3.2 Critical Judgments in Applying the Entity's Accounting Policies

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimates, which have the most significant effect on the amounts recognised in the consolidated financial statements:

- Computer software and Enterprise Resource Planning: Computer software is internally developed programmes or modifications that result in new or in substantial improvements of existing IT systems and applications. Enterprise Resource Planning relates to the implementation of an ERP system that is changing the way the business is done in the areas of Finance, Supply Chain and Compliance. The Group has determined that the development phase of internally developed software and the ERP business transformations will provide future economic benefits to the Group and meet the criterion of intangible assets (see Note 22).

- Internal developments on formulas, technologies and products: The outcome of these developments depends on their final assemblage and application, which varies to meet customer needs, and consequently the future economic benefits of these developments are not certain. Thus the criteria for the recognition as an asset of the internal developments on formulas, technologies and products are generally not met. The expenditures on these activities are recognised as expense in the period in which they are incurred.

4. Foreign Exchange Rates

Foreign currency to Swiss francs exchange rates	ISO code	Units	**31 Dec 2016**	**Average 2016**	31 Dec 2015	Average 2015	31 Dec 2014	Average 2014
Dollar	USD	1	1.02	0.99	1.00	0.96	0.99	0.92
Euro	EUR	1	1.07	1.09	1.09	1.07	1.20	1.21
Pound	GBP	1	1.25	1.34	1.48	1.47	1.55	1.51
Yen	JPY	100	0.87	0.91	0.83	0.80	0.83	0.86
Singapore dollar	SGD	1	0.70	0.71	0.71	0.70	0.75	0.72
Real	BRL	1	0.31	0.29	0.25	0.29	0.37	0.39
Renminbi	CNY	1	0.15	0.15	0.15	0.15	0.16	0.15
Mexican peso	MXN	100	4.93	5.33	5.83	6.09	6.74	6.88
Rupiah	IDR	10,000	0.75	0.74	0.73	0.72	0.80	0.77

5. Financial Risk Management

5.1 Capital Management

The objective of the Group when managing capital is to maintain the ability to continue as a going concern whilst maximising shareholder value through an optimal balance of debt and equity.

In order to maintain or adjust the capital structure, management may increase or decrease leverage by issuing or reimbursing debt, and may propose to adjust the amounts distributed to the shareholders, return capital to shareholders, issue new shares and cancel shares through share buyback programmes.

The Group monitors its capital structure on the basis of a leverage ratio, defined as net debt divided by the equity plus net debt. Net debt is calculated as the total of the consolidated short-term and long-term debt, less cash and cash equivalents. Equity is calculated as the total equity attributable to equity holders of the parent excluding the defined benefit pension plans remeasurement elements.

The Group has entered into several private placements which contain various covenants with externally imposed capital requirements. The Group was in compliance with these requirements as at 31 December 2016 and 2015.

The leverage ratio as at 31 December was as follows:

in millions of Swiss francs	Note	**2016**	2015
Short-term debt	23	7	208
Long-term debt	23	1,251	947
Less: cash and cash equivalents	18	(328)	(478)
Net Debt		**930**	**677**
Total equity attributable to equity holders of the parent		3,293	3,415
Remeasurement of post employment benefit obligations		575	505
Equity		**3,868**	**3,920**
Net Debt and Equity		**4,798**	**4,597**
Leverage ratio		**19%**	**15%**

The Group intends to maintain its medium term leverage ratio below 25%.

5.2 Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group generally enters into financial derivative transactions to hedge underlying business related exposures.

Risk management is carried out by a team within the central treasury department (hereafter "Group Treasury") under the risk management policies approved by the Board of Directors. The Board of Directors provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Group Treasury monitors and manages financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risk. To manage the interest rate and currency risk arising from the Group's operations and its sources of finance, the Group enters into derivative transactions, primarily interest rate swaps, forward currency contracts and options. Compliance with policies and exposure limits is reviewed by the treasury controlling on a continuous basis. Group Treasury issues monthly reports for the Chief Financial Officer and quarterly reports for the Audit Committee.

Categories of financial instruments

The accounting policies for financial instruments have been applied to the line items below:

2016 in millions of Swiss francs	Note	At amortised cost	At fair value through the income statement	Derivatives used for hedge accounting	Other financial liabilities	Total
Current assets						
Cash and cash equivalents	18	328				328
Derivative financial instruments	5.3		9			9
Financial assets at fair value through income statement	5.3		1			1
Accounts receivable – trade	19	996				996
Other current assets [a]		192				192
Non-current assets						
Financial assets at fair value through income statement	5.3		59			59
Total assets as at 31 December		**1,516**	**69**			**1,585**
Current liabilities						
Short-term debt	23				7	7
Derivative financial instruments	5.3		32			32
Accounts payable					494	494
Non-current liabilities						
Derivative financial instruments [b]	5.3			62		62
Long-term debt	23				1,251	1,251
Total liabilities as at 31 December			**32**	**62**	**1,752**	**1,846**

a) Other current assets consist of other receivables non trade.
b) Derivatives qualified as hedge accounting on non-current transactions are classified and presented as non-current liabilities (see Note 2.13).

2015 [c] in millions of Swiss francs	Note	At amortised cost	At fair value through the income statement	Derivatives used for hedge accounting	Other financial liabilities	Total
Current assets						
Cash and cash equivalents	18	478				478
Derivative financial instruments	5.3		17			17
Financial assets at fair value through income statement	5.3		2			2
Accounts receivable – trade	19	901				901
Other current assets [a]		143				143
Non-current assets						
Financial assets at fair value through income statement	5.3		76			76
Total assets as at 31 December [c]		**1,522**	**95**			**1,617**
Current liabilities						
Short-term debt	23				208	208
Derivative financial instruments	5.3		18			18
Accounts payable					400	400
Non-current liabilities						
Derivative financial instruments [b]	5.3		6	56		62
Long-term debt	23				947	947
Total liabilities as at 31 December			**24**	**56**	**1,555**	**1,635**

a) Other current assets consist of other receivables non trade.
b) Derivatives qualified as hedge accounting on non-current transactions are classified and presented as non-current liabilities (see Note 2.13).
c) Previous year figures have been restated in accordance with early adoption of IFRS 9 (see Note 2).

The carrying amount of each class of financial assets and liabilities disclosed in the previous tables approximates the fair value. The fair value of each class of financial assets and liabilities, except financial assets at amortised cost, is determined by reference to published price quotations and is estimated based on valuation techniques using the quoted market prices. Given the nature of the Group's accounts receivable trade items, the carrying value is considered as equivalent to the fair value.

5.2.1 Market Risk

The Group's activities primarily expose it to the financial risks of changes in foreign currency exchange rates, interest rates and commodity prices. The Group enters into a number of derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk, including:

- Currency derivatives, mainly forward foreign exchange contracts, to hedge the exchange rate risk arising from recorded transactions.
- Interest rate swaps and other instruments to mitigate the risk of interest rate increases and/or to optimally manage interest rate costs depending on the prevailing interest rate environment.

Market risk exposures are measured using sensitivity analysis. There has been no change during the year in the structure of the Group's exposure to market risks or the manner in which these risks are managed.

5.2.1.1 Foreign Exchange Risk

The Group operates across the world and is exposed to movements in foreign currencies affecting its net income and financial position. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities, and net investments in foreign operations.

It is the Group's policy to enter into derivative transactions to hedge current, forecasted foreign currency transactions, and translation risk arising from certain investments in foreign operations with a functional currency different from the Group's presentation currency.

While these are hedges related to underlying business transactions, the Group generally does not apply hedge accounting on transactions related to management of its foreign exchange risk.

Group Treasury centrally manages foreign exchange risk management activities against the functional currency of each subsidiary, and is required to hedge, whenever cost-effective, their largest exposures.

The measurement of the foreign currency risk expresses the total exposure by currency, which is in the opinion of Group Treasury a representative manner to monitor the risk. It measures the cumulative foreign exchange risk of all subsidiaries of recognised assets and liabilities that are denominated in a currency (e.g. USD) that is not the subsidiary's functional currency (e.g. other than USD).

The following table summarises the significant exposures to the foreign currency risk at the date of the consolidated statement of financial position:

Currency exposure 2016 in millions of Swiss francs	USD	EUR	CHF	GBP	SGD
Currency exposure without hedge [a]	388	(42)	(6)	(149)	121
Hedged amount	(406)	22	4	148	(127)
Currency exposure including hedge	(18)[b]	(20)	(2)	(1)	(6)

a) + long position; - short position.
b) Mainly due to unhedged positions in countries where hedging is not cost-effective.

Currency exposure 2015 in millions of Swiss francs	USD	EUR	CHF	GBP	SGD
Currency exposure without hedge [a]	23	(25)	(11)	(147)	117
Hedged amount	(64)	26	(4)	146	(121)
Currency exposure including hedge	(41)[b]	1	(15)	(1)	(4)

a) + long position; - short position.
b) Mainly due to unhedged positions in countries where hedging is not cost-effective.

In the exposure calculations, the intra Group positions, except those related to net investments in foreign operations, are included. The following table summarises the sensitivity to transactional currency exposures of the main currencies at 31 December. The sensitivity analysis is disclosed for each currency representing significant exposure:

Currency risks 2016 in millions of Swiss francs	USD	EUR	CHF	GBP	SGD
Reasonable shift	13%	8%	8%	11%	7%
Impact on income statement if the currency strengthens against all other currencies	(4)	(2)	–	–	–
Impact on income statement if the currency weakens against all other currencies	4	2	–	–	–

Currency risks 2015 in millions of Swiss francs	USD	EUR	CHF	GBP	SGD
Reasonable shift	24%	9%	9%	11%	11%
Impact on income statement if the currency strengthens against all other currencies	(13)	–	(1)	–	–
Impact on income statement if the currency weakens against all other currencies	13	–	1	–	–

The sensitivity is based on the exposure at the date of the consolidated statement of financial position and based on assumptions deemed reasonable by management, showing the impact on income before tax. Management uses historical volatilities of the significant currencies contributing to the exposure to determine the reasonable change.

5.2.1.2 Interest Rate Risk

The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates, and invests in debt financial instruments. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially counterbalanced by cash held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

Group Treasury manages interest rate risk centrally by simulating various scenarios on liabilities taking into consideration refinancing, renewal of existing positions and hedging. Hedging strategies are applied by either positioning the liabilities or protecting interest expense through different interest cycles. Hedging activities are regularly evaluated to align interest rate views and defined risk limits. Group Treasury manages interest rate risk mainly by the use of interest rate swap contracts and forward interest rate contracts.

The following table shows the sensitivity to interest rate changes:

As at 31 December 2016 in millions of Swiss francs	150 basis points increase	25 basis points decrease
Impact on income statement	–	–
Impact on equity	64	(13)

As at 31 December 2015 in millions of Swiss francs	150 basis points increase	25 basis points decrease
Impact on income statement	2	–
Impact on equity	59	(12)

The sensitivity is based on exposure on liabilities at the date of the consolidated statement of financial position using assumptions which have been deemed reasonable by management showing the impact on the income before tax.

Cash flow hedges

Inception date	Hedged items	Hedge instruments	Objectives	Comments
2009	Highly probable future debt issuances in 2011.	Several forward starting interest rate swaps commencing in 2011, totalling CHF 200 million with an average rate of 2.69% and a 5 year maturity.	Protection against future increases in CHF interest rates and to fix the interest rates.	In June 2011, the Group issued a 2.50% 7 year public bond (maturity 15 June 2018) with a nominal value of CHF 300 million. Correspondingly, hedge positions assigned to this bond issuance of CHF 200 million have been closed. The amortisation of the realised loss of CHF 14 million was recognised in Financing costs over 5 years until 15 June 2016.
2009	Highly probable future debt issuances in 2012.	Several forward starting interest rate swaps commencing in 2012, totalling CHF 250 million with an average rate of 2.70% and a 5 year maturity and CHF 50 million with an average rate of 2.45% and a 3 year maturity.	Protection against future increases in CHF interest rates and to fix the interest rates.	In December 2011, the Group issued a dual tranche public bond, totalling CHF 300 million, respectively of CHF 150 million at a rate of 1.250% for 5 years and CHF 150 million at the rate of 2.125% for 10 years. Correspondingly, hedge positions assigned to this bond issuance have been closed. The amortisation of the realised loss was recognised in Financing costs for CHF 4 million over 3 years until 7 December 2014, and CHF 28 million over 5 years until 7 December 2016.
2011/ 2012	Highly probable future debt issuances in 2014.	Several forward starting interest rate swaps commencing in 2014, totalling CHF 250 million with an average rate of 1.54% and a 5 year maturity.	Protection against future increases in CHF interest rates and to fix the interest rates.	In March 2014, the Group issued a 1.00% 6.5 year public bond with a nominal value of CHF 100 million; and a 1.75% 10 year public bond with a nominal value of CHF 150 million. Correspondingly, hedge positions assigned to this bond issuance have been closed. The amortisation of the realised loss of CHF 15 million is recognised in Financing costs over 5 years until 19 March 2019.
2012	Highly probable future debt issuances in 2016.	Several forward starting interest rate swaps commencing in 2016, totalling CHF 75 million with an average rate of 1.63% and a 5 year maturity.	Protection against future increases in CHF interest rates and to fix the interest rates.	In December 2016, the Group issued a 0.000 % 6 year public bond with a nominal value of CHF 100 million; and a 0.625% 15 year public bond with a nominal value of CHF 200 million. Correspondingly, hedge positions assigned to this bond issuance have been closed. The amortisation of the realised loss of CHF 8 million is recognised in Financing costs over 5 years until 7 December 2021.
2012	Highly probable future private placements issuance in the USA in 2013.	Several derivatives instruments fixing the interest rate at 1.80% on average for a total amount of USD 100 million.	Protection against short-term increases in USD interest rates and to fix the interest rates.	The cash flow hedges were effective during the period. The amount of USD 1 million (equivalent to CHF 1 million) deferred in hedging reserve in other comprehensive income is recycled over the next 10 years as Financing cost from 6 February 2013, date when the proceeds were received.
2012/ 2014	Highly probable future debt issuances in 2018.	Several forward starting interest rate swaps commencing in 2018, totalling CHF 150 million with an average rate of 1.90% and a 5 year maturity.	Protection against future increases in CHF interest rates and to fix the interest rates.	The cash flow hedges were effective during the year.
2014/ 2015	Highly probable future debt issuances in 2020.	Several forward starting interest rate swaps commencing in 2020, totalling CHF 75 million with an average rate of 2.12% and a 10 year maturity.	Protection against future increases in CHF interest rates and to fix the interest rates.	The cash flow hedges were effective during the year.
2014/ 2015	Highly probable future debt issuances in 2021.	Several forward starting interest rate swaps commencing in 2021, totalling CHF 125 million with an average rate of 2.05% and a 10 year maturity.	Protection against future increases in CHF interest rates and to fix the interest rates.	The cash flow hedges were effective during the year.
2014/ 2015	Highly probable future debt issuances in 2024.	Several forward starting interest rate swaps commencing in 2024, totalling CHF 100 million with an average rate of 2.35% and a 10 year maturity.	Protection against future increases in CHF interest rates and to fix the interest rates.	The cash flow hedges were effective during the year.
2016	Highly probable future debt issuances in 2031.	Several forward starting interest rate swaps commencing in 2031, totalling CHF 75 million with an average rate of 0.90% and a 10 year maturity.	Protection against future increases in CHF interest rates and to fix the interest rates.	The cash flow hedges were effective during the year.

