Givaudan

Half Year Report 2002

Creating Sensory Advantage™

Key Figures

Six months ended 30 June

in millions of Swiss francs, except per share data	2002[1]	2001[1]	% Change
Sales	1,490	1,454	2
Operating profit	252	232	9
Operating profit margin (%)	16.9%	16.0%	
Net income	162	152	7
EBITDA[2]	346	322	7
Earnings per share – basic (CHF)	18.62	17.37	
Earnings per share – diluted (CHF)	18.61	17.37	

	30 June 2002	31 December 2001	
Total assets	4,910	4,319	
Total liabilities	1,989	1,531	
Total equity and minority interest	2,921	2,788	
Number of employees	5,827	5,325	

1) On 2 May 2002, Givaudan SA acquired 100% control of the flavour activities of Nestlé, Vevey–Switzerland, operating under the umbrella of Food Ingredients Specialities (FIS). The income statement related figures shown in the table above are derived from the unaudited Pro forma Consolidated Income Statement as if the acquisition had occurred on 1 January 2001. Details of the pro forma adjustments are disclosed in the notes to the pro forma consolidated income statement on page 11.

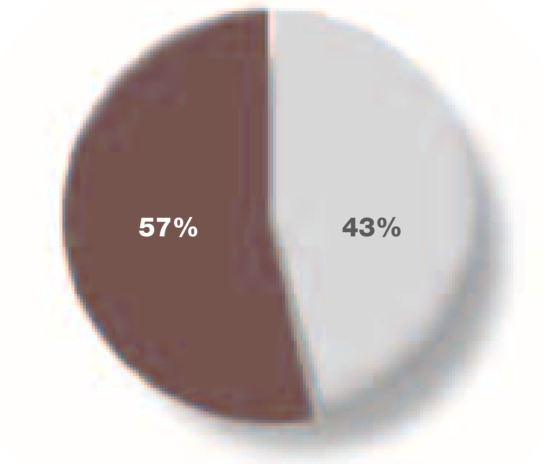
*2) EBITDA: **E**arnings **B**efore **I**nterest (and other financial income), **T**ax, **D**epreciation and **A**mortisation. This corresponds to operating profit before depreciation and amortisation.*

3) In actual terms

Sales[3] by Division

Sales Flavours
CHF 782 million
+17% in Swiss francs
+22% local currencies

Sales Fragrances
CHF 582 million
-1% in Swiss francs
+2% local currencies

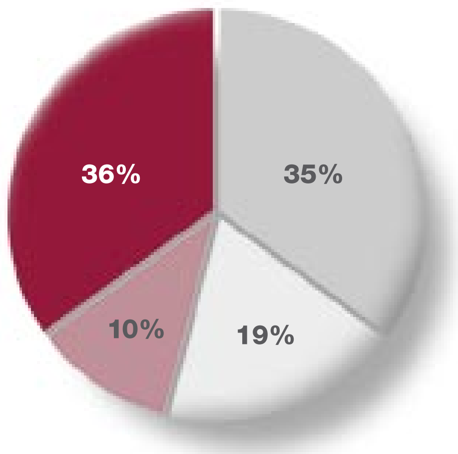


Total sales
CHF 1,364 million
+8% in Swiss francs
+13% local currencies

Sales[3] by Region

North America

Europe, Africa and Middle East



Latin America

Asia Pacific

Sales are stated by destination

Further Increase in Sales, Operating and Net Profit

Givaudan continued to grow above market and improved its operating result compared to the first half year 2001. Key growth drivers were the very good performance of the Flavour Division and the Fragrance Consumer Products business unit. Since May 2002 the results of FIS, the flavour business acquired from Nestle, are included in the actual Givaudan results, leading to a sales growth of 12.8% in local currencies and 8.3% in Swiss Francs. In pro forma terms, as if FIS had already been consolidated since January 2001, sales grew by 6.7% in local currencies and 2.5% in Swiss Francs.

