Givaudan

ENGAGING
THE
SENSES

Half Year Report & Financial Report 2011

Overview

As the leading company in the fragrance and flavour industry, Givaudan develops unique and innovative fragrance and flavour creations for its customers around the world. We have a 25% market share, and this industry leadership position is underpinned by a sales and marketing presence in all major markets. We create fragrances for personal and homecare brands that range from prestige perfumes to laundry care, and in flavours our expertise spans beverages, savoury, snacks, sweet goods and dairy products.

Vanilla: the essence of a sustainable future

Vanilla is one of the most preferred flavours and a key ingredient in both fragrance and flavour products. Securing a sustainable supply of vanilla is essential to both our customers' business and our own.

Around 80% of the world's vanilla comes from Madagascar. Through our Vanilla Programme, we help provide Malagasy farmers with the resources and skills to maximise quality and safeguard revenue for generations to come. In practical terms, this means providing support that focuses on specific sustainable agricultural practices and support for children's charities. We have pledged to build 14 schools by 2014 which will help more than 2,000 families in rural vanilla-growing areas.

Our Givaudan's agronomist has also worked with farmers on improving vanilla growing and harvesting practices. These include the prevention of a root fungus which can destroy vines, the correct maintenance of the host tree on which the vanilla vines climb and the implementation of a new Givaudan-patented curing process.

Ultimately, we aim to source an ever-increasing amount of vanilla under the Ethical Sourcing programme which will ensure these beans have full traceability, consistent quality and meet the strict organic standards of Ecocert as well as the child labour standards of Africa Now.

During the first half of the year we created a new micro-site to showcase our Vanilla Programme, and also conducted a webinar to engage further with customers on the issue of sustainable sourcing.

Highlights

- Sales CHF 2 billion, up 4.3% in local currencies
- Comparable EBITDA decreased to CHF 382 million, due to raw material cost increases and translation effects
- Comparable EBITDA margin of 19.1%, affected by raw material cost increases
- Net income CHF 120 million
- Net debt increased to CHF 1,577 million, leverage ratio at 33%

for the six months ended 30 June, in millions of Swiss francs, except for per share data	2011	2010
Sales	**2,005**	**2,199**
Gross profit	**862**	**1,029**
as % of sales	43.0%	46.8%
EBITDA at comparable basis [a, b]	**382**	**529**
as % of sales	19.1%	24.1%
EBITDA [a]	**368**	**490**
as % of sales	18.4%	22.3%
Operating income at comparable basis [b]	**231**	**377**
as % of sales	11.5%	17.1%
Operating income	**215**	**330**
as % of sales	10.7%	15.0%
Income attributable to equity holders of the parent	**120**	**200**
as % of sales	6.0%	9.1%
Earnings per share – basic (CHF)	**13.19**	**22.58**
Earnings per share – diluted (CHF)	**13.12**	**22.45**
Operating cash flow	**50**	**229**
as % of sales	2.5%	10.4%

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

b) EBITDA at comparable basis excludes restructuring expenses. Operating income at comparable basis excludes restructuring expenses and impairment of long-lived assets and impairment on joint ventures.

6,798m
Total assets (CHF)

3,594m
Total liabilities (CHF)

3,204m
Total equity (CHF)

Our business

Divisions

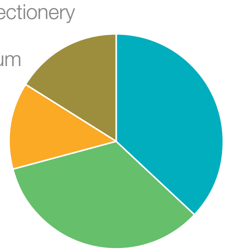
Flavour Division – 54% of Group sales

We are a trusted partner to the world's leading food and beverage companies, combining our global expertise in sensory understanding, analysis and consumer-led innovation in support of unique product applications and new market opportunities. We work with food and beverage manufacturers to develop flavours and tastes for market-leading products across all continents.

Fragrance Division – 46% of Group sales

Our perfumery team is the largest in the industry. Our talents extend across three business areas – Fine Fragrances, Consumer Products and Fragrance Ingredients – through which we create scents for leading brands worldwide. In-depth consumer understanding, a high-performing research and development organisation and an efficient global operations network support our business.

Flavour Division sales %



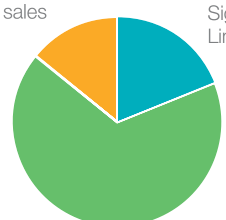
Sweet Goods 16%
Baked goods
Sugar confectionery
Chocolate
Chewing gum

Beverages 37%
Soft drinks
Fruit juices
Instant beverages

Dairy 13%
Ice cream & yoghurt
Desserts
Yellow fats (margarines)

Savoury 34%
Ready-made meals
Snacks
Soups & sauces
Meat & poultry

Fragrance Division sales %



Fragrance Ingredients 14%
Internal use
Third-party sales

Fine Fragrances 19%
Signature fragrances
Line extensions

Consumer Products 67%
Fabric and personal care
Hair & skin care
Household & air care
Oral care

Business process

Research
Innovating to create new consumer-preferred aromas and ingredients combinations and improving the performance of flavours and fragrances in their final application.

→

Creation
The creative process of transforming ingredients and technology into successful products.

→

Winning the brief
An ability to fulfil the demands of our customers, thanks to successful research and creation.

→

Production
Timely and efficient manufacturing of thousands of flavour and fragrance ingredients globally.

Global locations

● Mature markets – 59% of Group sales

Representing 59% of the annual revenue, mature markets such as North America, Western Europe and Japan are expected to grow less fast than the developing markets but at the same time offer potential for growth in areas such as the increase in demand for Health and Wellness products.

● Developing markets – 41% of Group sales

Sales in developing markets such as Asia Pacific and Latin America, as well as Eastern Europe, already account for 41% of annual revenues but this number is expected to increase to 50% by 2015. Market growth is expected to be significantly higher due to urbanisation and changes in lifestyle as well as the increase in consumers' disposable income. In order to fully capture this potential, we have a dedicated presence with creation and production facilities in all key regions.

Automating our warehouse operations
Completed in June 2011, our new warehouse in Vernier brings state-of-the-art automation and storage facilities to Givaudan. It is scheduled to be fully operational by the end of 2011.

Supporting our drive into developing markets
We expect construction of the new CHF 170 million savoury manufacturing site at Makó in Hungary to be finished by December 2011. The site will support growth in developing markets of Eastern Europe and Russia.

8,857
Employees

33
Production sites

82
Locations worldwide

25%
Market share (approx)

Key events

January

1 January
Our Fragrance team in China receives confirmation of the Cleaner Production (CP) Certificate, issued by Shanghai Pudong Environment Protection Bureau and Shanghai Municipal Economy & Information Committee.

26 January (below)
Givaudan's CFO, Matthias Währen, presents the first Leadership Board Green Team Sustainability Award to our colleagues at Pedro Escobedo for finding an alternative source of energy for steam production in the site's boiler house.

February

8 February
Full Year Results 2010: All integration targets achieved, Givaudan enters a new era of profitable growth.

14 February
Givaudan's Sweet Goods and Dairy team launches a consumer favourite with GivaudanCollections™ Strawberry. This new flavour collection offers countless opportunities to introduce new products that are relevant for today's consumers' tastes.

16 February (below)
Givaudan Flavours demonstrates our taste expertise in making food products healthier as sponsor and key-note speaker at a Salt Reduction conference in London.

Salt Reduction Europe

March

13 March
Givaudan celebrates the official foundation stone ceremony for its CHF 170 million European savoury flavours production facility near Makó, Hungary.