5.2.1.3 Price Risk

The Group is exposed to equity price risk arising from equity investments held classified at fair value through income statement. The Group manages its price risk through a diversification of portfolios within the limits approved by the Board of Directors.

The Group holds its own shares to meet future expected obligations under the various share-based payment schemes.

Sensitivity analysis

The Group's equity portfolio is composed exclusively of US shares. The benchmark for the reasonable change is an average of historical volatility of US indexes (16% for the last three years).

The sensitivity analysis has been determined based on the exposure to equity price risks at the end of the reporting period:

2016 – reasonable shifts: 16%US in millions of Swiss francs	Equity price increase	Equity price decrease
Impact on income statement	5	(5)

2015 – reasonable shifts: 15%US in millions of Swiss francs	Equity price increase	Equity price decrease
Impact on income statement	6	(6)

5.2.2 Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. Commercial Credit risk is managed by the Group's subsidiaries and monitored on a Group basis whilst counterparty risk related to financial institutions is centrally managed within the Group Treasury function.

Trade receivables are subject to a policy of active risk management which focuses on the assessment of country risk, credit limits, ongoing credit evaluation and account monitoring procedures. Generally, there is no significant concentration of trade receivables or commercial counterparty credit risk, due to the large number of customers that the Group deals with and their wide geographical spread with the exception of one single external customer that generates revenues, mainly attributable to the Fragrance Division, of approximately CHF 552 million (2015: CHF 545 million). Countries, credit limits and exposures are continuously monitored.

The credit risk on liquid funds, derivatives and other monetary financial assets is limited because the counterparties are financial institutions with investment grade ratings.

The following table presents the credit risk exposure to individual financial institutions:

			2016			2015
	Total in Mio CHF	Max. with any individual bank in Mio CHF	Number of banks	Total in Mio CHF	Max. with any individual bank in Mio CHF	Number of banks
AAA – range	46	46	1	79	79	1
AA – range	60	59	2	145	140	2
A – range	47	41	5	99	48	4
BBB – range	169	76	6	157	68	7

The carrying amount of financial assets recognised in the consolidated financial statements which is net of impairment losses, represents the Group's maximum exposure to credit risk.

5.2.3 Liquidity Risk

The Group manages liquidity risk by maintaining sufficient cash, marketable securities, availability of funds through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury maintains flexibility in funding by maintaining availability under committed and uncommitted credit lines.

Group Treasury monitors and manages cash at the Group level and defines the maximum cash level at subsidiary level. Cash surpluses held by subsidiaries over and above amounts required for working capital management are transferred to the central treasury centre. The surplus of cash is generally invested in interest bearing current accounts, time deposits, money market deposits and funds. When necessary, intercompany loans are granted by the Group to subsidiaries to meet their non-recurrent payment obligations.

The following table analyses the Group's remaining contractual maturity for financial liabilities and derivative financial instruments. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group is obliged to pay. The table includes both interest and principal cash flows:

2016 in millions of Swiss francs	Up to 6 months	6 – 12 months	1 – 5 years	Over 5 years	Total
Accounts payable	(494)				(494)
Net settled derivative financial instruments	–		(14)	(48)	(62)
Gross settled derivative financial instruments – outflows	(1,335)	(266)			(1,601)
Gross settled derivative financial instruments – inflows	1,314	264			1,578
Long-term debt	(19)	(5)	(662)	(702)	(1,388)
Balance as at 31 December	**(534)**	**(7)**	**(676)**	**(750)**	**(1,967)**

2015 in millions of Swiss francs	Up to 6 months	6 – 12 months	1 – 5 years	Over 5 years	Total
Short-term debt (excluding bank overdraft)	(58)	(152)			(210)
Accounts payable	(400)				(400)
Net settled derivative financial instruments	(3)	(3)	(14)	(43)	(63)
Gross settled derivative financial instruments – outflows	(1,267)	(147)			(1,414)
Gross settled derivative financial instruments – inflows	1,268	146			1,414
Long-term debt	(17)	(3)	(515)	(549)	(1,084)
Balance as at 31 December	**(477)**	**(159)**	**(529)**	**(592)**	**(1,757)**

5.3 Fair Value Measurements

The following tables present the Group's assets and liabilities that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is measured:

- **Level 1** inputs to measure fair value are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- **Level 2** inputs to measure fair value are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- **Level 3** inputs to measure fair value are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2016 in millions of Swiss francs	Level 1	Level 2	Level 3	Total
Financial assets at fair value through income statement				
Forward foreign exchange contracts		9		9
Corporate owned life insurance		29		29
Equity securities	1	13		14
Debt securities	–	17		17
Total assets	**1**	**68**		**69**
Financial liabilities at fair value through income statement				
Forward foreign exchange contracts		31		31
Swaps (hedge accounting)		62		62
Swaps (no hedge accounting)		1		1
Total liabilities		**94**		**94**

2015 [a] in millions of Swiss francs	Level 1	Level 2	Level 3	Total
Financial assets at fair value through income statement				
Forward foreign exchange contracts		17		17
Corporate owned life insurance		35		35
Equity securities	1	21		22
Debt securities	1	20		21
Total assets	**2**	**93**		**95**
Financial liabilities at fair value through income statement				
Forward foreign exchange contracts		18		18
Swaps (hedge accounting)		56		56
Swaps (no hedge accounting)		6		6
Total liabilities		**80**		**80**

Financial assets and liabilities at fair value through income statement are measured with Level 2 inputs. They consist of forward foreign exchange contracts that are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts, of interest swaps that are measured using quoted interest rates and yield curves derived from quoted interest rates matching maturities of the contracts, and of corporate owned life insurance (COLI) that are measured on quoted instruments with similar credit ratings and terms in a mix of money market, fixed income and equity funds managed by unrelated fund managers.

There was no transfer between Level 1 and 2 in the period. The Group did not carry out any transactions on level 3 type assets during 2016 and 2015, nor did it have any assets in this category at 31 December 2016 and 2015.

6. Acquisitions

On 25 July 2016, Givaudan acquired assets and liabilities of Spicetec Flavors and Seasonings from ConAgra Foods, incorporated in the United States of America for a purchase price of CHF 331 million. Spicetec offers a range of flavours, spices and savoury seasoning solutions to customers, primarily in North America and operates from locations in Omaha, Nebraska; Carol Stream, Illinois and Cranbury, New Jersey, employing 280 people. The transaction is expected to add approximately CHF 178 million to Givaudan's revenue on a full year basis. From 25 July 2016, the acquisition contributed CHF 71 million of sales and CHF 8 million of EBITDA to the Group's consolidated results.

The goodwill of CHF 150 million on the acquisition relates mainly to the value of the qualified workforce and expected synergies that do not meet the criteria for recognition as separable intangible assets. None of the goodwill arising from the acquisition is expected to be tax deductible.

The Group incurred transaction related costs of CHF 1 million related to external legal fees and due diligence. These expenses are reported within other operating expense in the consolidated income statement.

The identifiable assets and liabilities of Spicetec acquired are recorded at fair value at the date of acquisition. Total net assets acquired of CHF 181 million consist of working capital (CHF 43 million), fixed assets (CHF 30 million), intangible assets which are made up of process knowledge, research expertise, client relationships, name and product brands (CHF 112 million), and other liabilities (CHF 4 million). The total purchase price of CHF 331 million was settled in cash, resulting in a goodwill of CHF 150 million.

In compliance with IFRS 3, these values determined are provisional and the Group has twelve months from the date of acquisition to finalise the allocation of the acquisition price.

7. Segment Information

Management has determined the operating segments based on the reports reviewed by the Executive Committee that are used to allocate resources to the segments and to assess their performance. The Executive Committee considers the business from a divisional perspective:

Fragrances Manufacture and sale of fragrances into three global business units: Fine Fragrances, Consumer Products and, Fragrance and Active Beauty; and

Flavours Manufacture and sale of flavours into four business units: Beverages, Dairy, Savoury and Sweet Goods. The information of these business units are reviewed by the Executive Committee primarily by region.

The performance of the operating segments is based on EBITDA as a percentage of sales.

Business segments

		Fragrances		Flavours		Group	
in millions of Swiss francs	Note	**2016**	2015	**2016**	2015	**2016**	2015
Segment sales		2,230	2,096	2,446	2,311	4,676	4,407
Less inter segment sales[a]		–	–	(13)	(11)	(13)	(11)
Segment sales to third parties		**2,230**	**2,096**	**2,433**	**2,300**	**4,663**	**4,396**
EBITDA		**603**	**498**	**523**	**572**	**1,126**	**1,070**
as % of sales		27.0%	23.7%	21.5%	24.9%	24.1%	24.3%
Depreciation	21	(51)	(50)	(62)	(62)	(113)	(112)
Amortisation	22	(59)	(73)	(73)	(84)	(132)	(157)
Impairment of long-lived assets	21, 22		(1)	(6)	(6)	(6)	(7)
Addition to Property, plant and equipment	21	59	66	113	77	172	143
Acquisition of Property, plant and equipment	6, 21		2	30		30	2
Addition to Intangible assets	22	41	18	7	20	48	38
Acquisition of Intangible assets	6, 22		38	112		112	38
Total Gross Investments		**100**	**124**	**262**	**97**	**362**	**221**

a) Transfer prices for inter-divisional sales are set on an arm's length basis.

The amounts by division provided to the Executive Committee are measured in a consistent manner in terms of accounting policies with the consolidated financial statements.

Reconciliation table to Group's operating income

	Fragrances		Flavours		Group	
in millions of Swiss francs	**2016**	2015	**2016**	2015	**2016**	2015 [a]
EBITDA	**603**	**498**	**523**	**572**	**1,126**	**1,070**
Depreciation	(51)	(50)	(62)	(62)	(113)	(112)
Amortisation	(59)	(73)	(73)	(84)	(132)	(157)
Impairment of long-lived assets		(1)	(6)	(6)	(6)	(7)
Operating income	**493**	**374**	**382**	**420**	**875**	**794**
as % of sales	22.1%	17.8%	15.7%	18.3%	18.8%	18.1%
Financing costs					(51)	(61)
Other financial income (expense), net					(40)	(37)
Income before taxes					**784**	**696**
as % of sales					16.8%	15.8%

a) Previous year figures have been restated in accordance with early adoption of IFRS 9 (see Note 2).

Entity-wide disclosures

The breakdown of revenues from the major group of similar products is as follows:

in millions of Swiss francs	**2016**	2015
Fragrance Division		
Fragrance Compounds	1,933	1,823
Fragrance Ingredients and Active Beauty	297	273
Flavour Division		
Flavour Compounds	2,433	2,300
Total revenues	**4,663**	**4,396**

The Group operates in five geographical areas: Switzerland (country of domicile); Europe, Africa and Middle-East; North America; Latin America; and Asia Pacific.

	Segment sales [a]		Non-current assets [b]	
in millions of Swiss francs	**2016**	2015	**2016**	2015
Switzerland	45	42	1,435	1,445
Europe	1,205	1,176	436	549
Africa and Middle-East	351	349	50	63
North America	1,151	1,020	1,235	954
Latin America	591	571	135	120
Asia Pacific	1,320	1,238	497	477
Total geographical segments	**4,663**	**4,396**	**3,788**	**3,608**

a) Segment sales are revenues from external customers and are shown by destination.
b) Non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets. They consist of property, plant and equipment, intangible assets and investments in jointly controlled entities.

Revenues of approximately CHF 552 million (2015: CHF 545 million) are derived from a single external customer. These revenues are mainly attributable to the Fragrance Division.

8. Employee Benefits

The following amounts related to employee remuneration and benefits are included in determining operating income:

in millions of Swiss francs	**2016**	2015
Wages and salaries	783	722
Social security costs	115	104
Post-employment benefits: defined benefit plans	(23)	1
Post-employment benefits: defined contribution plans	19	18
Equity-settled instruments	44	35
Cash-settled instruments	(5)	2
Change in fair value on own equity instruments	–	–
Other employee benefits	91	99
Total employees' remuneration	**1,024**	**981**

Defined Benefit Plans

The Group operates a number of defined benefit and defined contribution plans throughout the world, the assets of which are generally held in separate trustee-administered funds. The pension plans are generally funded by payments from employees and by the relevant Group companies, taking account of the recommendations of independent qualified actuaries. The most significant plans are held in Switzerland, United States of America and United Kingdom (further information by country is disclosed at the end of this note).

The defined benefit plan held in the Netherlands has been transferred in the first six months of 2015 to a multi-employer plan which by its nature is a defined contribution plan. The transfer resulted in a one-off non-cash gain of CHF 32 million, net of compensation, recognised in the line “other operating income” in the consolidated income statement. The related contribution expensed in the income statement was CHF 5 million.

During 2016, the defined benefit plans held in the United States of America and United Kingdom have been frozen which means that no further build up of benefits will occur in the arrangements. These freezes resulted in one-off non-cash gains of CHF 55 million in the United States of America and CHF 7 million in the United Kingdom recognised in the line “other operating income” in the consolidated income statement.

Non-pension plans consist primarily of post-retirement healthcare and life insurance schemes, principally in the United States of America.