Despite growing price pressure in a highly competitive market but due to continuous improvements in the supply chain, the restated gross margin in pro forma terms (including FIS) increased slightly by 1.0% point to 47.7%. The operating profit on a pro forma basis improved by 8.6% to CHF 252 million, compared to CHF 232 million by mid 2001.

In a challenging financial environment the net profit increased in pro forma terms by 6.6% to CHF 162 million compared to CHF 152 million in the first half year of 2001.

Status of FIS integration

The acquisition of FIS, Nestle's flavour business, was announced on 18 January 2002. Closing occurred on May 2nd, after regulatory approval in the key European markets and in the US had been obtained. At the time of closing, the new commercial structures of the enlarged flavour division were put in place and within one month all relevant decisions on future customer interaction were implemented, i.e. the enlarged account teams were defined and operational. With the modular flavour systems in the savoury area, Givaudan's product offering has been substantially broadened and the increased utilisation of regional customer service centres set up by FIS enhanced our capacity to respond to customer requirements. The integration of the supply chain and production base is on track. The full integration of the Kemptthal site (Zurich, Switzerland) will take place in 2003. On July 9, Givaudan announced the purchase of Nestlé's research buildings in Kemptthal. This site will serve for further European consolidation.

GivaudanAccess™

The new GivaudanAccess™ business model has shown encouraging activity in North America and in Europe.

At present 15,500 customers have registered within Givaudan's unique commercial channel. In the first half 2002 over 17,000 samples have been delivered, 2,400 orders executed and 250 news wins registered. Many of the wins are pilot orders that eventually convert to normal volume levels in 60 to 120 days. Although the near term revenue targets are a significant challenge, the incremental sales growth quarter on quarter look promising. The full expenses impact is reflected in the first half 2002.

The complexities in Europe (language, regulatory and tax) and along with the time lag between the sample and the definitive order remain challenges. New tools such as AccessMaps™, launched in June, will help reducing customer product development time.

Research

Fragrance Research

Our innovative chemistry group in the Zurich-based research centre kept its excellent momentum. Several new fragrance molecules were selected for further development and registration. Besides sensory and economic aspects, environmental and safety factors are key priorities in the new molecules program.

Customers show great interest in our new fragrance release systems developed in our own pilot plant. Two new types of application were developed with these controlled release systems.

New strategic collaborations with academic institutions and customers allowed Givaudan to open new research fields, particularly in the domain of secondary benefits (antimicrobial activity, malodour inhibition, insect repellence).

The search for novel odour compositions undertaken in the recent ScentTrek™ to Madagascar was successful. In the last few months samples captured on this island were reconstituted in our laboratories. Scent presentations to our perfumers and to customers were well received and will bring new inspiration for perfume creations.

Flavour Research

The Flavour Research centre in Cincinnati continued to expand its activities in the domain of flavour performance and sensory science. Through application of techniques which couple analytical and sensory data, it is possible to identify key drivers of liking for consumers and this knowledge supports enhancement of the flavour creation process. Advances in the next generation flavour delivery are also beginning to show promise with several important market opportunities identified.

Significant progress toward meeting the short-term objectives in molecular biology has confirmed that this technology can be effective in the development of novel taste modification compositions.
In addition, our natural products group has completed a TasteTrek™ to Latin America, which has resulted in recreation of a number of unique fruits and the exploration of some local ethnic cuisines.
By analogy to the Asian cuisine TasteTrek™, this recent investigation is expected to easily translate into some exciting commercial products.

During the current reporting period, three new patents were filed to cover various flavour-related processes and technologies.

Fragrance Division

Six months ended 30 June	Actual	
in millions of Swiss francs	**2002**	**2001**
Sales to third parties	582	588
EBITDA	113	116
as % of sales	*19.4%*	*19.7%*
Operating Profit	91	97
as % of sales	*15.6%*	*16.5%*

In the first half year 2002, the Fragrance Division recorded sales of CHF 582 million, which represents a 2.2% increase in local currencies and a decrease of 0.9% in Swiss francs compared to first-half 2001.