18 March
The FiFi season starts in Italy with Accademia del Profumo Awards in Bologna, and Givaudan creations are winners in the three feminine fine fragrances category.

24 March (below)
The Annual General Meeting elects Lilian Fossum Biner as new member of the Board. This year's AGM achieves a record attendance with 306 Givaudan shareholders, and provides a showcase for Flavour's TasteSolutions™ programme and Fragrances' Sensory Science mood research.

April

4 April
Release of Givaudan's 2010 Sustainability Report using the (GRI) G3 Reporting Guidelines – the first fragrance and flavour company reporting on sustainability progress using this best practice framework.

8 April
First Quarter 2011 Sales: Promising start into the year.

14 April (below)
The Givaudan creations Tom Ford Private Blend Azure Lime, Gucci Guilty and Boss Bottled Night swept to success at the Fragrance Foundation UK FiFi Awards ceremony in London.

May

15 – 18 May
Givaudan presents significant work on biodegradation in environmental toxicology chemistry at the Society of Environmental Toxicology and Chemistry Europe's Annual Meeting in Milan.

17 May
Givaudan scoops nine of the 15 awards at the Fragrance Foundation, Germany DUFTSTAR Awards, Berlin.

20 May (below)
At the US CEW Beauty Awards, Givaudan Fine Fragrance finalists take two of the three scent awards, and Givaudan sponsors the first ever CEW Eco Award.

25 May
Givaudan fragrance creations won eight of 13 fine fragrance awards at US FiFis including 'Consumers' Choice' award with Bombshell from Victoria's Secret, created by Adriana Medina, and 'Perfume Extraordinaire of the Year' award for Maison Martin Margiela's (untitled) created by Daniela Andrier.

beauty insider's choice awards

CEW cosmetic executive women

June

1 June (below)
Givaudan Flavours holds its first Sustainable Vanilla sourcing webinar. Customers learn how our ethical sourcing and sustainability programme for vanilla ensure sustainable supplies of ingredients for food products and helps vanilla farmers and their families to thrive.

28 June
Givaudan's perfumers, the Perfumery School and the fine fragrance team in São Paulo appear in a three-part series "Perfume" broadcast on BBC 4 in the UK.

30 June
Givaudan Flavours hosts a Health & Wellness webinar on TasteSolutions™ showcasing its taste technology and ingredients platforms to customers.

Chief Executive Officer's overview

Good business momentum - currency and raw material headwinds

Dear Shareholder

Givaudan's business momentum continues to be strong with an ongoing inflow of new wins and a further increased win rate. In a difficult economic environment, Givaudan's sales for the first six months increased by 4.3% in local currencies to CHF 2,005 million, driven by good growth in the developing markets, where sales in local currencies advanced almost 6%.

When looking at a compound annual sales growth since the first half of 2008, we are reaching an overall 5.2% sales growth over the last three years, confirming that we are on track to reach our mid-term sales guidance.

During the first half of this year, Givaudan was also able to successfully implement price increases in collaboration with our customers. These price increases started to become effective in the course of the second quarter but the full impact will be visible towards the end of 2011.

Rising to the challenge

From citrus to Ylang Ylang, raw materials are the lifeblood of our business. They represent more than three quarters of the cost of our fragrances and flavours, spread across more than 10,000 individual ingredients which we buy every year. The costs of those raw materials, both naturals and synthetics, have risen to unprecedented levels over the last six months. We expect that overall, prices for raw materials will be 15% higher in 2011 compared to last year.

This in turn has negatively affected our profitability. EBITDA has fallen from 22.7% at the end of last year to 19.1% for the first half of 2011. Although we cannot influence the costs themselves, we are working hard to compensate for their impact. Apart from the continuous price increases, we are also looking at other innovative ways to eliminate the volatility of raw material prices. Examples include our different sustainable sourcing initiatives and one of them, the sustainable sourcing of vanilla in Madagascar, is highlighted in this Report.

At the same time, we are identifying additional ways to improve efficiency. We are reluctant to introduce measures that would adversely affect our ability to grow, although we have identified a number of other areas where savings can be made. Cost containment measures have already been introduced and more will follow as the year progresses.

Delivering our strategy

We have made good progress on delivering on our five-year strategy that was introduced in 2010. Among the highlights for the period, we expanded our TasteSolutions™ programme and began construction of our new savoury plant in Hungary, which will serve the developing markets in Eastern Europe.

Sustainability is integral to our business and underpins all aspects of the strategy. During the first half, we launched our second full Sustainability Report, which is available for download from our website. Sustainability is increasingly important to Givaudan, as we face issues from waste water management and the availability of key raw materials to the health and safety of our people. We are also working alongside major customers to help them reach their own sustainability targets.

People: the heart of our business

Following on from the three-year integration period, which demanded great commitment from our people, the organisation is now facing an even faster changing environment with the challenge of increasing raw materials and cost-reduction programmes. Our people have successfully mastered similar situations in the past and are demonstrating tremendous spirit and dedication. It is a real privilege to work alongside so many talented individuals and my management team and I thank them for their focus.

In the long term, we will continue to drive forward with our strategy. Our target remains 4.5% to 5.5% organic sales growth per year, assuming a market growth of 2% to 3%, and to continue to win market share.

I am confident that we are well-positioned to succeed and wish to thank all our stakeholders for their continued support.

Gilles Andrier
Chief Executive Officer

A five-year strategy

We outlined our new growth strategy in the 2010 Annual Report. It sets out some ambitious targets and five key pillars that will form our roadmap for success. We are now six months into our new financial year, and would like to update you with the progress we have made in implementing our growth plans.

The key pillars of our five-year strategy are:

Developing markets
Research & development
Health and Wellness
Sustainable sourcing of raw materials
Targeted customers and segments

Through the successful implementation of our strategy we will achieve our mid-term objectives:

EBITDA
Best-in-class

14-16%
Free cash flow of sales by 2015

4.5-5.5%
Sales growth above the market rate

Based on an assumed market growth of 2-3%

Above
60%
Free cash flow return

Once the target leverage ratio of 25% has been reached

Our progress

Stories from the first six months:

Developing markets:
We aim to leverage our leading position in the fast-growing developing markets. A key objective is for sales in these important markets to represent 50% of total sales by 2015, up from 40% in 2010. During the first half, our sales in developing markets reached 41%.

Research & development:
Our Company is driven by a unique innovation platform which is delivered by an industry-leading R&D spend (CHF 336 million in 2010) and an unparalleled team of talented perfumers and flavourists. Highlights of the half year ranged from introducing a new, white-floral green lily note to our perfumer's palette, Karmaflor™, to ongoing development of new natural ingredients from botanical and biological sources, for sugar-reduced applications.

Health and Wellness:
There is a clear consumer shift worldwide towards healthier products which do not compromise on taste. Our discovery teams continue to help customers rise to this challenge during the first six months of 2011. We expanded our TasteSolutions™ Health and Wellness programme, increasing investment and resources to address customer challenges in sugar and salt replacement and reduction. Major beverage companies are already showing keen interest in a new high-intensity sweetener which is planned to be commercially available towards the end of this year.

Sustainable sourcing of raw materials:
Every year, we source around 10,400 different ingredients in nearly 100 countries. We have an ethical responsibility to the communities that provide these ingredients as well as a commercial responsibility to our customers to secure long-term supply. The first half of the year saw our teams continue to work closely alongside producers to promote sustainable practices in a wide range of initiatives, including the Vanilla Programme in Madagascar, which is detailed on the inside front cover of this report.