The amounts recognised in the consolidated income statement are as follows:

			2016			2015
in millions of Swiss francs	Pension Plans	Non-pension Plans	Total	Pension Plans	Non-pension Plans	Total
Current service cost	37	2	39	42	2	44
Gain arising from settlement	(62)		(62)	(43)		(43)
Total included in employees' remuneration	**(25)**	**2**	**(23)**	**(1)**	**2**	**1**
Net interest cost included in financing costs	10	3	13	13	3	16
Total components of defined benefit cost	**(15)**	**5**	**(10)**	**12**	**5**	**17**
Of which arising from:						
Funded obligations	(17)	5	(12)	7	5	12
Unfunded obligations	2	–	2	5	–	5

The amounts recognised in other comprehensive income are as follows:

			2016			2015
in millions of Swiss francs	Pension Plans	Non-pension Plans	Total	Pension Plans	Non-pension Plans	Total
(Gains) losses from change in demographic assumptions	25	(1)	24	(28)	–	(28)
(Gains) losses from change in financial assumptions	188	2	190	(50)	(1)	(51)
Experience (gains) losses	11	(6)	5	3	(4)	(1)
Return on plan assets less interest on plan assets	(71)	–	(71)	13	–	13
Remeasurement (gains) losses of post employment benefit obligations	**153**	**(5)**	**148**	**(62)**	**(5)**	**(67)**
Of which arising from:						
Funded obligations	148	(5)	143	(54)	(5)	(59)
Unfunded obligations	5	–	5	(8)	–	(8)

The amounts recognised in the statement of financial position are as follows:

in millions of Swiss francs	2016 Pension Plans	2016 Non-pension Plans	2016 Total	2015 Pension Plans	2015 Non-pension Plans	2015 Total
Funded obligations						
Present value of funded obligations	(2,094)	(70)	(2,164)	(1,961)	(72)	(2,033)
Fair value of plan assets	1,538	1	1,539	1,491	1	1,492
Recognised asset (liability) for funded obligations, net	**(556)**	**(69)**	**(625)**	**(470)**	**(71)**	**(541)**
Unfunded obligations						
Present value of unfunded obligations	(80)	(11)	(91)	(77)	(12)	(89)
Recognised asset (liability) for unfunded obligations	**(80)**	**(11)**	**(91)**	**(77)**	**(12)**	**(89)**
Total defined benefit asset (liability)	**(636)**	**(80)**	**(716)**	**(547)**	**(83)**	**(630)**
Deficit recognised as liabilities for post employment benefits	(648)	(80)	(728)	(562)	(83)	(645)
Surplus recognised as part of the other long-term assets	12		12	15		15
Total net asset (liability) recognised	**(636)**	**(80)**	**(716)**	**(547)**	**(83)**	**(630)**

Amounts recognised in the statement of financial position for post-employment defined benefit plans are predominantly non-current. The non-current portion is reported as non-current assets and non-current liabilities. The current portion is reported as current liabilities within other current liabilities.

Changes in the present value of the defined benefit obligation are as follows:

in millions of Swiss francs	2016 Pension Plans	2016 Non-pension Plans	2016 Total	2015 Pension Plans	2015 Non-pension Plans	2015 Total
Balance as at 1 January	**2,038**	**84**	**2,122**	**2,495**	**88**	**2,583**
Amounts recognised in the income statement						
Current service cost	37	2	39	42	2	44
Interest cost	46	3	49	49	3	52
Amounts recognised in the other comprehensive income						
(Gains) losses from change in demographic assumptions	25	(1)	24	(28)	–	(28)
(Gains) losses from change in financial assumptions	188	2	190	(50)	(1)	(51)
Experience (gains) losses	11	(6)	5	3	(4)	(1)
Employee contributions	10	1	11	10	1	11
Benefit payments	(66)	(4)	(70)	(74)	(4)	(78)
Settlements [a]	(62)		(62)	(355)		(355)
Currency translation effects	(53)	–	(53)	(54)	(1)	(55)
Balance as at 31 December	**2,174**	**81**	**2,255**	**2,038**	**84**	**2,122**

a) Settlements related to the transfer of the pension plan in the Netherlands (2015) and the freeze in the United States of America (2016) and United Kingdom (2016).

Changes in the fair value of the plan assets are as follows:

in millions of Swiss francs	Pension Plans 2016	Non-pension Plans 2016	Total 2016	Pension Plans 2015	Non-pension Plans 2015	Total 2015
Balance as at 1 January	**1,491**	**1**	**1,492**	**1,848**	**1**	**1,849**
Amounts recognised in the income statement						
Interest income	36	–	36	36	–	36
Amounts recognised in the other comprehensive income						
Return on plan assets less interest on plan assets	71	–	71	(13)	–	(13)
Employer contributions	42	3	45	43	2	45
Employee contributions	10	1	11	10	1	11
Benefit payments	(66)	(4)	(70)	(74)	(4)	(78)
Settlements [a]				(312)		(312)
Currency translation effects	(46)	–	(46)	(47)	1	(46)
Balance as at 31 December	**1,538**	**1**	**1,539**	**1,491**	**1**	**1,492**

a) Settlements related to the transfer of the pension plan in the Netherlands (2015).

Plan assets are comprised as follows:

in millions of Swiss francs		2016		2015
Debt	489	32%	476	32%
Equity	602	39%	533	36%
Property	215	14%	199	13%
Insurances policies and other	233	15%	284	19%
Total	**1,539**	**100%**	**1,492**	**100%**

The investment strategies are diversified within the respective statutory requirements of each country providing long-term returns with an acceptable level of risk. The plan assets are primarily quoted in an active market with exception of the property and insurance policies.

The plan assets do not include Givaudan registered shares. They do not include any property occupied by, or other assets used by, the Group.

The Group operates defined benefit plans in many countries for which the actuarial assumptions vary based on local economic and social conditions. The assumptions used in the actuarial valuations of the most significant defined benefit plans, in countries with stable currencies and interest rates, were as follows:

Weighted percentage	2016	2015
Discount rates	1.9%	2.5%
Projected rates of remuneration growth	1.7%	2.6%
Future pension increases	0.8%	0.8%
Healthcare cost trend rate	5.0%	5.0%

The overall discount rate and the overall projected rates of remuneration growth are calculated by weighting the individual rates in accordance with the defined benefit obligation of the plans.

Sensitivity analysis

The defined benefit obligations are calculated on the basis of various financial and demographic assumptions. The below information quantifies the consequences of a change in some key assumptions.

The effects ((gain)/loss) of the change in assumptions are as follows:

in millions of Swiss francs	Change in assumption	Effects of the change	Increase in assumption	Decrease in assumption
Discount rate	0.5%	on the current service cost	(4)	4
		on the defined benefit obligation	(179)	197
Salary increases	0.5%	on the current service cost	1	(1)
		on the defined benefit obligation	7	(14)
Pension increases	0.5%	on the current service cost	2	–
		on the defined benefit obligation	110	(30)
Medical cost trend	1.0%	on the current service cost	–	–
		on the defined benefit obligation	4	(4)
Life expectancy	1 year	on the current service cost	1	(1)
		on the defined benefit obligation	72	(74)

Information by country

Switzerland

According to the Swiss Federal Law on Occupational Retirement, Survivors and Disability (LPP/BVG), the pension plan is managed by an independent, legally autonomous entity which has the legal structure of a foundation.

The Board of Trustees of the foundation is composed of equal numbers of employee and employer representatives. Each year the Board of Trustees decides the level of interest, if any, to apply to the retirement accounts in accordance with the pension policy. It is also responsible for the investment of the assets defining the investment strategy for long-term returns with an acceptable level of risk. The foundation provides benefits on a defined contribution basis.

The majority of the employees are participants to the plan and are insured against the financial consequences of old age, disability and death. The employer and employees pay contributions to the pension plan at rates set out in the foundation rules based on a percentage of salary. The amount of the retirement account can be taken by the employee at retirement in the form of pension or capital.

Under IAS19 employee benefits, the pension plan is classified as defined benefit plan due to the promises and underlying benefits guarantees. Consequently the pension obligation is calculated by using the projected unit credit method.

The Group expects to contribute CHF 18 million to these plans during 2017 (2016: CHF 18 million).

United States of America

The main US pension plan is qualified under and is managed in accordance with the requirements of US federal law. In accordance with federal law the assets of the plan are legally separate from the employer and are held in a pension trust. The plan was frozen during the first six months of 2016 and consequently no further accrual of benefits will continue as at the date of enforcement of the plan change.

The law requires minimum and maximum amounts that can be contributed to the trust, together with limitations on the amount of benefits that may be provided under the plan. There are named fiduciaries that are responsible for ensuring the plan is managed in accordance with the law. The fiduciaries are responsible for the investment of the assets defining the investment strategy for long-term returns with an acceptable level of risk. The plan provides benefits on a defined benefit basis.

The accrued benefits based on service to the plan freeze are payable at retirement and on death in service. With exceptions for optional lump sum amounts for certain sections of the plan, the benefits are paid out as annuities.

Under IAS19 employee benefits, the pension obligations are calculated by using the projected unit credit method.

The Group expects to contribute CHF 6 million to these plans during 2017 (2016: CHF 16 million).

United Kingdom
The two occupational pension schemes (Quest UK Pension Scheme and Givaudan UK Pension Plan) are arranged under the applicable UK Pension Schemes and Pensions Acts and managed as legally autonomous pension trusts by the Boards of Trustees. The plans were frozen during the second half of 2016 and consequently no further accrual benefits will continue as at the date of enforcement of the plan change.

The Boards of Trustees are composed of two employee representatives and four employer representatives, for the Quest UK Pension Scheme, and three employee representatives, three employer representatives plus two pensioner representatives for the Givaudan UK Pension Plan. The Boards of Trustees are responsible for the investment of the assets defining the investment strategy for long-term returns with an acceptable level of risk. In their respective sections, both trusts provide benefits on a defined benefit basis and are now frozen to future accruals and members.

The accrued benefits based on service to the plan freeze are payable at retirement and on death in service. With exceptions for trivial amounts, transfer values, lump sum death benefits and tax free lump sums, the benefits are paid out as annuities.

Under IAS19 employee benefits, the pension obligations in the defined benefit sections of both the Quest UK Pension Scheme and the Givaudan UK Pension Plan are calculated by using the projected unit credit method.

The Group expects to contribute CHF 9 million to these plans during 2017 (2016: CHF 13 million).

Rest of the world
The Group operates other retirement plans classified either as defined benefit or defined contribution plans in some other countries. No individual plan other than those described above is considered material to the Group.

The Group expects to contribute CHF 3 million to these plans in 2017 (2016: CHF 3 million).

The funding position of the funded defined benefit plans are as follows:

As at 31 December 2016 in millions of Swiss francs	Switzerland	United States of America	United Kingdom	Other countries	Total
Present value of defined benefit obligation	1,208	442	366	78	2,094
Fair value of plan asset	797	382	316	43	1,538
Deficit / (surplus)	**411**	**60**	**50**	**35**	**556**
Funding ratio	66.0%	86.4%	86.3%	55.1%	73.4%

As at 31 December 2015 in millions of Swiss francs	Switzerland	United States of America	United Kingdom	Other countries	Total
Present value of defined benefit obligation	1,089	458	339	75	1,961
Fair value of plan asset	779	362	307	43	1,491
Deficit / (surplus)	**310**	**96**	**32**	**32**	**470**
Funding ratio	71.5%	79.0%	90.6%	57.3%	76.0%

Key assumptions

2016 in percentage	Switzerland	United States of America	United Kingdom
Discount rate	0.60	4.25	2.60
Future salary increases	2.00	n/a	n/a
Future pension increases	0.00	n/a	2.55
Future average life expectancy for a pensioner retiring at age 65	23.3	21.8	23.2

2015 in percentage	Switzerland	United States of America	United Kingdom
Discount rate	1.00	4.60	3.70
Future salary increases	2.00	3.50	3.75
Future pension increases	0.00	n/a	3.10
Future average life expectancy for a pensioner retiring at age 65	22.8	22.2	23.1

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory. Mortality assumptions for the most important countries are based on the following tables:

(i) Switzerland: BVG2015
(ii) United States of America: RP2014
(iii) United Kingdom: S2PA

Allowance for future improvements in mortality have been allowed for as appropriate in each country. In Switzerland the generational rates have been used. In the United States of America the published rates have been adjusted and projected in accordance with the MP2016 scale. In the United Kingdom the rates reflect the latest (2015) CMI projections with a 1.25% long term rate of improvement.

9. Share-Based Payments

Performance share plan

Performance share plans are granted on a yearly basis. The performance shares are converted into tradable and transferable shares of Givaudan SA after the vesting period, subject to performance conditions. The performance metric is a combination of the average sales growth of selected peer companies and the cumulative free cash flow margin. There is no market vesting condition involved and participation in this plan is mandatory.

Year of grant	Commencing date	Vesting date	Number of shares expected to be delivered at vesting date	Fair value at grant date (CHF)
2014	31 Mar 2014	31 Mar 2017	33,301	1,214.4
2015	31 Mar 2015	31 Mar 2018	23,628	1,595.9
2016	31 Mar 2016	15 Apr 2019	22,181	1,709.4

The cost of the equity-settled instruments of CHF 42 million (2015: CHF 33 million) has been expensed in the consolidated income statement. A marginal portion of the number of shares expected to be delivered can be settled in cash in the jurisdictions where a physical delivery is not admitted.

Equity-settled instruments related to restricted shares

Restricted shares shown in the table below have been granted on a yearly basis. These shares are tradable and transferable after the vesting period. Participation in these plans is mandatory.

Restricted shares outstanding at the end of the year have the following terms:

Year of grant	Commencing date	Vesting date	Restricted share at grant date (CHF)	**Number of restricted share 2016**	Number of restricted share 2015
2013	29 Mar 2013	1 Mar 2016	970.4		1,125
2014	31 Mar 2014	31 Mar 2017	1,214.4	1,190	1,190
2015	31 Mar 2015	31 Mar 2018	1,595.9	1,092	1,092
2016	31 Mar 2016	15 Apr 2019	1,709.4	935	

Of the 3,217 outstanding restricted shares (2015: 3,407), no share (2015: none) was deliverable. The cost of these equity-settled instruments of CHF 2 million (2015: CHF 2 million) has been expensed in the consolidated income statement.

Movements in the number of restricted shares outstanding are as follows:

Number of restricted shares	**2016**	2015
As at 1 January	**3,407**	**12,674**
Granted	935	1,092
Delivered/Sold	(1,125)	(10,359)
Lapsed/cancelled		
As at 31 December	**3,217**	**3,407**

For these plans, the Group has at its disposal treasury shares.

10. Jointly Controlled Entities

Year of incorporation	Name of Joint ventures	Principal activity	Country of incorporation	Ownership interest
2014	Jiangsu Xinrui Aromatics Ltd	Production of fragrance ingredients	China	49%
2014	BGN Tech LLC	Innovative natural ingredients	USA	49%
2015	Natural Extracts International Ltd	Natural ingredient derivatives production	Mauritius	49%
2016	Vanilla International Ltd	Natural ingredient collection and extract	Mauritius	49%

Summarised financial information in respect of the Group's joint ventures is set out below. The following net assets represent 100% of the jointly controlled entities:

in millions of Swiss francs	**2016**	2015
Current assets	114	42
Non-current assets	41	34
Current liabilities	(79)	(14)
Non-current liabilities	(5)	(6)
Total net assets of joint ventures	**71**	**56**

As at 31 December in millions of Swiss francs	**2016**	2015
Income	9	5
Expenses	(11)	(10)

11. Other Operating Income

in millions of Swiss francs	**2016**	2015
Other income	75	41
Total other operating income	**75**	**41**

For the year ended 31 December 2016, the Group recognised one-off non-cash gains of CHF 55 million in the United States of America and CHF 7 million in the United Kingdom (2015: CHF 32 million in the Netherlands).