The Consumer Products business unit continued its strong performance from 2001 and the first quarter of 2002. Fine Fragrances sales still suffer from the economic environment and levels of inventories of our customers. The turnover of the fragrance ingredients business slightly decreased compared to last year, mainly due to increased price pressure on commodities. Sales of new specialities grew double-digit, in line with our strategy.

Fine Fragrances

Overall, the fine fragrance market has not yet recovered and continues to reflect the present state of the economy, the consumer confidence and levels of customer inventories as well as a realignment of the distribution channels. The shortfall is spread proportionally across all clients and brands. In April the new Creative Centre in downtown Paris was opened following last years launch of Givaudan's Creative Centre in Manhattan. These two centres are now fully operational and allow our clients in the key centres of Manhattan and Paris to interact directly with our creative talents. This has quickly led to a substantial increase of new briefing activity. Several new wins have already resulted which are signs of a sales recovery still in the second half of this year, provided that the economic environment will improve.

At the 30th annual Fragrance Foundation Awards, held in New York on June 4, Higher by Christian Dior and Little Black Dress by Avon, both created by Givaudan perfumers were awarded a FiFi– the fragrance industry Oscar. Furthermore, Givaudan received a FiFi for Technological Breakthrough of the Year for its web-based product offering GivaudanAccess™. This is the second consecutive year and the fourth FiFi overall within six years in this important category.

Consumer Products

The Consumer Products business unit continued its strong performance, which started in 2001. Business with all major customers has grown substantially thanks to the creative product offerings and enhanced consumer understanding in our key development centres in Argenteuil (France), Teaneck (USA), Singapore, Shanghai (China) and Sao Paolo (Brazil).

All regions showed positive growth, including Latin America, despite the difficult economic situation in Argentina. The growth rates achieved in the mature markets of Europe and North America are particularly satisfying. The top growth market remained China.

The personal wash and laundry category continued its strong performance. The toiletries segment showed good growth and the investments over the last year in the household segment begin to produce positive results.

Fragrance Ingredients

Sales of the Fragrance Ingredients business unit slightly decreased in local currencies compared to last year. This was due to the continuing price pressure on commodities as well as a further decrease of sales of cosmetic ingredients and pharmaceutical intermediates. In addition sales to other fine fragrances producers declined. On the other side, sales of patented aroma chemical specialities, developed by Givaudan research continued to grow at a double-digit rate. Hence, their share of total ingredient sales increased further which is in line with our long-term strategy. The most important growth momentum came from Asia, particularly China. Since April, fragrance ingredients are also sold through GivaudanAccess™ in the US market.

Flavour Division

Six months ended 30 June	Actual		Pro forma[1]	
in millions of Swiss francs	**2002**	**2001**	**2002**	**2001**
Sales to third parties	782	671	908	866
EBITDA	209	179	233	206
as % of sales	*26.7%*	*26.7%*	*25.7%*	*23.8%*
Operating Profit	149	125	161	135
as % of sales	*19.1%*	*18.6%*	*17.7%*	*15.6%*

1) On 2 May 2002, Givaudan SA acquired 100% control of the flavour activities of Nestlé, Vevey–Switzerland, operating under the umbrella of Food Ingredients Specialities (FIS). The income statement related figures shown in the table above are derived from the unaudited Pro forma Condensed Consolidated Income Statement as if the acquisition had occurred on 1 January 2001. Details of the pro forma adjustments are disclosed in the notes to the pro forma consolidated income statement on page 11.

The flavour division sales grew, in pro forma terms, by 4.9% in Swiss Francs and 9.8% in local currencies, in the first half year 2002. In actual terms, this division recorded sales of CHF 782 million, which represents a growth of 16.5% in Swiss Francs and a 22.1% increase in local currencies compared to the first-half 2001. Excluding FIS, Givaudan sales grew by 11.9% in local currencies.

Double-digit increases were recorded in the regions of North America, Europe Africa Middle East as well as Asia Pacific. Major project wins in all segments, beverages, confectionery, diary and savoury as well as new business in the food service domain have contributed to this success.