Targeted customers and segments:
Our customers depend on us to be trusted partners able to bring innovation, consumer insight, market understanding and commercial expertise to their operations. In recent months our creations team has focused on creating new classics in feminine fine fragrances and won the US FiFi Awards 2011 'Perfume Extraordinaire of the Year', for (untitled) by Maison Martin Margiela Parfums. In the flavour business, initiatives such as the SmartSniff Mini Virtual Aroma Synthesiser™ is allowing our customers to take the flavour testing process to new levels of speed, accuracy and cost-effectiveness.

Review of operations

"In the first half year 2011, we achieved a local currency growth of 4.3%, in line with our mid-term guidance. Raw material cost increases have affected our profitability. Givaudan has successfully implemented price increases in collaboration with its customers. These price increases started to become effective in the course of the second quarter. Givaudan's business momentum continues to be strong with a full project pipeline and a further increased win rate. We therefore are confident to achieve our ambitious mid-term targets," said Gilles Andrier, Chief Executive Officer.

Group sales for the first six months of the year totalled CHF 2,005 million, an increase of 4.3% in local currencies[1] and a decline of 8.8% in Swiss francs compared to the previous year.

Fragrance Division sales were CHF 927 million, an increase of 3.9% in local currencies and a decline of 8.8% in Swiss francs versus the same period in 2010.

Flavour Division sales were CHF 1,078 million, an increase of 4.7% in local currencies and a decline of 8.8% in Swiss francs compared to the previous year.

Gross Margin

The gross margin decreased to 43.0% from 46.8% as a result of the sharp and broad based increase in raw material costs. Givaudan has successfully implemented price increases in collaboration with its customers. These price increases started to become effective in the course of the second quarter.

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

EBITDA declined to CHF 368 million in 2011 from CHF 490 million in 2010. On a comparable basis the EBITDA declined to CHF 382 million from the CHF 529 million reported last year.

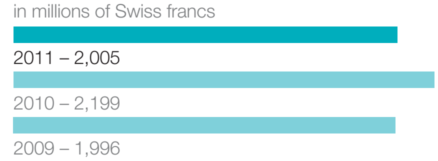
The continued strengthening of the Swiss franc against all currencies, and in particular the USD, as well as the increase in raw material costs, significantly impacted absolute levels of EBITDA.

When measured in local currency terms, the EBITDA on a comparable basis declined by 19.6%. The comparable EBITDA margin was 19.1% in 2011, significantly lower than the 24.1% reported in 2010, driven by a decline in the gross margin. The strengthening of the Swiss franc against all major currencies did not have any significant impact on the EBITDA margins.

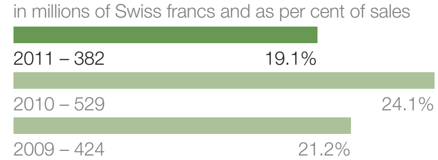
Operating Income

The operating income declined to CHF 215 million from CHF 330 million last year. On a comparable basis, excluding CHF 16 million of restructuring costs, the operating income declined to CHF 231 million in 2011 from CHF 377 million for the same period in 2010. When measured in local currency terms, the operating income on a comparable basis declined by 28.9%. The operating margin on a comparable basis declined to 11.5% in 2011 from 17.1% reported for the same period in 2010. The decline in operating income was greater than the decline in EBITDA as the amortisation of intangible assets was not impacted by currency movements.

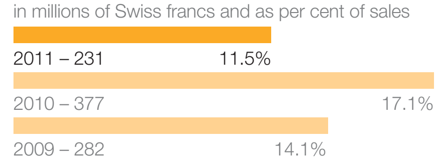
Sales
in millions of Swiss francs



EBITDA*
in millions of Swiss francs and as per cent of sales



Operating income*
in millions of Swiss francs and as per cent of sales



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

* On a comparable basis.

2,005m
Group sales (CHF)

927m
Fragrance sales (CHF)

1,078m
Flavours sales (CHF)

Financial Performance

Financing costs were CHF 39 million in the first half of 2011, down from CHF 54 million for the same period in 2010. Other financial expense, net of income was CHF 22 million in 2011, versus CHF 13 million in 2010, mainly driven by continued currency volatility.

The Group's income taxes as a percentage of income before taxes were 22% in 2011, versus 24% in 2010.

Net Income

The net income for the first six months of 2011 was CHF 120 million, versus CHF 200 million in 2010. This results in a net profit margin of 6.0%, versus 9.1% in 2010. Basic earnings per share were CHF 13.19 versus CHF 22.58 for the same period in 2010.

Cash Flow

Givaudan delivered an operating cash flow of CHF 50 million for the first six months of 2011, down from the CHF 229 million generated for the comparable period in 2010, driven by a lower EBITDA and an increase in inventories. As a percentage of sales, working capital increased slightly, mainly as a result of higher inventory levels.

Total investments in property, plant and equipment were CHF 68 million, up from CHF 33 million incurred in 2010, mainly driven by the investment in the centralised flavours facility in Hungary. Intangible asset additions were CHF 40 million in 2011, a significant portion of this investment being in the Company's ERP project, based on SAP. The last region, Asia, is on track to be completed by June 2012.

Operating cash flow after investments was CHF (51) million, versus the CHF 163 million recorded in 2010. Free cash flow, defined as operating cash flow after investments and interest paid, was CHF (95) million in the first half of 2011, versus CHF 82 million for the comparable period in 2010.

Financial Position

Givaudan's financial position remained solid at the end of June 2011. Net debt at June 2011 was CHF 1,577 million, up from CHF 1,353 million at December 2010. The main increase in the net debt was due to the CHF 196 million payment of the dividend in the second quarter. The leverage ratio was 33%, compared to 28% at the end of 2010.

Short-term Outlook

Givaudan expects that input costs will increase by an average of 15% in 2011 compared to 2010. The Company continues to pass prices through to customers, and forecasts that half of the impact will be mitigated in 2011.

Mid-term Guidance

Mid-term, the overall objective is to grow organically between 4.5% and 5.5% per annum, a market growth of 2-3%, and to continue on the path of market share gains over the next five years. By delivering on the Company's five-pillar growth strategy – emerging markets, Health and Wellness as well as market share gains with targeted customers and segments – Givaudan expects to outgrow the underlying market and to continue to achieve its industry-leading EBITDA margin while improving its annual free cash flow to between 14% and 16% of sales by 2015.

Givaudan confirms its intention to return above 60% of the Company's free cash flow to shareholders once the targeted leverage ratio, defined as net debt, divided by net debt plus equity, of 25% has been reached.

1 The Group invoices to customers in currencies which may be different from the reporting currency of the legal entity recording these sales. In the past, and in an environment of relatively stable currencies, this practice did not have a significant impact on the Group's sales movements in local currencies. However, the significant strengthening of the Swiss franc against all major currencies has a significant impact on the Group's prior definition of 'local currency'. With the implementation of SAP, the Group is able to provide greater transparency on the underlying transactions which reflect the true performance of the business, and as such, now defines 'local currency' to be based on the currency of the individual transactions. If the Group had used this definition for Q1 2011, the sales growth in local currency would have been 5.1% versus Q1 2010 (Fragrances: 4.1% and Flavours 6.0%). Under the revised definition, discrete Q2 sales growth in local currency was 3.6% (Fragrances: 3.7% and Flavours 3.4%). The above change has no impact on the consolidated financial statements of the Group.