12. Other Operating Expense

in millions of Swiss francs	**2016**	2015
Amortisation of intangible assets	47	79
Impairment of long-lived assets	6	7
Losses on disposal of fixed assets	4	3
Environmental provisions	4	15
Other project related expenses	14	3
Acquisition related costs	1	1
Other expenses	25	24
Total other operating expense	**101**	**132**

13. Expenses by Nature

in millions of Swiss francs	Note	**2016**	2015
Raw materials and consumables used		1,769	1,642
Total employee remuneration	8	1,024	981
Depreciation, amortisation and impairment charges	21, 22	251	276
Transportation expenses		45	37
Freight expenses		89	86
Consulting and service expenses		116	109
Other expenses		494	471
Total operating expenses by nature		**3,788**	**3,602**

14. Financing Costs

in millions of Swiss francs	Note	**2016**	2015
Interest expense		42	47
Net interest related to defined benefit pension plans	8	13	16
Derivative interest (gains) losses		(5)	(3)
Amortisation of debt discounts		1	1
Total financing costs		**51**	**61**

15. Other Financial (Income) Expense, Net

in millions of Swiss francs	**2016**	2015 [a]
Fair value and realised (gains) losses from derivatives instruments, net (at fair value through income statement)	88	(41)
Exchange (gains) losses, net	(59)	71
Realised (gains) losses from financial instruments measured at fair value through income statement	–	(2)
Unrealised (gains) losses from financial instruments measured at fair value through income statement	(4)	(2)
Interest (income) expense	1	(2)
Capital taxes and other non business taxes	9	9
Other (income) expense, net	5	4
Total other financial (income) expense, net	**40**	**37**

a) Previous year figures have been restated in accordance with early adoption of IFRS 9 (see Note 2).

16. Income Taxes

Amounts charged to (credited in) the consolidated statement of comprehensive income are as follows:

				2016				2015
in millions of Swiss francs	Income statement	Other comprehensive income	Own equity instruments	Total	Income statement	Other comprehensive income	Own equity instruments	Total
Current taxes								
- in respect of current year	117	–		117	115	(5)		110
- in respect of prior years	(10)			(10)	(1)			(1)
Deferred taxes								
- in respect of current year	33	(36)	–	(3)	(39)	20	(3)	(22)
- attributable to changes in tax rates					2			2
- reclassified from equity to income statement					–	–		–
- in respect of prior years	–		3	3	(6)	3		(3)
Total income tax expense	**140**	**(36)**	**3**	**107**	**71**	**18**	**(3)**	**86**

Since the Group operates globally, it is subject to income taxes in many different tax jurisdictions. As such, in determining the provision for income taxes, judgment is required as there are transactions for which the ultimate tax determination is uncertain at the time of preparing the financial statements. As a result, any differences between the final tax outcome and the amounts that were initially recorded impact the current and deferred taxes in the period in which such final determinations are made.

The Group calculates on the basis of the income statement its average applicable tax rate as a weighted average of the tax rates in the tax jurisdictions in which the Group operates, including research tax credits and withholding tax on dividends, interest and royalties.

The Group's average applicable tax rate differs from the Group's effective tax rate as follows:

	2016	2015
Group's average applicable tax rate	**20%**	**19%**
Tax effect of		
Income not taxable	(2%)	(2%)
Expenses not deductible	1%	1%
Tax losses on changes in the valuation of subsidiaries		(11%)
Tax on unremitted earnings not recognised in previous periods	–	3%
Other adjustments of income taxes of prior years	(1%)	(1%)
Other differences	–	1%
Group's effective tax rate	**18%**	**10%**

The variation in the Group's average applicable tax rate arises due to changes in the composition of the Group's profitability within the Group's subsidiaries, in accordance with the Group's business profile in terms of geographical presence, product mix and customer portfolio, as well as external factors related to changes in local statutory tax rates.

In 2015, the tax losses relating to adjustments in the value of the parent company's interests in subsidiaries arose from changes in Swiss Accounting Law and from changes in the Group's legal entity structure.

Income tax assets and liabilities

Amounts recognised in the statement of financial position related to income taxes are as follows:

As at 31 December in millions of Swiss francs	**2016**	2015
Current income tax assets	26	16
Current income tax liabilities	(46)	(70)
Total net current income tax asset (liability)	**(20)**	**(54)**

2016 in millions of Swiss francs	Property, plant & equipment	Intangible assets	Pension plans	Tax loss carry forward	Other differences	Total
Net deferred tax asset (liability) as at 1 January	**(89)**	**(64)**	**173**	**59**	**89**	**168**
Acquisition						
(Credited) debited to consolidated income statement	(6)	6	(15)	(25)	7	(33)
(Credited) debited to other comprehensive income			33		3	36
(Credited) debited to own equity instruments					(3)	(3)
Currency translation effects	1	–	(1)	(2)	–	(2)
Net deferred tax asset (liability) as at 31 December	**(94)**	**(58)**	**190**	**32**	**96**	**166**
Deferred tax assets						259
Deferred tax liabilities						(93)
Net deferred tax asset (liability) as at 31 December						**166**

2015 in millions of Swiss francs	Property, plant & equipment	Intangible assets	Pension plans	Tax loss carry forward	Other differences	Total
Net deferred tax asset (liability) as at 1 January	**(94)**	**(52)**	**202**	**9**	**105**	**170**
Acquisition		(8)			(1)	(9)
(Credited) debited to consolidated income statement	2	(2)		51	(8)	43
(Credited) debited to other comprehensive income			(24)		1	(23)
(Credited) debited to own equity instruments					3	3
Currency translation effects	3	(2)	(5)	(1)	(11)	(16)
Net deferred tax asset (liability) as at 31 December	**(89)**	**(64)**	**173**	**59**	**89**	**168**
Deferred tax assets						260
Deferred tax liabilities						(92)
Net deferred tax asset (liability) as at 31 December						**168**

Amounts recognised in the statement of financial position for deferred taxes are reported as non-current assets and non-current liabilities; the current portion will be charged or credited to the consolidated income statement during 2017.

Deferred tax assets on loss carry forwards of CHF 32 million (2015: CHF 59 million) and on tax credits of CHF 59 million (2015: CHF 53 million) have been recognised. Deferred tax asset on unused tax losses of CHF 4 million (2015: CHF 5 million) has not been recognised.

A deferred tax liability of CHF 24 million has been recognised in 2016 (2015: CHF 24 million) for certain foreign subsidiaries which have undistributed earnings subject to withholding tax when paid out as dividend as the parent entity is in a position to forecast the timing of distributions expected in the foreseeable future, whereas no deferred tax liability could be recognised for undistributed earnings of CHF 429 million (2015: CHF 300 million).

17. Earnings per Share

Basic earnings per share

Basic earnings per share is calculated by dividing the net income attributable to shareholders by the weighted average number of shares outstanding:

	2016	2015[a]
Income attributable to equity holder of the parent (in millions of Swiss francs)	**644**	**625**
Weighted average number of shares outstanding		
Ordinary shares	9,233,586	9,233,586
Treasury shares	(27,646)	(27,964)
Net weighted average number of shares outstanding	**9,205,940**	**9,205,622**
Basic earnings per share (CHF)	**69.95**	**67.89**

a) Previous year figures have been restated in accordance with early adoption of IFRS 9 (see Note 2).

Diluted earnings per share

For the calculation of diluted earnings per share, the weighted average number of shares outstanding is adjusted to assume conversion of all potentially dilutive shares:

	2016	2015[a]
Income attributable to equity holder of the parent (in millions of Swiss francs)	**644**	**625**
Weighted average number of shares outstanding for diluted earnings per share of 81,316 (2015: 114,050)	**9,287,256**	**9,319,672**
Diluted earnings per share (CHF)	**69.34**	**67.06**

a) Previous year figures have been restated in accordance with early adoption of IFRS 9 (see Note 2).

18. Cash and Cash Equivalents

in millions of Swiss francs	2016	2015
Cash on hand and balances with banks	207	302
Short-term investments	121	176
Balance as at 31 December	**328**	**478**

19. Accounts Receivable – Trade

in millions of Swiss francs	2016	2015
Accounts receivable	1,009	911
Notes receivable	1	1
Less: provision for impairment	(14)	(11)
Balance as at 31 December	**996**	**901**

Ageing list:

in millions of Swiss francs	2016	2015
Neither past due nor impaired	939	847
Less than 30 days	48	46
30 – 60 days	9	11
60 – 90 days	4	3
Above 90 days	10	5
Less: provision for impairment	(14)	(11)
Balance as at 31 December	**996**	**901**

Movement in the provision for impairment of accounts receivable – trade:

in millions of Swiss francs	2016	2015
Balance as at 1 January	**(11)**	**(9)**
Increase in provision for impairment recognised in consolidated income statement	(5)	(5)
Amounts written off as uncollectible	–	1
Reversal of provision for impairment	1	1
Currency translation effects	1	1
Balance as at 31 December	**(14)**	**(11)**

No significant impairment charge has been recognised in the consolidated income statement in 2016 or in 2015. Past due and impaired receivables are still considered recoverable. The carrying amount of accounts receivable – trade is considered to correspond to the fair value.

20. Inventories

in millions of Swiss francs	2016	2015
Raw materials and supplies	312	267
Work in process	26	22
Intermediate and finished goods	482	459
Less: allowance for slow moving and obsolete inventories	(32)	(32)
Balance as at 31 December	**788**	**716**

In 2016 the amount of write-down of inventories was CHF 36 million (2015: CHF 31 million). At 31 December 2016 and 2015 no significant inventory was valued at net realisable value.

21. Property, Plant and Equipment

2016 in millions of Swiss francs	Land	Buildings and land improve-ments	Machinery, equipment and vehicles	Construction in progress	Total
Net book value					
Balance as at 1 January	**91**	**708**	**530**	**55**	**1,384**
Additions	3	9	3	157	172
Acquisition	3	17	10	–	30
Disposals		(1)	(4)		(5)
Transfers		35	81	(116)	
Impairment		(6)			(6)
Depreciation		(33)	(80)		(113)
Currency translation effects	(2)	(7)	(9)	(2)	(20)
Balance as at 31 December	**95**	**722**	**531**	**94**	**1,442**
Cost	95	1,180	1,598	94	2,967
Accumulated depreciation		(440)	(1,063)		(1,503)
Accumulated impairment		(18)	(4)		(22)
Balance as at 31 December	**95**	**722**	**531**	**94**	**1,442**

2015 in millions of Swiss francs	Land	Buildings and land improve-ments	Machinery, equipment and vehicles	Construction in progress	Total
Net book value					
Balance as at 1 January	**97**	**650**	**540**	**143**	**1,430**
Additions	–	1	5	137	143
Acquisition			2		2
Disposals	–	(1)	(3)		(4)
Transfers		118	97	(215)	
Impairment		–	(3)		(3)
Depreciation		(32)	(80)		(112)
Currency translation effects	(6)	(28)	(28)	(10)	(72)
Balance as at 31 December	**91**	**708**	**530**	**55**	**1,384**
Cost	91	1,147	1,642	55	2,935
Accumulated depreciation		(424)	(1,105)		(1,529)
Accumulated impairment		(15)	(7)		(22)
Balance as at 31 December	**91**	**708**	**530**	**55**	**1,384**

At 31 December 2016, no significant capitalised borrowing costs was amounted (2015: CHF 1 million).

22. Intangible Assets

2016 in millions of Swiss francs	Goodwill	Process-oriented technology and other	Client relationships	Name and product brands	Software/ERP system	Total
Net book value						
Balance as at 1 January	**1,707**	**173**	**143**	**3**	**171**	**2,197**
Additions		12			36	48
Acquisition	150	30	81	1		262
Amortisation		(30)	(24)	(1)	(77)	(132)
Currency translation effects	(66)	(1)	3	–	–	(64)
Balance as at 31 December	**1,791**	**184**	**203**	**3**	**130**	**2,311**
Cost	1,791	823	415	4	624	3,657
Accumulated amortisation		(635)	(212)	(1)	(494)	(1,342)
Accumulated impairment		(4)				(4)
Balance as at 31 December	**1,791**	**184**	**203**	**3**	**130**	**2,311**

2015 in millions of Swiss francs	Goodwill	Process-oriented technology and other	Client relationships	Name and product brands	Software/ERP system	Total
Net book value						
Balance as at 1 January	**1,718**	**187**	**153**		**235**	**2,293**
Additions					38	38
Acquisition	62	23	12	3		100
Impairment		(4)				(4)
Amortisation		(33)	(22)	–	(102)	(157)
Currency translation effects	(73)		–		–	(73)
Balance as at 31 December	**1,707**	**173**	**143**	**3**	**171**	**2,197**
Cost	1,707	779	331	3	588	3,408
Accumulated amortisation		(602)	(188)	–	(417)	(1,207)
Accumulated impairment		(4)				(4)
Balance as at 31 December	**1,707**	**173**	**143**	**3**	**171**	**2,197**

Classification of amortisation expenses is as follows:

			2016			2015
in millions of Swiss francs	Fragrances	Flavours	Total	Fragrances	Flavours	Total
Cost of sales	10	6	16	8	2	10
Selling, marketing and distribution expenses	16	20	36	16	17	33
Research and product development expenses	8	21	29	9	24	33
Administration expenses	2	2	4	1	1	2
Other operating expenses	23	24	47	39	40	79
Total	**59**	**73**	**132**	**73**	**84**	**157**

Impairment test for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs), which are defined as the Fragrance Division and the Flavour Division. Goodwill allocated to these two CGUs was CHF 572 million (2015: CHF 632 million) to the Fragrance Division and CHF 1,219 million (2015: CHF 1,075 million) to the Flavour Division.

The recoverable amount of each CGU has been determined based on value in use calculations. These calculations use pre-tax cash flow projections based on financial business plans and budgets approved by management covering a five year period, as well as a terminal value. The basis of the key assumptions is market growth adjusted for estimated market share gains. The terminal value assumes no further growth beyond the five year period. The discount rate used to discount the estimated future cash flows has a number of components which are derived from capital market information where the cost of equity corresponds to the return expected by the shareholders by benchmarking with comparable companies in the fragrance and flavour industry, and where the cost of debt is based on the conditions on which companies with similar credit rating can obtain financing.

A discount rate of 9.7% (2015: 9.6%) was applied to cash flow projections of the Fragrance Division and to cash flow projections of the Flavour Division. These discount rates are pre-tax.

No impairment loss in either division resulted from the impairment tests for goodwill. The outcome of the impairment test was not sensitive to reasonable changes in the cash flows and in the discount rate in the periods presented.

Process-oriented technology and other

This consists mainly of process-oriented technology, formulas, molecules, delivery systems as well as process knowledge and research expertise in innovative cosmetic solutions, acquired when the Group purchased Food Ingredients Specialties (FIS), International Bioflavors (IBF), Quest International, Soliance, Induchem and Spicetec.
In 2016, the Group invested CHF 12 million in bioscience through agreement with outside partner to apply strain technology to active beauty.

Client relationships

As part of the acquisition of Quest International, Induchem and Spicetec, the Group acquired client relationships in the Flavour and Fragrance Divisions, mainly consisting of client relationships with key customers.