Fragrance Division

The Fragrance Division recorded a satisfactory sales performance in the first six months of the year resulting in a 3.9% rise in sales in local currencies. An increase in input costs led to a decrease in profitability but the Division continues to work with customers to mitigate this negative impact through price increases. The positive effect of these price increases is expected to fully materialise in the second half of this year.

Summary

Fragrance Division sales were CHF 927 million during the first six months of 2011, an increase of 3.9% in local currencies but a decline of 8.8% in Swiss francs over the same period in 2010. The growth was driven by a strong performance in the Consumer Products business unit, particularly in the developing markets of Latin America and Asia Pacific, as well as in Fragrance Ingredients. The continued rise in raw material prices had a significant impact on profitability but the Division is working together with its customers to mitigate this effect through higher prices.

Total sales for Fragrance compounds (Fine Fragrances and Consumer Products combined) increased by 3.5% in local currencies but declined in Swiss francs to CHF 799 million from CHF 884 million.

Fine Fragrance sales decreased 0.4% in local currencies. The slight fall in revenue is to be compared to the strong comparables of last year as the good performance in Latin America could not offset the decrease in sales in North America. Consumer Product sales increased by 4.7% in local currencies, driven by a strong performance in Asia Pacific and Latin America, particularly with the large international customers.

The EBITDA decreased by 18.9% to CHF 159 million from CHF 196 million. The EBITDA on a comparable basis was CHF 166 million, below the CHF 226 million reported last year. When measured in local currency terms, the EBITDA on a comparable basis decreased by 19.9%. The EBITDA margin on a comparable basis decreased to 17.9% from 22.2% versus last year.

The operating income decreased by 25% to CHF 87 million from CHF 116 million last year. The operating margin on a comparable basis reduced from 15.0% to 10.1%, as higher raw material prices made their impact felt. The operating income on a comparable basis was CHF 94 million, compared to the CHF 153 million reported last year.

Fine Fragrances

Fine Fragrances sales decreased by 0.4% in local currencies The slight fall in revenue was due to strong comparables in the first half of the previous year, when sales rose double-digit.

Driven by new wins and growth of the established business, the good performance in Latin America could not offset the decrease in sales in North America. Overall, sales in mature markets, finished below last year as new wins failed to completely offset the erosion of the existing business.

The industry awards ceremonies, both in Europe and the USA, were exceptionally successful for Givaudan which received more awards than ever before. This recognition for achievements by the industry at large has been particularly gratifying.

At the FiFi Awards in the UK, Gucci Guilty by Gucci won the Best New Prestige Fragrance as well as the Perfume Shop People's Choice Award, whilst Tom Ford's Private Blend Azure Lime won the Best New Fragrance in Limited Distribution. The accolades for Gucci Guilty continued in the USA where it captured the Best Women's Scent Prestige at the CEW Beauty Awards and the Luxe Women's award at the FiFis in New York and concluded at the German FiFi's the DUFTSTAR awards where it was named Best New Women's Prestige Fragrance.

Further honours at the US FiFis included capturing seven of the remaining 12 fragrance awards including the Consumers' Choice Award with Bombshell by Victoria's Secret and 'Perfume Extraordinaire of the Year' for (untitled): Maison Martin Margiela Parfums. The awards season came to a close at the DUFTSTAR ceremony in Germany, with Givaudan winning the majority of the fragrance awards including the People's Choice Award for Men with Boss Bottled Night.

for the six months ended 30 June, in millions of Swiss francs	2011	2010
Segment sales to third parties	**927**	**1,017**
EBITDA at comparable basis[a]	**166**	**226**
as % of sales	17.9%	22.2%
EBITDA[a]	**159**	**196**
as % of sales	17.2%	19.3%
Operating income at comparable basis[b]	**94**	**153**
as % of sales	10.1%	15.0%
Operating income	**87**	**116**
as % of sales	9.4%	11.4%

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

b) Operating income at comparable basis excludes restructuring expenses and impairment of long-lived assets and impairment on joint ventures.

Consumer Products

Sales for the Consumer Products business increased by 4.7% in local currencies against strong comparables for the same period last year, driven by a strong performance in Asia Pacific and Latin America, particularly among our large international customers.

This performance was also supported by greater sales in the fabric care segment, led by fabric conditioning products where new encapsulation systems developed by the Research and Technology team generated a range of valuable wins. The deodorant segment also posted a strong performance.

The Asia Pacific region showed the strongest growth, buoyed by a sales increase across all customer segments, from international customers to regional and local customers.

In Latin America, sales advanced despite the strong comparables, especially driven by growth in Mexico.

In Europe, Africa and the Middle East, sales increased based on a strong sales development in sales in Central Africa and the Middle East and a continued good growth in the mature European markets.

Sales in North America increased on top of last year's strong comparables, primarily due to continued new business wins with all customer groups in this region.

Globally, the fabric care segment accounted for the greatest growth.

Fragrance Ingredients

Sales of Fragrance Ingredients grew by 6.8% in local currencies, as both the specialty and commodity ingredients sectors showed a good performance.

A key highlight for the business in the last six months was the launch of another novel ingredient, Paradisamide™. It will be promoted throughout the year and the scent of this long-lasting, fresh tropical fruit note has already been well received by customers.

Fragrance research

The Division continues to invest into the areas that help the creative development team support customers as they work to translate brand identities into scents that will connect with their target consumers.

The key objective of the Fragrance Research and Technology (R&T) team is to develop novel molecules that are also sustainable in terms of carbon footprint, bio-degradation and safety. Building on the achievements of the previous year, the first six months of 2011 saw again some notable successes.

(untitled): an unqualified success
(untitled) by Maison Martin Margiela Parfums, created by Daniela Andrier, was acclaimed as the FiFi Awards 2011 'Perfume Extraordinaire of the Year'. Recognising particularly visionary olfactory creations that move the market forward and break new barriers in design and creativity, this award is a prestigious accolade for Givaudan.

Inspiring creative talents

First discovered by a team during a ScentTrek™ tour of the south of India in 2003, Karmaflor™ is a new salicylate that joined the Givaudan Cardex – the list of ingredients made available to perfumers – in May 2011.

Karmaflor™ was identified in the flower scent of Saraca Asoca (Fabaceae), which is a tree regarded as sacred by Hindus and Buddhists. Its white-floral green lily note is complemented by the fruity freshness of tropical flowers and it combines well with Cis-3 Hexenyl Salicylate, adding a further floral dimension as well as improved stability.

Karmaflor™ has already been well-received by perfumers in both the Fine Fragrances and Consumer Products businesses, who have described its Frangipanier, Belle de Nuit floral character as “sensational” and “a true natural signature”.

Meeting the challenge of evolving legislation

As the 2013 ban on animal testing, under the 7th amendment of the EU Cosmetic Directive, draws closer, the first skin sensitisation in-vitro bio assay has been successfully developed, Keratinosent™. With Keratinosent™, the discovery group will be able to assess the safety profile of a molecule at an early stage in the development process.

The industry is fully committed to ensuring the safety of its products, and alternative technologies can play an important role. Givaudan is engaged in building the assay’s credentials and is confident that it will deliver real commercial benefits, including reduced expense and faster time to market for future fragrance molecules.

Close collaboration delivers benefits

In Consumer Products, the ability to deliver a superior scent experience at the right time is the key to success in the marketplace. For example, will the scent deposited on clothes during the wash cycle still be evident, in the correct quantities, when the clothes are next worn?