Name and product brands

In connection with the acquisition of Induchem and Spicetec, the Group acquired name and product brands in active beauty business, which is part of Fragrance Division.

Software/ERP system

This consists of internally generated intangible assets associated with the development of identifiable software products and ERP systems.

The residual useful lives of the acquired intangible assets carried at cost, being their fair value at acquisition date, are determined in accordance with the principles set out in Note 2.17. Remaining useful lives of major classes of amortisable intangible assets are as follows:

– Software/ERP system	2.7 years
– Name and product brands	3.9 years
– Process-oriented technology and other	5.4 years
– Client relationships	12.9 years

23. Debt

2016 in millions of Swiss francs	Within 1 to 3 years	Within 3 to 5 years	Thereafter	Total long-term	Short-term within 1 year	Total
Floating rate debt						
Bank facility						
Bank overdrafts					7	7
Total floating rate debt					**7**	**7**
Fixed rate debt						
Bank borrowings						
Straight bonds	299	248	450	997		997
Private placements		41	213	254		254
Total fixed rate debt	**299**	**289**	**663**	**1,251**		**1,251**
Balance as at 31 December	**299**	**289**	**663**	**1,251**	**7**	**1,258**

2015 in millions of Swiss francs	Within 1 to 3 years	Within 3 to 5 years	Thereafter	Total long-term	Short-term within 1 year	Total
Floating rate debt						
Bank facility	–			–		–
Bank overdrafts					3	3
Total floating rate debt	**–**			**–**	**3**	**3**
Fixed rate debt						
Bank borrowings						
Straight bonds	299	100	298	697	150	847
Private placements		40	210	250	55	305
Total fixed rate debt	**299**	**140**	**508**	**947**	**205**	**1,152**
Balance as at 31 December	**299**	**140**	**508**	**947**	**208**	**1,155**

On 28 May 2003, the Group entered into a private placement for a total amount of USD 220 million. The private placement was made by Givaudan United States, Inc. It was redeemable at various times beginning on May 2008 through May 2015 with annual interest rates ranging from 3.65% to 5.00%. There were various covenants contained in the transaction covering conditions on net worth, indebtedness and disposition of assets of Givaudan United States, Inc. Givaudan United States, Inc was in full compliance with these covenants. In May 2015, Givaudan reimbursed the final USD 50 million (CHF 47 million) instalment of this private placement.

On 16 April 2004, the Group entered into a private placement for a total amount of USD 200 million. The private placement was made by Givaudan United States, Inc. It matured at various times in instalments beginning May 2009 through April 2016 with annual interest rates ranging from 4.16% to 5.49%. There were various covenants contained in the transaction covering conditions on net worth, indebtedness and disposition of assets of Givaudan United States, Inc. Givaudan United States, Inc has been in full compliance with the covenants set. In April 2014, Givaudan United States, Inc. reimbursed USD 75 million (CHF 66 million) of this placement, the remaining amount of USD 55 million (equivalent to CHF 53 million) has been fully paid in April 2016.

On 15 June 2011, the Group issued a 2.5% seven year public bond with a nominal value of CHF 300 million. The bond was issued by Givaudan SA.

On 7 December 2011, the Group issued a dual tranche public bond transaction of CHF 150 million each, totalling CHF 300 million, respectively of 1.250% for five years and of 2.125% for ten years. The bond was issued by Givaudan SA. The first tranche was redeemed in December 2016.

In November 2012, Givaudan United States, Inc entered into three private placements for a total amount of USD 250 million (CHF 254 million) respectively USD 40 million redeemable in February 2020 with an annual interest rate of 2.74%, USD 150 million redeemable in February 2023 with an annual interest rate of 3.30% and USD 60 million redeemable in February 2025 with an annual interest rate of 3.45%. The proceeds of these transactions have been received on 6 February 2013. There are various covenants contained in these transactions covering conditions on net worth, indebtedness and EBITDA ratio to net interest expense of Givaudan United States, Inc. The company is and has been in full compliance with the covenants set.

On 19 March 2014, the Group issued a 1.00% six and a half year public bond with a nominal value of CHF 100 million and a 1.75% ten year public bond with a nominal value of CHF 150 million. These bonds were issued by Givaudan SA.

In March 2015, the Group issued a tranche of CHF 200 million of the multilateral facility (maturity July 2018), of which CHF 75 million was reimbursed in April 2015, CHF 50 million in June 2015 and CHF 75 million in July 2015. This multilateral facility was issued by Givaudan SA.

In December 2016, the Group issued a 0.00% six year public bond with a nominal value of CHF 100 million and a 0.625% fifteen year public bond with a nominal value of CHF 200 million. These bonds were issued by Givaudan SA. The proceeds of CHF 300 million were used to repay the 1.250% five year public bond with a nominal value of CHF 150 million which was redeemed in December 2016 and to repay the short-term borrowings withdrawn during the year.

The carrying amounts of the Group's debt are denominated in the following currencies:

in millions of Swiss francs	**2016**	2015
Swiss Franc	997	847
US Dollar	259	305
Other currencies	2	3
Total debt as at 31 December	**1,258**	**1,155**

The weighted average effective interest rates at the statement of financial position date were as follows:

	2016	2015
Private placements	3.3%	3.7%
Straight bond	1.6%	1.9%
Weighted average effective interest rates on gross debt	**1.9%**	**2.4%**

24. Provisions

2016 in millions of Swiss francs	Restructuring	Claims and litigation	Environmental	Others	Total
Balance as at 1 January	**3**	**11**	**23**	**26**	**63**
Additional provisions	2	3	5	4	14
Unused amounts reversed	–	(3)	(1)	–	(4)
Utilised during the year	(2)	(3)	(1)	(2)	(8)
Currency translation effects	–	–	–	–	–
Balance as at 31 December	**3**	**8**	**26**	**28**	**65**
Current liabilities	2		2	2	6
Non-current liabilities	1	8	24	26	59
Balance as at 31 December	**3**	**8**	**26**	**28**	**65**

2015 in millions of Swiss francs	Restructuring	Claims and litigation	Environmental	Others	Total
Balance as at 1 January	**6**	**8**	**11**	**23**	**48**
Additional provisions	1	6	15	10	32
Unused amounts reversed	(1)	–	–	(1)	(2)
Utilised during the year	(3)	(3)	(4)	(4)	(14)
Currency translation effects	–	–	1	(2)	(1)
Balance as at 31 December	**3**	**11**	**23**	**26**	**63**
Current liabilities	2	4	4	2	12
Non-current liabilities	1	7	19	24	51
Balance as at 31 December	**3**	**11**	**23**	**26**	**63**

Significant judgment is required in determining the various provisions. A range of possible outcomes is determined to make reliable estimates of the obligation that is sufficient for the recognition of a provision. Differences between the final obligations and the amounts that were initially recognised impact the income statement in the period in which such determination is made.

Restructuring provisions

Restructuring provisions arise from reorganisations of the Group's operations and management structure.

Claims and litigation

These provisions are made in respect of legal claims brought against the Group and potential litigations. Related estimated legal fees are also included in these provisions.

Environmental

Givaudan's affiliate, Givaudan Fragrances Corporation, is one of more than 100 companies identified by the US Environmental Protection Agency ("EPA") as "Potentially Responsible Parties" ("PRP") for alleged contamination of the Passaic River. The EPA released a Focused Feasibility Study ("FFS") covering only the lower 8 miles of the River in 2014. In March 2016, the EPA issued its Record of Decision ("ROD") to confirm the remediation solution related to the FFS. The chosen solution entails a bank-to-bank dredge of the River, and the installation of an engineered cap, with an estimated cost of CHF 1.4 billion. One PRP has agreed to conduct the detailed remediation design, which is expected to take up to four years to complete. The Cooperating Parties Group ("CPG"), of which Givaudan had been a member, issued a draft Remedial Investigation/Feasibility Study ("RI/FS") in April 2014, which proposed a Sustainable Remedy for the entire lower 17 miles of the River. The CPG is still responding to EPA comments on the RI/FS, which remains in draft form today. At this time, there are many uncertainties associated with the final remediation plan and the Company's share of the costs, if any. However, in accordance with accounting guidance, the Group has recorded a reserve which it believes can reasonably be expected to cover the Company's obligation, if any, given the information currently available.

The other material components of the environmental provisions consist of costs to sufficiently clean and refurbish contaminated sites and to treat where necessary.

Other provisions

These consist largely of provisions related to long-term deferred compensation plan and to restoring expenses related to leased facilities.

25. Own Equity Instruments

Details of own equity instruments are as follows:

As at 31 December 2016	Settlement	Category	Maturity	Strike price (CHF)	in equivalent shares	Fair value in millions of Swiss francs
Registered shares		Equity			31,137	58
Purchased calls	Net cash	Derivative	1 Mar 2017	915.0	2,732	3
Purchased calls	Gross shares	Equity	2017	1,690.0 - 1,930.9	31,750	3
Written puts	Gross shares	Financial liability	2017	1,690.0 - 1,930.4	31,750	2

As at 31 December 2015	Settlement	Category	Maturity	Strike price (CHF)	in equivalent shares	Fair value in millions of Swiss francs
Registered shares		Equity			39,706	72
Purchased calls	Net cash	Derivative	2016 - 2017	915.0 - 975.0	6,392	6
Purchased calls	Gross shares	Equity	2016	1,200.0 - 1,756.7	39,000	20
Written puts	Gross shares	Financial liability	2016	1,108.0 - 1,756.7	39,000	–

26. Equity

Share capital

As at 31 December 2016, the share capital amounts to CHF 92,335,860, divided into 9,233,586 fully paid-up registered shares, with a nominal value of CHF 10.00 each. Every share gives the right to one vote.

The Board of Directors has at its disposal conditional capital of a maximum aggregate amount of CHF 7,481,980 that may be issued through a maximum of 748,198 registered shares, of which a maximum of CHF 1,618,200 can be used for executive share option plans.

At the Annual General Meeting held on 17 March 2016 the distribution of an ordinary dividend of CHF 54.00 per share (2015: CHF 50.00 per share) was approved. The dividend payment has been primarily made out of statutory capital reserves from capital contributions - additional paid-in capital which Givaudan showed in total equity as at the end of 2015, with the remainder paid out of available retained earnings.

Movements in own equity instruments are as follows:

2016	Number	Price in Swiss francs High	Average	Low	Total in millions of Swiss francs
Balance as at 1 January	**39,706**				**79**
Purchases at cost	38,250	1,931.0	1,327.8	1,200.0	51
Sales and transfers	(46,819)	1,402.7	1,402.7	1,402.7	(66)
(Gains) losses, net recognised in equity					–
Movement on registered shares, net					**(15)**
Movement on derivatives on own shares, net					**42**
Income taxes					**3**
Balance as 31 December	**31,137**				**109**

2015	Number	Price in Swiss francs High	Average	Low	Total in millions of Swiss francs
Balance as at 1 January	**47,872**				**78**
Purchases at cost	32,000	1,789.2	1,575.8	1,191.6	50
Sales and transfers	(40,166)	1,233.0	1,233.0	1,233.0	(49)
(Gains) losses, net recognised in equity					9
Movement on registered shares, net					**10**
Movement on derivatives on own shares, net					**(6)**
Income taxes					**(3)**
Balance as 31 December	**39,706**				**79**

27. Commitments

At 31 December, the Group had operating lease commitments mainly related to buildings. Future minimum payments under non-cancellable operating leases are as follows:

in millions of Swiss francs	**2016**	2015
Within one year	35	22
Within two to five years	87	55
Thereafter	53	45
Total minimum payments	**175**	**122**

The 2016 charge in the consolidated income statement for all operating leases was CHF 38 million (2015: CHF 35 million).

The Group has capital commitments for the purchase or construction of property, plant and equipment totalling CHF 43 million (2015: CHF 17 million).

28. Contingent Liabilities

From time to time and in varying degrees, Group operations and earnings continue to be affected by political, legislative, fiscal and regulatory developments, including those relating to environmental protection, in the countries in which it operates.

The activities in which the Group is engaged are also subject to physical risks of various kinds. The nature and frequency of these developments and events, not all of which are covered by insurance, as well as their effect on the future operations and earnings are not predictable.

Givaudan Group companies are involved in various legal and regulatory proceedings of a nature considered typical of its business, including contractual disputes and employment litigation.

One of the Group's US affiliates, Givaudan Flavors Corporation was named as a defendant in several lawsuits brought against it and other flavour and raw chemical supply companies. The plaintiffs alleged that they sustained pulmonary injuries due to diacetyl-containing butter flavours manufactured by one or more of the flavour and raw chemical supply company defendants. The majority of the cases filed against Givaudan Flavors Corporation have been settled. The Group has already recovered or will recover amounts it is entitled to under the terms of its insurance policies.

29. Related Parties

Transactions between Givaudan SA and its subsidiaries, which are related parties of Givaudan SA, have been eliminated on consolidation and are not disclosed in this note.

Compensation of key management personnel

The compensation of the Board of Directors and the Executive Committee during the year was as follows:

in millions of Swiss francs	**2016**	2015
Salaries and other short-term benefits	13	10
Post-employment benefits	2	2
Share-based payments	12	11
Total compensation	**27**	**23**

No other related party transactions have taken place during 2016 (2015: nil) between the Group and the key management personnel.

Reconciliation table to the Swiss code of obligations

	IFRS		Adjustments [a]		Swiss CO (Art. 663b^{bis})	
in millions of Swiss francs	**2016**	2015	**2016**	2015	**2016**	2015
Salaries and other short-term benefits	13	10	(6)	(2)	7	8
Post-employment benefits	2	2	–	–	2	2
Share-based payments	12	11	2	–	14	11
Total compensation	**27**	**23**	**(4)**	**(2)**	**23**	**21**

a) IFRS information is adjusted mainly to the recognition of the share-based payments, IFRS 2 versus economic value at grant date. IFRS information also includes security costs.

There are no other significant related party transactions including in the jointly controlled entities.

30. Board of Directors and Executive Committee Compensation

Compensation of members of the Board of Directors

Compensation of Board members consists of Director fees, Committee fees and restricted share units (RSUs). Fees are paid at the end of each year in office completed. RSUs give participants the right to receive Givaudan shares (or a cash equivalent in countries where securities laws prevent the offering of Givaudan securities) at the end of a three-year vesting period.