Givaudan continues to expand its sophisticated range of control release technologies for fragrances. Experts from polymer chemistry, perfume development and consumer understanding have come together in a multi-disciplinary team to share knowledge, and develop solutions that increase fragrance performance.

Delivering the perfume experience at the key moment is particularly important in fabric care. Collaboration between fragrance and technology experts supports fragrance design that will delight consumers.

Working alongside young talent
The desire to forge relationships with young people at the frontiers of creativity is behind the association with the Hyères International Festival of Fashion & Photography, in the South of France. An observatory of trends as well as an international launch pad, this annual event brings together the work of ten fashion designers and ten photographers. Givaudan’s perfumers work with each aspiring designer to interpret their work in a fragrance.

Photo illustrates a creation from one of the laureates: Céline Méteil

Flavour Division

The Division delivered a good half year sales performance against high comparables, with a growth of 4.7% in local currencies and a decline of 8.8% in Swiss francs. Profitability was significantly impacted by the surge in input costs. The Division continues to work with customers to mitigate this negative impact through price increases. The positive effect of these price increases is expected to materialise in the second half of this year.

Summary

Sales for the Flavour Division were CHF 1,078 million, representing a 4.7% growth in local currencies and an 8.8% decline when measured in Swiss francs. Continued cost increases for key natural ingredients, such as citrus and oil derivatives, impacted the profitability of the flavour business during the first six months of 2011. The Division continues to work with customers to mitigate this negative impact through price increases and productivity gains. The positive effect of the price increases is expected to fully materialise in the second half of this year.

Sales growth in the first half was driven both by growth of the existing business and new business in Asia Pacific combined with good growth in North America and the developing markets in Europe, Africa, and the Middle East thanks to additional wins. All segments expanded globally led by the strong performance in Beverages and Snacks.

The operational highlights for the period included an expansion of the TasteSolutions™ Health and Wellness programme which has seen an increase in investment and resources to address market opportunities for sweetness enhancement, salt replacement and bitter masking. Consumers across mature and developing markets are demanding products which are healthier but do not compromise on taste. The Division's research teams are helping customers meet these consumer expectations.

Construction of the CHF 170 million plant at Makó in Hungary is on target for completion by December 2011, with testing and trials beginning in Q1 2012. This will be a best-in-class savoury manufacturing facility and an integral part of the improved supply chain to support our growth strategy in the developing markets of Eastern Europe and Russia.

The EBITDA decreased by 28.9% to CHF 209 million from CHF 294 million. The EBITDA on a comparable basis decreased by 28.7% to CHF 217 million from CHF 303 million. In local currency terms, EBITDA decreased by 19.4%. The EBITDA margin reduced during the first half, from 25.6% in the corresponding period last year to 20.0%

Operating income was CHF 137 million on a comparable basis, against the CHF 224 million reported last year, which represents a decline of 38.8%. In local currencies, operating income declined by 28.1%. The operating margin on a comparable basis fell from 19.0% to 12.7%.

Asia Pacific

Sales in Asia Pacific rose 9.6% in local currencies. Growth in the developing and mature markets contributed to this good result with an increased sales volume of existing products and new wins.

The key markets of China, India, and Indonesia achieved the strongest sales performance in the developing markets, while Australia and Japan delivered solid growth in the mature markets despite the challenges of natural disasters.

All segments had a positive performance, especially Beverages, Dairy and Snacks, which showed double digit increases due to significant new wins.

Europe, Africa and Middle East

Sales grew by 4.2% in local currencies across the region despite the economic and political challenges in Northern Africa, the Middle East, and the slow economy in Western Europe.

Sales performance was driven by new business wins and volume gains in the developing markets of the Middle East and Eastern Europe, with Russia and Turkey delivering the strongest growth in Eastern Europe. The Division continued the expansion of the flavour business into central Asia.

During the first half of 2011, Europe, Africa, and the Middle East delivered continued good performance in the Savoury, Dairy and Snacks segments.

North America

Sales increased by 3.1% in local currencies, buoyed by good growth in the Savoury, Snacks and Beverages segments. The strategic food service pillar contributed strongly to the regional growth with new business wins in the beverage category.

Latin America

Sales in Latin America were flat in local currencies against very high comparables in the first half of 2010. Argentina continued to deliver strong results as new wins and volume gains helping to offset weaker market performances in Mexico and Colombia.

New wins and growth in existing products generated a particularly good performance in the Snacks, Dairy, and Sweet Goods segments in the region.

Flavour research

The science and technology team is central to the success of the flavour business. It has continued to enrich the product pipeline by providing technology and ingredients and inspire the flavourists' imagination. Specifically, the team has contributed through four platforms: ingredients discovery; sensory science; flavour design; and flavour delivery.

Ingredient discovery

Health and Wellness continues to drive customer demand, and the last six months have seen important developments in sugar and salt replacement systems through the TasteSolutions™ platform, such as the launch of a new, high-performing sweetness enhancer.

High throughput screening, which utilises proprietary receptor-based bio-assays, is enabling the scientists to investigate the potential of molecules many times faster than ever before. The existing knowledge bank is used to screen new flavour enhancers originated from the natural world and discover molecules that have similar properties and characteristics to the ones already known and understood.

There is a strong trend towards natural materials as demand from global customers increasingly centres on natural flavours and tastes. Consequently, most of the research efforts now focus on further expansion of Givaudan's leading position in the naturals area. For example, knowledge of ethnobotany is used to examine how different cultures use food products. The TasteTrek™ activities now encompass an understanding of native ingredients and cookery while prospecting new materials.

The highlights of the period also included significant progress on masking the lingering bitterness associated with the natural sweetener rebaudioside A, extracted from Stevia. Major beverage companies have already shown great interest in Givaudan's industry-leading capabilities in masking and enhancing the natural taste profile of natural low calorie sweeteners.

The Dairy segment ingredients base was evaluated in order to help customers reduce costs. A key challenge is to replace expensive dairy solids with materials which offer greater value while, at the same time, delivering satisfactory mouthfeel. Recent breakthroughs include the development of a molecule that helps create buttermilk-type compositions without using buttermilk. The focus is also on building further biotechnology capabilities in order to develop unique enzymatic cheese flavours.

Aligned with consumer trends
Consumers worldwide are demanding food and beverage products which are perceived as healthier, but with no compromise on taste. During the first half of the year, Givaudan increased the already significant investment in the TasteSolutions™ Health and Wellness initiative. New natural ingredients are developed from botanical sources and biotechnology for sugar-reduced applications including beverages, dairy products and baked goods.

A healthy business
The last 2010 Annual General Meeting provided Givaudan with the opportunity to showcase the market-leading TasteSolutions™ technology to more than 300 investors. Sampling a range of reduced-salt potato chips, reduced-sugar beverages and reduced-fat ice cream, investors were able to taste for themselves how Givaudan's expertise is making popular products healthier.

Work relating to the way in which umami and salt interact has led to new discoveries at the molecular level and key developments in the chicken and beef programmes. Reverse-engineered aspects of the Maillard process have been developed. These govern how sugars and amino acids react during the grilling process to create intense flavours. The result is a product that provides customers and consumers with a more authentic flavour at lower cost.

The numerous varietals of citrus have continued to be studied with the collaboration of the University of California at Riverside. Knowledge of these varietals, together with extensive work at the university, is enabling Givaudan's flavourists to create uniquely nuanced compositions in lemon and orange which will be attractive in the marketplace.

Sensory science

Measuring sensory experiences is a continuing challenge. Artificial sweeteners tend to be accompanied by inherent negative attributes, such as bitterness, and hard work is being carried out to address these drawbacks.

Recently, innovative research has been deployed into emotional triggers and non-verbal sensory measurement. Various physiological signals show great promise as indicators of moods such as arousal or excitement, and therefore act as valuable predictors of consumers' flavour preferences.

Flavour design

Sophisticated tools and technologies are used to help create new flavours in a more targeted way. During the last six months the new version of the Mini Virtual Aroma Synthesiser™ (MiniVAS) was launched, named SmartSniff, which takes the proven success of the original VAS in a new and exciting direction.

Created by Givaudan, VAS technology combines human perception (smell) with precise instrumentation to create consumer and customer preferred aromas. It simplifies the flavour testing process by eliminating the subjective language around smell and taste, such as 'fruity' or 'fresh', and it leads to hundreds of iterations in just hours – not the weeks or months associated with more traditional methods which involves formulating and sampling every single iteration. Now, with the introduction of the lightweight, fully-portable MiniVAS, this technology can be taken to the customer, reducing costs and accelerating product development. A video conferencing link enables the customer to connect with the flavourists for real time input.

Flavour delivery

One of the recent key focuses has been to continuously improve the controlled release dynamics of flavour through PureDelivery™ encapsulation technology. A new multi-stage drying technology, together with modified carrier formulation, has led to the creation of an advanced coated granule that preserves flavours throughout thermal processing techniques.

In addition to this industry-leading work on clear emulsions that remove the need for a washed extract, advances in pulsed release and extended flavour delayed release have created interesting opportunities for flavourists. These include an ability to create two different flavours in a single product that are released at different times.

for the six months ended 30 June, in millions of Swiss francs	2011	2010
Segment sales to third parties	**1,078**	**1,182**
EBITDA at comparable basis [a]	**216**	**303**
as % of sales	20.0%	25.6%
EBITDA [a]	**209**	**294**
as % of sales	19.4%	24.9%
Operating income at comparable basis [b]	**137**	**224**
as % of sales	12.7%	19.0%
Operating income	**128**	**214**
as % of sales	11.9%	18.1%

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

b) Operating income at comparable basis excludes restructuring expenses and impairment of long-lived assets and impairment on joint ventures.

Half Year Financial Report 2011

Condensed consolidated income statement

For the six months ended 30 June

in millions of Swiss francs, except for per share data	Note	2011	2010
Sales		2,005	2,199
Cost of sales		(1,143)	(1,170)
Gross profit		**862**	**1,029**
as % of sales		43.0%	46.8%
Marketing and distribution expenses		(285)	(305)
Research and product development expenses		(156)	(171)
Administration expenses		(69)	(72)
Amortisation of intangible assets		(99)	(94)
Share of loss of jointly controlled entities		(1)	-
Other operating income	6	3	6
Other operating expense	7	(40)	(63)
Operating income		**215**	**330**
as % of sales		10.7%	15.0%
Financing costs	8	(39)	(54)
Other financial income (expense), net	9	(22)	(13)
Income before taxes		**154**	**263**
Income taxes		(34)	(63)
Income for the period		**120**	**200**
Attribution			
Income attributable to non-controlling interests			-
Income attributable to equity holders of the parent		120	200
as % of sales		6.0%	9.1%
Earnings per share – basic (CHF)	10	**13.19**	**22.58**
Earnings per share – diluted (CHF)	10	**13.12**	**22.45**

The notes on pages 22 to 27 form an integral part of these interim condensed consolidated financial statements (unaudited).

Condensed consolidated statement of comprehensive income

For the six months ended 30 June

in millions of Swiss francs	Note	2011	2010
Income for the period		**120**	**200**
Available-for-sale financial assets			
Movement in fair value for available-for-sale financial assets, net		1	(2)
Movement in deferred taxes on fair value adjustments		-	1
(Gain) loss on available-for-sale financial assets removed from equity and recognised in the consolidated income statement		(1)	-
Cash flow hedges			
Fair value adjustments in year		-	(16)
Removed from equity			
- and recognised in the consolidated income statement		-	4
Exchange differences arising on translation of foreign operations			
Change in currency translation		(196)	1
Other comprehensive income for the period		**(196)**	**(12)**
Total comprehensive income for the period		**(76)**	**188**
Attribution			
Total comprehensive income attributable to non-controlling interests			-
Total comprehensive income attributable to equity holders of the parent		(76)	188

The notes on pages 22 to 27 form an integral part of these interim condensed consolidated financial statements (unaudited).

Condensed consolidated statement of financial position

At period ended

in millions of Swiss francs	Note	30 June 2011	31 December 2010
Cash and cash equivalents		823	805
Derivative financial instruments		50	91
Derivatives on own equity instruments		9	26
Available-for-sale financial assets		54	54
Accounts receivable – trade		780	717
Inventories		797	735
Current income tax assets		36	44
Assets held for sale		3	10
Other current assets		160	127
Current assets		**2,712**	**2,609**
Property, plant and equipment		1,264	1,312
Intangible assets		2,523	2,705
Deferred income tax assets		100	91
Assets for post-employment benefits		111	98
Financial assets at fair value through income statement		23	24
Jointly controlled entities		2	3
Other long-term assets		63	81
Non-current assets		**4,086**	**4,314**
Total assets		**6,798**	**6,923**
Short-term debt	11	1,411	314
Derivative financial instruments		44	40
Accounts payable – trade and others		325	344
Accrued payroll & payroll taxes		80	121
Current income tax liabilities		86	83
Financial liability: own equity instruments		9	30
Provisions		69	35
Other current liabilities		126	140
Current liabilities		**2,150**	**1,107**
Derivative financial instruments		34	55
Long-term debt	11	989	1,844
Provisions		78	90
Liabilities for post-employment benefits		106	120
Deferred income tax liabilities		188	202
Other non-current liabilities		49	59
Non-current liabilities		**1,444**	**2,370**
Total liabilities		**3,594**	**3,477**
Share capital	12	92	92
Retained earnings and reserves	12	4,556	4,632
Hedging reserve		(47)	(47)
Own equity instruments	13	(82)	(112)
Fair value reserve for available-for-sale financial assets		9	9
Cumulative translation differences		(1,324)	(1,128)
Equity attributable to equity holders of the parent		**3,204**	**3,446**
Non-controlling interests			
Total equity		**3,204**	**3,446**
Total liabilities and equity		**6,798**	**6,923**

The notes on pages 22 to 27 form an integral part of these interim condensed consolidated financial statements (unaudited).