With the exception of the Chairman and outgoing Board members, each Board member receives an additional amount of CHF 10,000 to cover out-of-pocket expenses. This amount is paid for the coming year in office. The equity awards are also granted for the same period. The compensation paid out to the Board members for the reporting period is shown in the table below:

2016 in Swiss francs	Dr Jürg Witmer Chairman [g]	André Hoffmann [f,g]	Victor Balli [e,g]	Prof. Dr-Ing. Werner Baue r[g]	Lilian Biner [g]	Michael Carlos [g]	Ingrid Deltenre [g]	Calvin Grieder [g]	Peter Kappeler [f,g]	Thomas Rufer [g]	Total 2016 [a]
Director fees [b]	400,000	25,000	75,000	100,000	100,000	100,000	100,000	100,000	25,000	100,000	1,125,000
Committee fees [b]	40,000	10,000	18,750	65,000	50,000	40,000	50,000	50,000	6,250	55,000	385,000
Total fixed (cash)	440,000	35,000	93,750	165,000	150,000	140,000	150,000	150,000	31,250	155,000	1,510,000
Number of RSUs granted [c]	340	–	85	85	85	85	85	85	–	85	935
Value at grant [d]	581,196	–	145,299	145,299	145,299	145,299	145,299	145,299	–	145,299	1,598,289
Total compensation	**1,021,196**	**35,000**	**239,049**	**310,299**	**295,299**	**285,299**	**295,299**	**295,299**	**31,250**	**300,299**	**3,108,289**

a) Represents total compensation for the Board of Director paid in respect of the reporting year, reported in accordance with the accrual principle.
b) Represents Director and Committee fees paid in respect of the reporting year, reported in accordance with the accrual principle.
c) RSUs vest on 15 April 2019.
d) Economic value at grant according to IFRS methodology, with no discount applied for the vesting period.
e) Elected at the Annual General Meeting in March 2016.
f) Retired at the Annual General Meeting in March 2016.
g) The function of each member of the Board of Directors are indicated on pages 80-84 in the Corporate Governance section of the 2016 Annual Report.

Estimated social security charges based on 2016 compensation amounted to CHF 221,000 (2015: CHF 232,000).
In addition to the above, payments to Board members for out-of-pocket expenses amounted to CHF 70,000 (2015: 80,000).

2015 in Swiss francs	Dr Jürg Witmer [g] Chairman	André Hoffmann [g]	Prof. Dr-Ing. Werner Bauer [g]	Lilian Biner [g]	Michael Carlos [e,g]	Ingrid Deltenre [e,g]	Calvin Grieder [g]	Peter Kappeler [g]	Thomas Rufer	Nabil Sakkab [f,g]	Total 2015 [a]
Director fees [b]	400,000	100,000	100,000	100,000	75,000	75,000	100,000	100,000	100,000	25,000	1,175,000
Committee fees [b]	40,000	40,000	25,000	31,250	18,750	18,750	25,000	25,000	55,000	6,250	285,000
Total fixed (cash)	440,000	140,000	125,000	131,250	93,750	93,750	125,000	125,000	155,000	31,250	1,460,000
Number of RSUs granted [c]	364	91	91	91	91	91	91	91	91	–	1,092
Value at grant [d]	580,908	145,227	145,227	145,227	145,227	145,227	145,227	145,227	145,227	–	1,742,724
Total compensation	**1,020,908**	**285,227**	**270,227**	**276,477**	**238,977**	**238,977**	**270,227**	**270,227**	**300,227**	**31,250**	**3,202,724**

a) Represents total compensation for the Board of Director paid in respect of the reporting year, reported in accordance with the accrual principle.
b) Represents Director and Committee fees paid in respect of the reporting year, reported in accordance with the accrual principle.
c) RSUs vest on 31 March 2018.
d) Economic value at grant according to IFRS methodology, with no discount applied for the vesting period.
e) Elected at the Annual General Meeting in March 2015.
f) Retired at the Annual General Meeting in March 2015.
g) The function of each member of the Board of Directors are indicated on pages 74-78 in the Corporate Governance section of the 2015 Annual Report.

Other compensation, fees and loans to members or former members of the Board
No additional compensation or fees were paid to any member of the Board.
No Board member or related parties had any loan outstanding as at 31 December 2016 and 2015.

Special compensation of members of the Board who left the company during the reporting period
No such compensation was incurred during the reporting period.

Compensation of members of the Executive Committee
The compensation of the Executive Committee during the year was as follows:

in Swiss francs	Gilles Andrier CEO 2016	Gilles Andrier CEO 2015	Executive Committee members (excluding CEO) [a] 2016	Executive Committee members (excluding CEO) [b] 2015	Total 2016	Total 2015
Base salary	1,035,599	1,027,689	3,819,306	2,662,741	4,854,905	3,690,430
Pension benefits [c]	442,705	459,199	1,558,506	1,119,563	2,001,211	1,578,762
Other benefits [d]	111,061	100,616	792,134	591,992	903,195	692,608
Total fixed compensation	1,589,365	1,587,504	6,169,946	4,374,296	7,759,311	5,961,800
Annual incentive [e]	944,804	854,544	2,342,717	1,538,172	3,287,521	2,392,716
Number of performance shares granted [f]	1,686	1,446	5,441	4,396	7,127	5,842
Value at grant [g]	2,882,048	2,307,671	9,300,845	7,015,576	12,182,893	9,323,247
Total variable compensation	3,826,852	3,162,215	11,643,562	8,553,748	15,470,414	11,715,963
Total compensation	**5,416,217**	**4,749,719**	**17,813,508**	**12,928,044**	**23,229,725**	**17,677,763**
Employer social security [h]	438,000	382,000	1,427,000	1,064,000	1,865,000	1,446,000

a) Represents full year compensation of eight Executive Committee members and partial year compensation of the new Executive Committee member in 2016. Adrien Gonckel retired from his role as Chief Information Officer on 1 August 2016. Part of his total compensation for 2016 relates to the period from the time he ceased to be an EC member until 31 December 2016.
b) Represents full year compensation of five Executive Committee members and partial year compensation of the three new Executive Committee members in 2015.
c) Company contributions to broad-based pension and retirement savings plans and annualised expenses accrued for supplementary executive retirement benefit.
d) Represents annual value of health and welfare plans, international assignment benefits and other benefits in kind.
e) Annual incentive accrued in reporting period based on 2016 performance.
f) 2016 Performance shares vest on 15 April 2019, 2015 Performance shares vest on 31 March 2018.
g) Value at grant calculated according to IFRS methodology and based on 100% achievement of performance targets.
h) 2016 estimated social security charges based on 2016 compensation; 2015 estimated social security charges based on 2015 compensation.

Other compensation, fees and loans to members or former members of the Executive Committee
No other compensation or fees were accrued for or paid to any member or former member of the Executive Committee during the reporting period. No member or former member of the Executive Committee or related parties had any loan outstanding as at 31 December 2016 and 2015.

Special compensation of Executive Committee members who left the company during the reporting period
Adrien Gonckel retired from his role as Chief Information Officer on 1 August 2016. He did not receive any special compensation as a result of his retirement. All compensation is included in the compensation table above.

Ownership of shares and unvested share rights
Details on the Givaudan share based payment plans are described in Note 9.

As per 31 December 2016, the Chairman and other Board members including persons closely connected to them held 5,546 Givaudan shares in total. For further details, please refer to the following table on the next page showing:

- The shares held individually by each Board member as per 31 December 2016.
- The unvested RSUs that were granted in 2014-2016 and were still owned by members of the Board as per 31 December 2016.

2016 in numbers	Shares	Unvested RSUs
Dr Jürg Witmer, Chairman	1,500	1,180
Victor Balli		85
Prof. Dr-Ing. Werner Bauer	970	295
Lilian Biner	377	295
Michael Carlos [a]	2,083	176
Ingrid Deltenre	26	176
Calvin Grieder		295
Thomas Rufer	590	295
Total 2016	**5,546**	**2,797**
Total 2015	93,901	3,526

a) Mr Carlos also held 1,750 unvested performance shares as per 31 December 2016 granted to him during his tenure as an Executive Committee member.

The company is not aware of any other ownership of shares, share options/option rights, RSUs or performance shares as at 31 December 2016 by persons closely connected to members of the Board.

The Chief Executive Officer and other members of the Executive Committee, including persons closely connected to them, held 4,460 Givaudan shares. For further details, please refer to the table below showing:

– The shares held individually by each member of the Executive Committee as per 31 December 2016.

– The unvested performance shares that were granted in 2014-2016 and were still owned by members of the Executive Committee as per 31 December 2016.

2016 in numbers	Shares	Unvested performance shares
Gilles Andrier, CEO	2,400	5,032
Matthias Waehren	300	3,293
Mauricio Graber	550	2,929
Maurizio Volpi	486	1,710
Joe Fabbri	100	2,287
Simon Halle-Smith		943
Willem Mutsaerts	56	1,312
Anne Tayac	104	529
Chris Thoen	464	1,243
Total 2016	**4,460**	**19,278**
Total 2015	3,575	21,845

No member of the Executive Committee held any share options or option rights as at 31 December 2016 (31 December 2015: no member of the Executive Committee held any share options or option rights).

Two people closely connected to members of the Executive Committee owned Givaudan securities as at 31 December 2016: one person owned 859 shares, one person owned 264 unvested performance shares.

The company is not aware of any other ownership of shares, share options/option rights, RSUs or performance shares as at 31 December 2016 by persons closely connected to members of the Executive Committee.

31. List of Principal Group Companies

The following are the principal companies fully owned by the Group. Share capital is shown in thousands of currency units:

Switzerland	Givaudan SA	CHF	92,336
	Givaudan Suisse SA	CHF	4,000
	Givaudan Finance SA	CHF	100,000
	Givaudan International SA	CHF	100
	Induchem Holding AG	CHF	500
	Induchem AG	CHF	500
	Fondation Givaudan	-	-
Argentina	Givaudan Argentina SA	ARS	9,000
	Givaudan Argentina Servicios SA	ARS	5,000
Australia	Givaudan Australia Pty Ltd	AUD	35,812
Austria	Givaudan Austria GmbH	EUR	40
Bermuda	FF Holdings (Bermuda) Ltd	USD	12
	Givaudan International Ltd	USD	12
	FF Insurance Ltd	CHF	170
Brazil	Givaudan do Brasil Ltda	BRL	133,512
Canada	Givaudan Canada Co	CAD	12,901
Chile	Givaudan Chile Ltda	CLP	5,000
China	Givaudan Fragrances (Shanghai) Ltd	USD	7,750
	Givaudan Flavors (Shanghai) Ltd	USD	10,783
	Givaudan Specialty Products (Shanghai) Ltd	USD	12,000
	Givaudan Hong Kong Ltd	HKD	7,374
	Givaudan Flavors (Nantong) Ltd	USD	28,500
Colombia	Givaudan Colombia SA	COP	6,965,925
Czech Republic	Givaudan CR, s.r.o.	CZK	200
Egypt	Givaudan Egypt SAE	USD	11,360
	Givaudan Egypt Fragrances LLC	EGP	50
France	Givaudan France SAS	EUR	4,696
	Soliance SA	EUR	1,203
	Libragen SA	EUR	345
Germany	Givaudan Deutschland GmbH	EUR	4,100
Hungary	Givaudan Hungary Kft	EUR	15
	Givaudan Finance Services Kft	EUR	12
India	Givaudan (India) Private Ltd	INR	87,330
Indonesia	P.T. Givaudan Indonesia	IDR	2,608,000
Italy	Givaudan Italia SpA	EUR	520
Japan	Givaudan Japan K.K.	JPY	1,000,000
Korea	Givaudan Korea Ltd	KRW	550,020
Malaysia	Givaudan Malaysia Sdn.Bhd	MYR	200
Mexico	Givaudan de Mexico SA de CV	MXN	53,611
Netherlands	Givaudan Nederland B.V.	EUR	402
	Givaudan Treasury International B.V.	EUR	18
New Zealand	Givaudan NZ Ltd	NZD	71
Nigeria	Givaudan (Nigeria) Ltd	NGN	10,000
Peru	Givaudan Peru SAC	PEN	25
Poland	Givaudan Polska Sp. Z.o.o.	PLN	50
Russia	Givaudan Rus LLC	RUB	9,000
Singapore	Givaudan Singapore Pte Ltd	SGD	24,000
South Africa	Givaudan South Africa (Pty) Ltd	ZAR	360,002
Spain	Givaudan Iberica, SA	EUR	8,020
Sweden	Givaudan North Europe AB	SEK	120
Thailand	Givaudan (Thailand) Ltd	THB	100,000
Turkey	Givaudan Aroma Ve Esans Sanayi Ve Ticaret Limited Sirketi	TRY	34
United Kingdom	Givaudan UK Ltd	GBP	70
	Givaudan Holdings UK Ltd	GBP	317,348
United Arab Emirates	Givaudan Middle East & Africa FZE	AED	1,000
United States of America	Givaudan United States, Inc.	USD	0.05
	Givaudan Flavors Corporation	USD	0.1
	Givaudan Fragrances Corporation	USD	0.1
	Givaudan Flavors and Fragrances, Inc.	USD	0.1
Venezuela	Givaudan Venezuela SA	VEF	4.5

32. Disclosure of the Process of Risk Assessment

Risk management in Givaudan is an integral part of the business. It is a structured and continuous process of identifying, assessing and deciding on responses to risks. The reporting of the opportunities and threats that these risks create and how they might hinder the business in achieving its objectives is also part of managing risks.

Risk management is the responsibility of the Board of Directors, which empowers the Executive Committee to manage the overall company risk management process. The Group actively promotes the continuous monitoring and management of risks at the operational management level.

The Givaudan Enterprise Risk Management Charter describes the principles, framework and process of the Givaudan Enterprise Risk Management, which ensure that material risks are identified, managed and reported. It defines the associated roles and responsibilities which are reflected in the delegated authorities. Enterprise Risk Management encompasses both the Fragrance and Flavour businesses, as well as Givaudan Group functions. It includes all types of risks in terms of their nature, their source or their consequences.

The process aims to be comprehensive, organised and documented in order to improve compliance with corporate governance regulations, guidelines and good practices; better understand the risk profile of the business; and provide additional risk-based management information for decision making.

The objectives of the Risk Management process are to continuously ensure and improve compliance with good corporate governance guidelines and practices as well as laws and regulations, where applicable; facilitate disclosure to key stakeholders of potential risks and the company's philosophy for dealing with them. At the same time, the process creates the awareness of all key executives of the magnitude of risks; provides risk-based management information for effective decision-making; and safeguard the values of the company and its assets, and protect the interests of shareholders.

Givaudan's management, at all levels, is accountable for ensuring the appropriateness, timeliness and adequacy of the risk analysis. Mitigation decisions are taken at individual and combined levels. This management is also responsible for implementing, tracking and reporting the risk mitigation directives of the Executive Committee, including periodic reporting to the Board.

The assessment is performed in collaboration between the Executive Committee, divisional and functional management teams and the Corporate Compliance Officer.

The Board of Directors' Audit Committee also promotes the effective communication between the Board, Givaudan's Executive Committee, other senior corporate functions and Corporate Internal Audit in order to foster openness and accountability.

Givaudan has carried out its annual review of internal controls over accounting and financial reporting. A risk assessment is performed throughout the Internal Control System for those identified risks which may arise from the accounting and financial reporting. Then, relevant financial reporting controls are defined for each risk.