Condensed consolidated statement of changes in equity

For the six months ended 30 June

2011

in millions of Swiss francs	Note	Share Capital	Retained earnings and reserves	Own equity instruments	Hedging reserve	Fair value reserve for available-for-sale financial assets	Currency translation differences	Equity attributable to equity holders of the parent	Non-controlling interests	Total equity
Balance as at 1 January		**92**	**4,632**	**(112)**	**(47)**	**9**	**(1,128)**	**3,446**		**3,446**
Income for the period			120					120		120
Available-for-sale financial assets										
Cash flow hedges										
Exchange differences arising on translation of foreign operations							(196)	(196)		(196)
Total comprehensive income for the period			**120**				**(196)**	**(76)**		**(76)**
Dividends paid	12		(196)					(196)		(196)
Movement on own equity instruments, net	13			30				30		30
Net change in other equity items			**(196)**	**30**				**(166)**		**(166)**
Balance as at 30 June		**92**	**4,556**	**(82)**	**(47)**	**9**	**(1,324)**	**3,204**		**3,204**

2010

in millions of Swiss francs	Note	Share Capital	Retained earnings and reserves	Own equity instruments	Hedging reserve	Fair value reserve for available-for-sale financial assets	Currency translation differences	Equity attributable to equity holders of the parent	Non-controlling interests	Total equity
Balance as at 1 January		**85**	**3,741**	**(132)**	**(45)**	**8**	**(852)**	**2,805**	**7**	**2,812**
Income for the period			200					200	-	200
Available-for-sale financial assets						(1)		(1)		(1)
Cash flow hedges					(12)			(12)		(12)
Exchange differences arising on translation of foreign operations							1	1	-	1
Total comprehensive income for the period			**200**		**(12)**	**(1)**	**1**	**188**	**-**	**188**
Issuance of shares	12	7	741					748		748
Dividends paid	12		(187)					(187)		(187)
Changes in non-controlling interests									(2)	(2)
Movement on own equity instruments, net	13			1				1		1
Net change in other equity items		**7**	**554**	**1**				**562**	**(2)**	**560**
Balance as at 30 June		**92**	**4,495**	**(131)**	**(57)**	**7**	**(851)**	**3,555**	**5**	**3,560**

The notes on pages 22 to 27 form an integral part of these interim condensed consolidated financial statements (unaudited).

Condensed consolidated cash flow statement

For the six months ended 30 June

in millions of Swiss francs	Note	2011	2010
Income for the period		120	200
Income tax expense		34	63
Interest expense		37	43
Non-operating income and expense		24	24
Operating income		**215**	**330**
Depreciation of property, plant and equipment		52	58
Amortisation of intangible assets		99	94
Impairment of long lived assets and joint ventures		2	8
Other non-cash items			
- share-based payments		6	6
- additional and unused provisions, net		66	31
- other non-cash items		6	1
Adjustments for non-cash items		**231**	**198**
(Increase) decrease in inventories		(116)	(90)
(Increase) decrease in accounts receivable		(114)	(155)
(Increase) decrease in other current assets		(41)	(27)
Increase (decrease) in accounts payable		4	26
Increase (decrease) in other current liabilities		(38)	18
(Increase) decrease in working capital		**(305)**	**(228)**
Income taxes paid		**(33)**	**(44)**
Other operating cash flows, net[a]		**(58)**	**(27)**
Cash flows from (for) operating activities		**50**	**229**
Increase in long-term debt	11	296	99
(Decrease) in long-term debt			(198)
Increase in short-term debt		-	-
(Decrease) in short-term debt		(26)	(32)
Interest paid		(44)	(81)
Dividends paid	12	(196)	(187)
Purchase and sale of own equity instruments, net	13	3	1
Others, net		(11)	3
Cash flows from (for) financing activities		**22**	**(395)**
Acquisition of property, plant and equipment		(68)	(33)
Acquisition of intangible assets		(40)	(34)
Proceeds from the disposal of property, plant and equipment		7	1
Interest received		1	2
Purchase and sale of available-for-sale financial assets, net		1	(29)
Purchase and sale of financial assets at fair value through income statement, net		-	
Purchase and sale of derivative financial instruments, net		77	(2)
Others, net		(10)	(36)
Cash flows from (for) investing activities		**(32)**	**(131)**
Net increase (decrease) in cash and cash equivalents		**40**	**(297)**
Net effect of currency translation on cash and cash equivalents		(22)	(42)
Cash and cash equivalents at the beginning of the period		805	825
Cash and cash equivalents at the end of the period		**823**	**486**

a) Other operating cash flows, net mainly consist of the utilisation of provisions.

The notes on pages 22 to 27 form an integral part of these interim condensed consolidated financial statements (unaudited).

Notes to the interim condensed consolidated financial statements (unaudited)

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 consumer goods industries. It operates in over 100 countries and has subsidiaries and branches in more than 40 countries. Worldwide, it employs 8,857 people.

2. Basis of preparation of financial statements

These financial statements are the unaudited interim condensed consolidated financial statements (hereafter "the interim financial statements") of the Group for the six month period ended 30 June 2011 (hereafter "the interim period"). They have been prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting".

The interim financial statements include the operations of Givaudan SA and its controlled subsidiaries where control is defined as the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

These interim financial statements should be read in conjunction with the 2010 consolidated financial statements as they provide an update of the most recent financial information available.

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year.

The Group operates in markets where no significant seasonal or cyclical variations in sales are experienced during the financial year.

These interim financial statements are not audited. The 31 December 2010 statement of financial position has been derived from the audited 2010 consolidated financial statements. Givaudan SA's Board of Directors approved these interim financial statements on 3 August 2011.

3. Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2010, as described in the 2010 consolidated financial statements for the year ended 31 December 2010, with the exception of the adoption as of 1 January 2011 of the standards and interpretations described below.

IAS 24 Related Party Disclosures (revised) removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities, it also clarifies and simplifies the definition of a related party. The Group has no government-related entities and therefore this revision is not applicable for the Group.

Amendment to IAS 32: Financial Instrument – Presentation: Classification of Rights Issues eliminates volatility in profit and loss for rights issue denominated in a foreign currency. The Group has not entered into rights issues in 2011 and therefore the amendment has had no effect on the financial position or performance of the Group.

Amendment to IFRS 1: Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters provides first-time adopters with the same transition provision than existing IFRS prepares who were granted relief from presenting comparative information for the new disclosures requirements. The Group is not a first-time adopter of IFRS and therefore the amendment is not relevant.

Improvements to IFRSs (May 2010) sets out amendments across 7 different standards, related basis for conclusions and guidance. They relate to IFRS 1 First-time Adoption of IFRSs, IFRS 3 Business Combinations, IFRS 7 Financial instruments: Disclosures, IAS 1 Presentation of Financial Statements, IAS 27 Consolidated and Separate Financial Statements, IAS 34 Interim Financial Reporting, and IFRIC 13 Customer Loyalty Programmes. The adoption of these improvements resulted in changes to accounting policies, but did not have any impact on the consolidated financial statements of the Group.

Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement remove an unintended consequence of IFRIC 14 where entities are in some circumstances not permitted to recognise as an asset prepayments of minimum funding contributions. The Group did not make prepayments of a minimum funding requirement in its pension plans and therefore these amendments did not have any impact on the consolidated financial statements of the Group.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor. The Group did not enter into a debt for equity swap and consequently this interpretation is not applicable for the Group.

4. Change in estimates

With the completion of the integration of the former Quest business into Givaudan, certain inter-company loans have been revised on the basis of the long term balance sheet structure of each subsidiary and considered as part of their net investment. Any exchange differences that are subsequently recognised are recorded in other comprehensive income as cumulative translation differences (see accounting policy in note 2.4 of the 2010 consolidated financial statements). The reclassification of these loans occurred on 1 June 2011. The amount recognised in other comprehensive income as of June 30, 2011 was a loss of CHF 8 million.

5. Segment information

Business segments

		Fragrances		Flavours		Group
for the six months ended 30 June, in millions of Swiss francs	2011	2010	2011	2010	2011	2010
Segment sales	927	1,017	1,080	1,183	2,007	2,200
Less inter segment sales[a]		-	(2)	(1)	(2)	(1)
Segment sales to third parties	**927**	**1,017**	**1,078**	**1,182**	**2,005**	**2,199**
Operating income at comparable basis	**94**	**153**	**137**	**224**	**231**	**377**
as % of sales	10.1%	15.0%	12.7%	19.0%	11.5%	17.1%
Depreciation	(25)	(29)	(27)	(29)	(52)	(58)
Amortisation	(47)	(44)	(52)	(50)	(99)	(94)
Impairment of long-lived assets and joint ventures		(7)	(2)	(1)	(2)	(8)
Acquisition of property, plant and equipment	23	16	45	17	68	33
Acquisition of intangible	18	18	22	16	40	34
Capital expenditures	**41**	**34**	**67**	**33**	**108**	**67**

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. The Group has removed communication on segment assets to align the business segment information with management reporting that is focused mainly on cash flow. The corresponding information of earlier periods has been restated.

Reconciliation table to Group's operating income

		Fragrances		Flavours		Group
for the six months ended 30 June, in millions of Swiss francs	2011	2010	2011	2010	2011	2010
Operating income at comparable basis	**94**	**153**	**137**	**224**	**231**	**377**
Integration and restructuring costs	(7)	(30)	(7)	(9)	(14)	(39)
Impairment of long-lived assets and joint ventures		(7)	(2)	(1)	(2)	(8)
Operating income	**87**	**116**	**128**	**214**	**215**	**330**
as % of sales	9.4%	11.4%	11.9%	18.1%	10.7%	15.0%
Financing costs					(39)	(54)
Other financial income (expense), net					(22)	(13)
Income before taxes					**154**	**263**
as % of sales					7.7%	12.0%

6. Other operating income

for the six months ended 30 June, in millions of Swiss francs	2011	2010
Gains on fixed assets disposal	1	-
Interest on accounts receivable-trade	-	1
Other income	2	5
Total other operating income	**3**	**6**

7. Other operating expense

for the six months ended 30 June, in millions of Swiss francs	2011	2010
Impairment of long-lived assets and joint ventures	2	8
Losses on fixed assets disposals	1	-
Business related information management project costs	2	3
Integration related expenses and restructuring related expenses [a c]	14	39
Other business taxes	6	4
Other expenses [b]	15	9
Total other operating expense	**40**	**63**

a) For the six months ended 30 June 2011, the Group continued the restructurings and reorganisations announced in 2010, incurring restructuring expenses of CHF 14 million.

b) The Group achieved a settlement of nearly all the outstanding claims of the plaintiffs involved in the US butter flavour litigation. The net charge recorded in the 2011 income statement was CHF 9 million (see Note 14).

c) For the six months ended 30 June 2010, the Group incurred significant expenses in connection with the combination with Quest International. Integration related charges of CHF 39 million and asset impairments of CHF 8 million have been recognised in the other operating expense. No expenses were incurred in 2011.

8. Financing costs

for the six months ended 30 June, in millions of Swiss francs	2011	2010
Interest expense	37	43
Derivative interest (gains) losses	1	5
Mandatory conversion feature of the Mandatory Convertible Securities		4
Amortisation of debt discounts	1	2
Total financing costs	**39**	**54**

9. Other financial (income) expense, net

for the six months ended 30 June, in millions of Swiss francs	2011	2010
Fair value and realised (gains) losses from derivatives instruments, net (at fair value through income statement)	(35)	(30)
Exchange (gains) losses, net	52	41
Gains from available-for-sale financial assets		-
Realised gains from available-for-sale financial assets removed from equity	(1)	(1)
Realised losses from available-for-sale financial assets removed from equity		-
Unrealised (gains) from fair value through income statement financial instruments	(1)	
Unrealised losses from fair value through income statement financial instruments	2	
Interest income	(1)	(2)
Capital taxes and other non business taxes	5	4
Other (income) expense, net	1	1
Total other financial (income) expense, net	**22**	**13**

10. Earnings per share

Basic earnings per share

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

	2011	2010
Income attributable to equity holders of the parent (CHF million)	**120**	**200**
Weighted average number of shares outstanding		
Ordinary shares	9,233,586	9,005,630
Treasury shares	(139,136)	(147,580)
Net weighted average number of shares outstanding	**9,094,450**	**8,858,050**
Basic earnings per share (CHF)	**13.19**	**22.58**

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:

	2011	2010
Income attributable to equity holders of the parent (CHF million)	**120**	**200**
Weighted average number of shares outstanding for diluted earnings per share of 48,810 (2010: 50,371)	**9,143,260**	**8,908,421**
Diluted earnings per share (CHF)	**13.12**	**22.45**

11. Debt

2011 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 borrowings						
Syndicated loan – unhedged part					26	26
Bank overdrafts					11	11
Total floating rate debt					**37**	**37**
Fixed rate debt						
Straight bonds	298		297	595	574	1,169
Private placements	306	88		394		394
Syndicated loan – hedged part					800	800
Total fixed rate debt	**604**	**88**	**297**	**989**	**1,374**	**2,363**
Balance as at 30 June	**604**	**88**	**297**	**989**	**1,411**	**2,400**

2010 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 borrowings						
Syndicated loan – unhedged part	26			26		26
Bank overdrafts					6	6
Total floating rate debt	**26**			**26**	**6**	**32**
Fixed rate debt						
Straight bonds	299	298		597	275	872
Private placements	203	167	51	421	33	454
Syndicated loan – hedged part	800			800		800
Total fixed rate debt	**1,302**	**465**	**51**	**1,818**	**308**	**2,126**
Balance as at 31 December	**1,328**	**465**	**51**	**1,844**	**314**	**2,158**

Givaudan United States, Inc. redeemed USD 35 million of the private placements in April 2011, the total outstanding at 30 June 2011 being USD 290 million (equivalent to CHF 244 million).

On 15 June 2011, the Group issued a 2.5% 7-year public bond (maturity 15 June 2018) with a nominal value of CHF 300 million. The bond was issued by Givaudan SA. Hence, hedge positions of CHF 200 million related to highly probable issuance of the bond have been closed. The amortisation of the realised loss of CHF 14 million will be recognised in Financing Costs over the next 5 years.

The Group has entered into several private placements and into a syndicated loan which contain various covenants with externally imposed capital requirements. The Group was in compliance with these requirements as at 30 June 2011.

12. Equity

At the Annual General Meeting held on 24 March 2011 the distribution of an ordinary dividend of CHF 21.50 per share (2010: ordinary dividend of CHF 20.60 per share) was approved. The dividend payment has been made out of the additional paid in capital reserve, according to the new Swiss tax legislation.

At 30 June 2011, 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. Each share gives the right to one vote.

13. Own equity instruments

The Group holds own equity instruments and derivatives on own shares mainly to cover the anticipated obligations related to the executive share option plans. At 30 June 2011, the Group held 139,136 own shares (2010: 139,136), as well as derivatives on own shares equating to a net short position of 280,130 shares (2010: 195,987).

14. Contingent liabilities

Our US subsidiary 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. In June 2011, Givaudan Flavors Corporation settled with nearly all of the plaintiffs all outstanding claims. The Group has already recovered or is pursuing the recovery of amounts it is entitled to under the terms of its insurance policies (see Note 7).

15. Subsequent event

On 25 July 2011, the Group reimbursed the outstanding balance of CHF 826 million of the syndicated loan related to the acquisition of Quest International. At the same date the Group entered into a new 5-year bank facility, with the initial drawdown from that facility of CHF 250 million.

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