33. Subsequent Event

On 17 January 2017, as part of its 2020 strategy to strengthen capabilities in natural flavour solutions to its customers, Givaudan announced that it has acquired Activ International.

Activ International employs globally 170 employees. The business would have represented approximately CHF 40 million of incremental sales to Givaudan's results in 2016 on a proforma basis.

Deloitte.

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Statutory Auditor's Report
To the General Meeting of GIVAUDAN SA, Vernier

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Givaudan SA and its subsidiaries (the Group), which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows for the year ended 31 December 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the accompanying consolidated financial statements, presented on pages 116 to 175, give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Overview of Key Audit Matters	
Taxation	**Pension accounting**
Acquisition of Spicetec Flavors and Seasonings	**Revenue recognition**

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Our Audit Approach Summary

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How the scope of our audit responded to the Key Audit Matters
Taxation The Group operates in a large number of different jurisdictions and is therefore subject to many tax regimes with differing rules and regulations. As described in the Summary of Significant Accounting Policies in Note 2 and in Note 3 on Critical Accounting Estimates and Judgments, significant judgment is required in determining provision for income taxes, both current and deferred, as well as the assessment of provisions for uncertain tax positions including estimates of interest and penalties where appropriate. The effective tax rate of the Group increased from 10% in 2015 to 18% in 2016. The rate in 2015 was considerably lower following changes in Swiss Accounting Law and as a result of internal restructuring. The Consolidated Statement of Financial Position includes current tax assets of CHF 26 million, current tax liabilities of CHF 46 million, together with deferred tax assets of CHF 259 million and deferred tax liabilities of CHF 93 million. The tax expense recognised in the Consolidated Income Statement of CHF 140 million represents 18% of Group income before taxes. Details of all current and deferred tax balances are disclosed in Note 16 to the consolidated financial statements. Due to their significance to the financial statements as a whole, combined with the judgment and estimation required to determine their values, the evaluation of current and deferred tax balances is considered to be a key audit matter.	We evaluated the design and implementation of controls in respect of provisions for current tax and the recognition and recoverability of deferred tax assets. We discussed with management the adequate implementation of Group policies and controls regarding current and deferred tax, as well as the reporting of uncertain tax positions. We examined the procedures in place for the current and deferred tax calculations for completeness and valuation and audited the related tax computations and estimates in the light of our knowledge of the tax circumstances. Our work was conducted with our tax specialists. We performed an assessment of the material components impacting the Group's tax expense, balances and exposures. We reviewed and challenged the information reported by components with the support of our own local tax specialists, where appropriate. Utilising our own central tax specialists, we verified the consolidation and analysis of tax balances at Group level. We considered management's assessment of the validity and adequacy of provisions for uncertain tax positions, evaluating the basis of assessment and reviewing relevant correspondence and legal advice where available including any information regarding similar cases with the relevant tax authorities. In respect of deferred tax assets and liabilities, we assessed the appropriateness of management's assumptions and estimates, including the likelihood of generating sufficient future taxable income to support deferred tax assets for tax losses carried forward as disclosed in Note 16 of CHF 32 million. We validated the appropriateness and completeness of the related disclosures in Note 16 of the consolidated financial statements. Based on the procedures performed above, we obtained sufficient audit evidence to corroborate management's estimates regarding current and deferred tax balances and provisions for uncertain tax positions.

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Key Audit Matters	How the scope of our audit responded to the Key Audit Matters
Pension accounting As described in the Summary of Significant Accounting Policies in Note 2 and in Note 3 on Critical Accounting Estimates and Judgments, significant judgment is required in determining the calculation of the present value of defined benefit obligations requiring financial and demographic assumptions. The Group operates a number of defined benefit and defined contribution plans throughout the world. As disclosed in Note 8 to the consolidated financial statements, total plan assets amount to CHF 1'539 million, total post-employment funded obligations to CHF 2'164 million and total post-employement unfunded obligations to CHF 91 million. During 2016, the defined benefit plans held in the United States of America and United Kingdom have been frozen, which resulted in one-off non-cash gains of CHF 55 million in the United States of America and CHF 7 million in the United Kingdom. The defined benefit obligations recognised in the Consolidated Statement of Financial Position represent the present value of defined benefit obligations calculated annually by independent actuaries. These actuarial valuations are sensitive to key assumptions such as discount rates. Changes in a number of the key assumptions can have a material impact on the position as disclosed in the Note 8 to the consolidated financial statements. In addition, any pension plan amendment, such as a settlement or a curtailment, requires careful consideration of the accounting treatment to ensure compliance with IAS 19 Employee Benefits. We focused on this area because of the complexity of accounting treatment of each plan amendment, the level of judgment required to determine the valuation of both pension assets and pension obligations and the significance of the balances to the consolidated financial statements as a whole.	We evaluated the design and implementation of controls in respect of pension accounting. We discussed with management the adequate implementation of Group policies and controls regarding the asset valuation and the pension obligation valuation. With support from our own pension specialists, we have discussed with Group's actuary and challenged key assumptions underpinning the valuation of the pension plans at the end of 2016. Specifically we challenged the discount rate, inflation and mortality assumptions applied in the calculation and benchmarked the assumptions applied against comparable third party data and assessed the appropriateness of the assumptions in the context of the Group's own position. We found them to be within an acceptable range. We tested the data used in the valuation of the pension plans, such as employee data and we obtained confirmations to verify the completeness and accuracy of the pension plan assets. We validated the appropriateness and completeness of the related disclosures in Note 8 of the consolidated financial statements. Based on procedures performed above, we validated the compliance of the accounting treatment of pension plans, including pension plan amendments, with IAS 19 Employee Benefits.

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Key Audit Matters	How the scope of our audit responded to the Key Audit Matters
Acquisition of Spicetec Flavors & Seasonings As described in the Note 6 to the consolidated financial statements, the Group completed the acquisition of assets and liabilities of Spicetec Flavors & Seasonings on 25 July 2016 for a total purchase price of CHF 331 million. The Group acquired working capital valued at CHF 43 million, fixed assets valued at CHF 30 million, intangibles valued at CHF 112 million and other liabilities valued at CHF 4 million. The acquisition resulted in the recognition of a goodwill of CHF 150 million. This transaction is considered as a business combination as defined by IFRS 3 Business Combinations which requires to perform a purchase price allocation exercise to fair value the assets and liabilities of the acquired business. This requires exercise of judgments over the accounting and disclosure for the transactions. The accounting for the acquisition of assets and liabilities of Spicetec Flavors & Seasonings requires a number of complex accounting judgments sensitive to key assumptions such as the weighted average cost of capital, growth rate and other assumptions used in the business plan, internal rate of return, attrition rate. In addition, the amortisation period retained for intangibles acquired also requires judgment and constitutes a significant estimate that will affect current and future financial periods. We focused on this area because of the complexity of acquisition accounting and the level of judgments related to the identification of intangible assets and the purchase price allocation to the assets and liabilities acquired.	We challenged management on the identification and valuation of tangible and intangible assets. We reviewed and assessed the work performed by management's valuation expert including valuation methodology for each category of asset and liability, along with the key judgments made in determining the fair values. We determined that the methods used by the management's valuation expert were appropriate and in compliance with IFRS 3 Business Combinations. We considered and challenged the reasonableness of the assumptions, finding them to be within an acceptable range. The fair values appeared reasonable based on the judgments made. In particular, we challenged sales forecasts with historical data and market trends, we benchmarked assumptions used in determining the discount rate and the attrition rate. We also challenged the duration estimated by management for amortisation of the intangibles acquired, comparing with historical data. We validated the appropriateness and completeness of the related disclosures in Note 6 of the consolidated financial statements. Based on the procedures performed above, we concurred with the management assessment of the provisional purchase price allocation.
Revenue recognition As described in the Summary of Significant Accounting Policies in note 2 to the consolidated financial statements, the Group recognises revenues from sales of goods measured at the fair value of the consideration received in the ordinary course of the Group's activities. Sales of goods are reduced for discounts, rebates and sales taxes. The Group recognises revenue when the amount can be reliably estimated, it is probable that future economic benefits will flow to the entity and when significant risks and rewards of ownership of the goods are transferred to the buyer. At 31 December 2016, the Group Consolidated Income Statement included Sales of CHF 4'663 million. Some terms of sales arrangements within each of Group's companies, including the timing of transfer of risk and rewards, the nature of discount and rebates arrangements, delivery specifications including incoterms, generate complexity and judgment in determining sales revenues and revenue cut-off. The risk is, therefore, that revenue is not recognised in the correct period or that revenue and associated profit is misstated.	We performed walkthroughs to understand the adequacy and the design of the revenue cycle for all significant components. We tested controls in the revenue and trade account receivables cycles over the accuracy and timing of revenue accounted in the consolidated financial statements. We reviewed the revenue recognition policy applied by the group to ensure its compliance with IFRS requirements. More specifically we reviewed how the incoterms were considered within the revenue recognition process. Our work included consideration of the accounting for and presentation of the rebates and discount arrangements. In addition to substantive analytical reviews performed both at Group and local level to understand how the revenue has trended over the year, we performed a detailed testing on transactions around the year-end, ensuring revenues were recognised in the correct accounting period. We also tested journal entries recognised to revenue focusing on unusual or irregular transactions. We validated the appropriateness and completeness of the related disclosures in Note 2 of the consolidated financial statements. Based on the procedures performed above, we obtained sufficient audit evidence to corroborate management assumptions in relation to revenue.

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Materiality

We define materiality as the magnitude of misstatement in the consolidated financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgment we determined materiality for the Group as a whole to be CHF 50 million, based on a calculation of 7% of Group income before taxes, adjusted for non-recurring transactions. We selected Group income before taxes as the basis for determining our materiality because, in our view, this measure represents the performance of the Group and is one of the indicators against which Givaudan is commonly assessed.

The materiality applied by the component auditors ranged from CHF 18 million to CHF 36 million depending on the scale of the component's operations, the component's contribution to Group sales, Group income before taxes, Group total assets and our assessment of risks specific to each location.

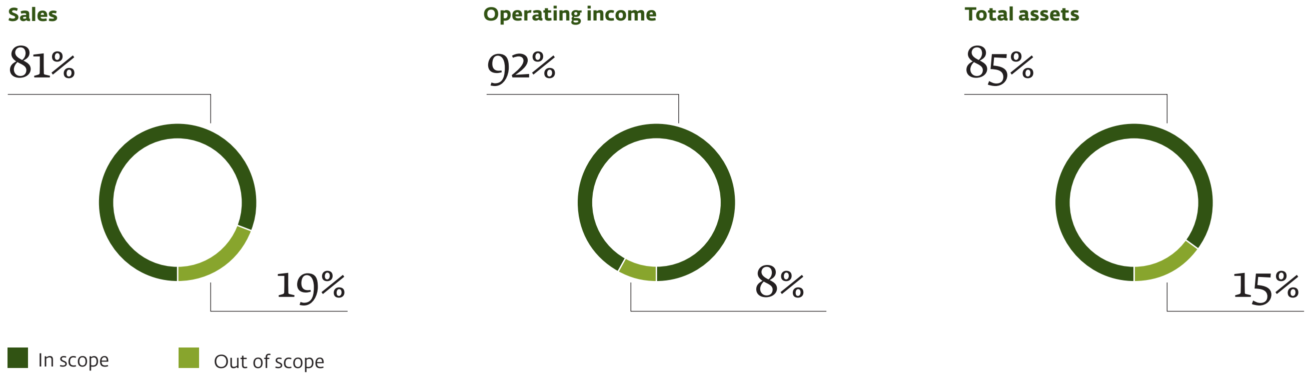
We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of CHF 1 million as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the consolidated financial statements.

Scoping

We designed our audit by obtaining an understanding of the Group and its environment, including Group-wide controls, determining materiality and assessing the risks of material misstatement in the consolidated financial statements.

Based on our understanding of Givaudan's operations, we have defined 10 countries that are in scope for the group audit and for which we are performing full audit procedures. These countries are spread across all regions, reflecting Givaudan's operations. We obtain assurance over these countries through a combination of audit procedures performed locally, within the Givaudan shared service centres and centrally at the Head office.

In aggregate, these components represented scope coverage of:



All other wholly owned and joint venture businesses were subject to analytical review procedures for the purpose of the Group audit. Annual statutory audits are conducted by Deloitte at the majority of the Group's affiliates, although these are predominantly completed subsequent to our audit report on the consolidated financial statements.

At the parent entity level we tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to a full scope audit.

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Other Information in the Annual Report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of the Company and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERTsuisse: http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a paragraph 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Deloitte SA

Karine Szegedi Pingoud	Joëlle Herbette
Licensed Audit Expert	Licensed Audit Expert
Auditor in Charge	

Geneva, 27 January 2017

Statutory financial statements of Givaudan SA (Group Holding Company)

Income Statement

For the year ended 31 December

in millions of Swiss francs	Note	**2016**	2015
Income from investments in Group companies	3	224	166
Royalties from Group companies		916	878
Other operating income		1	–
Total Operating income		**1,141**	**1,044**
Research and development expenses to Group companies		(278)	(256)
Other operating expenses		(44)	(34)
Amortisation and impairment of intangible assets		(98)	(125)
Share of (loss) profit of jointly controlled entities	5	(1)	(2)
Total Operating expenses		**(421)**	**(417)**
Operating income		**720**	**627**
Financial expenses		(204)	(129)
Financial income		85	123
Non-operating expenses		(105)	(221)
Extraordinary, non-recurring expenses	11		(1,240)
Income before taxes		**496**	**(840)**
Income taxes		4	–
Net (loss) profit for the year		**500**	**(840)**

Statement of Financial Position

in millions of Swiss francs	Note	31 December 2016	31 December 2015
Cash and cash equivalents	4	112	6
Accounts receivable from Group companies		140	178
Other current assets		7	23
Accrued income and prepaid expenses		10	
Current assets		**269**	**207**
Loans to Group companies		159	150
Other long-term assets		–	4
Investments in Group companies	3	2,583	2,572
Jointly controlled entities	5	35	27
Other financial assets		10	10
Intangible assets		257	283
Non-current assets		**3,044**	**3,046**
Total assets		**3,313**	**3,253**
Short-term debt	4		240
Accounts payable to Group companies		82	78
Other current liabilities		18	44
Deferred income and accrued expenses		1	1
Current liabilities		**101**	**363**
Long-term debt	6	998	697
Other non-current liabilities		62	61
Non-current liabilities		**1,060**	**758**
Total liabilities		**1,161**	**1,121**
Share capital	8	92	92
Statutory retained earnings	8	18	18
Statutory capital reserves from capital contributions - additional paid-in capital	8	3	402
Voluntary retained earnings	8	1,542	2,042
Own shares	8, 9	(45)	(60)
Available retained earnings			
- Balance brought forward from previous year		42	478
- Net (loss) profit for the year		500	(840)
Equity		**2,152**	**2,132**
Total liabilities and equity		**3,313**	**3,253**

Notes to the statutory financial statements

1. General Information

1.1. Structure and description of the activity

Givaudan SA is a holding company based in Vernier, near Geneva, whose main goal is to manage its investments in subsidiaries.

More specifically Givaudan SA invests in companies whose aim is to manufacture and commercialise natural and synthetic aromatic or fragrance raw materials as well as other related products. In addition, Givaudan SA invests in research and development and supplies services for the use of these products. Givaudan SA develops, registers and makes use of all trademarks, patents, licenses, manufacturing processes and formulas.

1.2. Employees

The average number of employees during the year was less than ten (2015: less than ten).

2. Summary of accounting principles adopted

The financial statements at 31 December 2016 are prepared in accordance with Swiss law.

The company is classified as a large entity as it meets the criteria to present group accounts under the definition of art. 961d al. 1 of the Swiss Code of Obligations. As Givaudan prepares and reports comprehensive consolidated financial statements including a cash flow, accompanying notes and a management report, Givaudan SA is exempt from preparing this information.

Valuation Methods and Translation of Foreign Currencies

Investments in, and loans to, Group companies are stated at cost less appropriate write-downs. Marketable securities are shown at the lower of cost and market value. Derivatives are recorded at fair value.

The currency in which Givaudan SA operates is Swiss francs (CHF) and the accounts are presented in Swiss francs. In the statement of financial position, foreign currency assets and liabilities are remeasured at year-end exchange rates with the exception of investments in Group companies which are valued at historical exchange rates. In the income statement, expenses and income in foreign currencies are converted in Swiss francs using the daily exchange rate of the transaction date. Foreign currency gains and losses are recognised in the income statement as they occur with the exception of unrealised gains which are deferred.

3. List of Direct Subsidiaries

List of the direct subsidiaries of the company, which are wholly-owned unless otherwise indicated (percentage of voting rights):

Switzerland	Givaudan Suisse SA
	Givaudan Finance SA
	Prodiga AG
	Givaudan International SA
	Induchem Holding AG
Argentina	Givaudan Argentina SA
	Givaudan Argentina Servicios SA
Australia	Givaudan Australia Pty Ltd
Austria	Givaudan Austria GmbH
Bermuda	Givaudan Capital Transactions Ltd
Brazil	Givaudan do Brasil Ltda
Canada	Givaudan Canada Co
Chile	Givaudan Chile Ltda
China	Givaudan Fragrances (Shanghai) Ltd
	Givaudan Flavors (Shanghai) Ltd
	Givaudan Specialty Products (Shanghai) Ltd
	Givaudan Hong Kong Ltd
	Givaudan Flavors (Nantong) Ltd
	Givaudan Management Consulting (Shanghai) Ltd
	Givaudan Fragrances (Changzhou) Ltd
Colombia	Givaudan Colombia SA
Czech Republic	Givaudan CR, s.r.o.
Egypt	Givaudan Egypt SAE
	Givaudan Egypt Fragrances LLC
France	Givaudan France SAS
	Soliance SA
Germany	Givaudan Deutschland GmbH
Guatemala	Givaudan Guatemala SA
Hungary	Givaudan Hungary Kft
	Givaudan Finance Services Kft
India	Givaudan (India) Private Ltd
Indonesia	P.T. Givaudan Indonesia
	P.T. Givaudan Flavours and Fragrances Indonesia
Italy	Givaudan Italia SpA
Japan	Givaudan Japan K.K.
Korea	Givaudan Korea Ltd
Malaysia	Givaudan Malaysia Sdn.Bhd
Mexico	Givaudan de Mexico SA de CV
	Grupo Givaudan SA de CV
Netherlands	Givaudan Nederland B.V.
	Givaudan Treasury International B.V.
Nigeria	Givaudan (Nigeria) Ltd
Peru	Givaudan Peru SAC
Poland	Givaudan Polska Sp. Z.o.o.
Russia	Givaudan Rus LLC
Singapore	Givaudan Singapore Pte Ltd
South Africa	Givaudan South Africa (Pty) Ltd
Spain	Givaudan Iberica, SA
Sweden	Givaudan North Europe AB
Thailand	Givaudan (Thailand) Ltd
Turkey	Givaudan Aroma Ve Esans Sanayi Ve Ticaret Limited Sirketi
United Kingdom	Givaudan Holdings UK Ltd
United Arab Emirates	Givaudan Middle East & Africa FZE
United States of America	Givaudan United States, Inc.
Venezuela	Givaudan Venezuela SA

In 2016 Givaudan SA increased its investments in Givaudan Flavors (Nantong) Ltd and Givaudan Egypt SAE and incorporated Givaudan Middle East & Africa FZE, Givaudan Guatemala and Givaudan Fragrances (Changzhou) Ltd.

4. Cash and cash equivalents

As at 31 December 2016, cash and cash equivalents include an amount of CHF 111 million related to the cash pooling agreements with a Group company.

As at 31 December 2015, an amount of CHF 90 million related to the cash pooling agreements with a Group company was included in short-term debt under current liabilities.

5. Jointly Controlled Entities

Name of joint ventures	Principal activity	Country of incorporation	Ownership interest
Jiangsu Xinrui Aromatics Ltd	Production of fragrance ingredients	China	49%
BGN Tech LLC	Innovative natural ingredients	USA	49%
Natural Extracts International Ltd	Natural ingredient derivatives production	Mauritius	49%
Vanilla International Ltd	Natural ingredient collection and extract	Mauritius	49%

6. Debt

On 15 June 2011, Givaudan SA issued a 2.5% seven year public bond with a nominal value of CHF 300 million.

On 7 December 2011, Givaudan SA issued a dual tranche public bond transaction of CHF 150 million each, totalling CHF 300 million, respectively of 1.250% for five years and of 2.125% for ten years. The first tranche was redeemed in December 2016.

On 19 March 2014, Givaudan SA issued a 1.00% six and a half year public bond with a nominal value of CHF 100 million and a 1.75% ten year public bond with a nominal value of CHF 150 million.

In March 2015, Givaudan SA issued a tranche of CHF 200 million of the multilateral facility (maturity July 2018), of which CHF 75 million was reimbursed in April 2015, CHF 50 million in June 2015 and CHF 75 million in July 2015.

On 7 December 2016, Givaudan SA issued a 0.00% six year public bond with a nominal value of CHF 100 million and a 0.625% fifteen year public bond with a nominal value of CHF 200 million. The proceeds of CHF 300 million were used to repay the 1.250% five year public bond with a nominal value of CHF 150 million which was redeemed in December 2016 and to repay the short-term borrowings withdrawn during the year.

7. Indirect Taxes

The company is part of a Group for VAT purposes with two other affiliates of the Group in Switzerland. The company is jointly and severally liable towards the tax authorities for current and future VAT payables of the VAT Group to which it belongs.

8. Equity

As at 31 December 2016, the share capital amounts to CHF 92,335,860, divided into 9,233,586 fully paid-up registered shares, with a nominal value of CHF 10.00 each. Every share gives the right to one vote.

The Board of Directors has at its disposal conditional capital of a maximum aggregate amount of CHF 7,481,980 that may be issued through a maximum of 748,198 registered shares, of which a maximum of CHF 1,618,200 can be used for executive share option plans.

At the Annual General Meeting held on 17 March 2016 the distribution of an ordinary dividend of CHF 54.00 per share (2015: ordinary dividend of CHF 50.00 per share) was approved. The dividend payment has been primarily made out of statutory capital reserves from capital contributions - additional paid-in capital which Givaudan showed in total equity as at end of 2015, with the remainder paid out of available retained earnings.

The movements in equity are as follows:

2016 in millions of Swiss francs	Share Capital	Statutory retained earnings	Additional paid-in capital	Voluntary retained earnings	Available retained earnings	Own shares	Total
Balance as at 1 January	**92**	**18**	**402**	**2,042**	**(362)**	**(60)**	**2,132**
Registered shares							
Issuance of shares							
Movement of shares						15	15
Appropriation of available earnings							
Transfer to voluntary retained earnings				(500)	500		
Distribution to the shareholders paid relating to 2015			(399)		(96)		(495)
Net (loss) profit for the year					**500**		**500**
Balance as at 31 December	**92**	**18**	**3**	**1,542**	**542**	**(45)**	**2,152**

2015 in millions of Swiss francs	Share Capital	Statutory retained earnings	Additional paid-in capital	Voluntary retained earnings	Available retained earnings	Own shares	Total
Balance as at 1 January	**92**	**18**	**863**	**1,642**	**878**	**(57)**	**3,436**
Registered shares							
Issuance of shares							
Movement of shares						(3)	(3)
Appropriation of available earnings							
Transfer to voluntary retained earnings				400	(400)		
Distribution to the shareholders paid relating to 2014			(461)				(461)
Net (loss) profit for the year					**(840)**		**(840)**
Balance as at 31 December	**92**	**18**	**402**	**2,042**	**(362)**	**(60)**	**2,132**

Statutory capital reserves from capital contributions - additional paid-in capital are presented separately in equity. Any payments made out of these reserves are not subject to Swiss withholding tax, nor subject to income tax on individual shareholders who are resident in Switzerland.

9. Own Shares

The movements in own shares are as follows:

2016	Number	Price in Swiss francs High	Average	Low	Total in millions of Swiss francs
Balance as at 1 January	**39,706**				**60**
Purchases at cost	38,250	1,931.0	1,320.2	1,200.0	50
Sales and transfers at cost	(46,819)	1,396.0	1,396.0	1,396.0	(65)
Balance as at 31 December	**31,137**				**45**

2015	Number	Price in Swiss francs High	Average	Low	Total in millions of Swiss francs
Balance as at 1 January	**47,872**				**57**
Purchases at cost	32,000	1,789.2	1,575.8	1,191.6	50
Sales and transfers at cost	(40,166)	1,179.6	1,179.6	1,179.6	(47)
Balance as at 31 December	**39,706**				**60**

As at 31 December 2015 and 2016, there were no other companies controlled by Givaudan SA that held Givaudan SA shares.

As at 31 December 2016, William H. Gates III (13.86%), BlackRock Inc. (5.08%), MFS Investment Management (3.00%), Nortrust Nominees Ltd (nominee; 15.49%), Chase Nominees Ltd (nominee; 6.47%) and Messieurs Pictet & Cie (nominee; 4.17%) were the only shareholders holding more than 3% of total voting rights.

10. Board of Directors and Executive Committee Compensation

Information required by Swiss law, as per art. 663b bis CO, on the Board of Directors and Executive Committee compensation are disclosed in the Givaudan consolidated financial statements, Note 30.

11. Exceptional Events

As a result of an internal restructuring, a subsidiary of Givaudan SA was liquidated during 2015 which generated a loss of CHF 1,240 million. This item had no effect on the consolidated financial statements of the Group, aside the tax impact. Net losses can be carried forward over seven years.

12. Subsequent Event

On 17 January 2017, as part of its 2020 strategy to strengthen capabilities in natural flavour solutions to its customers, Givaudan announced that it has acquired Activ International.

Activ International employs globally 170 employees. The business would have represented approximately CHF 40 million of incremental sales to Givaudan's results in 2016 on a proforma basis.

Appropriation of available earnings and distribution from the statutory capital reserves from contributions – additional paid-in capital of Givaudan SA

Proposal of the Board of Directors to the General Meeting of Shareholders

Available earnings

in Swiss francs	**2016**	2015
Net (loss) profit for the year	500,446,384	(839,571,189)
Balance brought forward from previous year	41,648,082	477,535,823
Total available earnings	**542,094,466**	**(362,035,366)**
Transfer (from) to voluntary retained earnings		(500,000,000)
2015 distribution proposal of CHF 10.50 gross per share [a]		96,952,653
2016 distribution proposal of CHF 56.00 gross per share	517,080,816	
Total appropriation of available earnings	**517,080,816**	**(403,047,347)**
Distribution not paid on Treasury shares held by the Group		**636,101**
Amount to be carried forward	**25,013,650**	**41,648,082**

Statutory capital reserves from capital contributions - additional paid-in capital

in Swiss francs	**2016**	2015
Balance brought forward from previous year	3,322,955	402,348,672
Total additional paid-in capital	**3,322,955**	**402,348,672**
2015 distribution proposal of CHF 43.50 gross per share [a]		401,660,991
Total appropriation of additional paid-in capital		**401,660,991**
Distribution not paid on Treasury shares held by the Group		**2,635,274**
Amount to be carried forward	**3,322,955**	**3,322,955**

a) The distribution proposal has been distributed firstly from the statutory capital reserves from capital contributions - additional paid-in capital and the remaining amount from available earnings. All distributions of reserves are subject to the requirements of the Swiss law.

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Statutory Auditor's Report
To the General Meeting of GIVAUDAN SA, Vernier

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Givaudan SA, which comprise the income statement, the statement of financial position for the year ended 31 December 2016, and notes, including a summary of significant accounting policies.

In our opinion the accompanying financial statements as at 31 December 2016, presented on pages 182 to 189, comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Valuation of Investments in Group companies As described in the Note 3 to the financial statements, the Company holds investments in Givaudan Group companies with a carrying value of CHF 2'583 million as of 31 December 2016, representing 78% of total assets. The valuation of these assets is dependent on the ability of these companies to generate positive cash flows in the future. In accordance with Article 960 CO, each investment held is valued individually and reviewed annually for impairment indicators. Each investment showing impairment indicators must be tested for impairment and an impairment would need to be recorded if the recoverable value is lower than the carrying value. The Swiss Federal Tax Administration issued on 17 December 2009 circular 27, chapter 2.5. This circular provides guidance in relation to the valuation methods and factors that must be considered in monitoring the value of investments. The impairment test performed by Givaudan management is subject to judgment around key assumptions, in particular in relation to the valuation method used, interpretation of the impairment model results and ability of the Group companies to generate positive cash flows in the future. Accordingly, for the purposes of our audit, we identified the valuation of these investments as representing a key audit matter.	We discussed with management the adequate implementation of accounting policies and controls regarding the valuation of investments in Group companies. We tested the design and implementation of controls around the valuation of investments to determine whether appropriate controls are in place. We challenged the assessment of impairment indicators by the Company. We tested the valuations by critically assessing the methodology applied and the reasonableness of the underlying assumptions and judgments. We assessed the impairment testing models and calculations by: – checking the mechanical accuracy of the impairment models and the extraction of inputs from source documents; – challenging the significant inputs and assumptions used in impairment for investments in Givaudan Group companies, such as the ability of the Group companies to generate positive cash flows in the future. We validated the appropriateness and completeness of the related disclosures in Note 3 of the financial statements. Based on our procedures performed above, we obtained sufficient audit evidence to address the risk over management's estimates and consider management's key assumptions to be within a reasonable range.

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Responsibility of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERTsuisse: http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Deloitte SA

Karine Szegedi Pingoud	Joëlle Herbette
Licensed Audit Expert	Licensed Audit Expert
Auditor in Charge	

Geneva, 27 January 2017