The integration of the FIS business into Givaudan is proceeding quickly and smoothly. FIS will be fully integrated into the existing regional structure, with a global function responsible for driving the strategic direction.

Asia Pacific

Asia Pacific continued its strong sales trend with a double-digit increase in local currency terms. The major markets of Japan, China, Korea and Thailand were significant contributors to the region's positive development. Hence, Givaudan significantly outperformed the overall flavour market growth in this fastest growing region. An important factor for this success was new wins thanks to the innovative Givaudan program of leadership in authentic ethnic taste.

Sales gains were balanced between growth in existing business as well as new wins with key accounts throughout the region. The beverages, confectionery and savoury segments all achieved excellent double-digit increases over prior year. Good organic growth of existing flavours was achieved with new business being developed in the area of food service. The expansion of the Singapore creation, application and manufacturing site is well underway with completion scheduled for later this year.

Latin America

All key markets in the region, with the exception of Argentina, continued showing a positive sales growth trend. The two largest markets in the region continue to expand as Mexico grew at a double digit pace while Brazil delivered solid growth. Both markets report a promising project pipeline. The Andean region reported strong growth due to major savoury wins.

Major wins in beverages, the largest business segment in the region, contributed significantly to the positive result in the region. Confectionery also showed good growth. As a consequence of the FIS acquisition, efforts were intensified to develop the savoury business as well as food service market opportunities. Additional spray drying capability in Brazil was added to the regions strong manufacturing base.

North America

Sales in USA and Canada continued to show excellent momentum with double-digit growth versus the previous year in local currency terms and a strong second quarter. New product wins in all major categories contributed favourably to this result. The beverages, dairy and savoury segments all recorded double-digit growth with a strong focus on large projects. Savoury had a positive impact from food service.

The prior investments into this market segment, particularly into the quick service restaurants, are now translating into new wins. The savoury segment will further benefit from the enlarged products offering thanks to the FIS integration.

Europe, Africa and the Middle East

EAME sales continued the positive trend from last year by considerably outperforming market growth in local currency terms with a double-digit gain.

The confectionery, dairy and beverage segments contributed to this positive results as well as strong performances in Eastern Europe, Africa, France, Scandinavia, the United Kingdom and Germany. New wins as well as strong sales of existing products where at the base of this excellent performance during this period which will be further enhanced by the broader product offering in savoury. The culinary customer service centre of FIS in Paris will become an important cornerstone of Givaudan’s product development activities.

Interim Condensed Consolidated Financial Statements (unaudited)

Consolidated Income Statement for the Six Months Ended 30 June

in millions of Swiss francs, except per share data	Note	2002	2001
Sales	4	1,364	1,259
Cost of sales		(705)	(655)
Gross profit		**659**	**604**
as % of sales		*48.3%*	*48.0%*
Marketing, development and distribution expenses	5	(309)	(286)
Administration expenses		(48)	(48)
Amortisation of intangible assets		(39)	(36)
Other operating income (expenses), net		(23)	(12)
Operating profit		**240**	**222**
as % of sales		*17.6%*	*17.6%*
Financial income (expenses), net		(13)	(5)
Result before taxes		**227**	**217**
Income taxes		(69)	(67)
Result after taxes		**158**	**150**
Minority interest		(1)	(1)
Net income		**157**	**149**
as % of sales		*11.5%*	*11.8%*
Earnings per share – basic (CHF)		**18.67**	**17.91**
Earnings per share – diluted (CHF)	6	**18.66**	**17.91**

Consolidated Balance Sheet

in millions of Swiss francs	Note	30 June 2002	31 December 2001
Current assets		2,127	1,970
Non-current assets		2,783	2,349
Total assets		**4,910**	**4,319**
Current liabilities		**1,053**	**644**
Non-current liabilities		**936**	**887**
Minority interest		**5**	**4**
Share capital	*7*	*87*	*86*
Retained earnings, reserves and other equity components		*2,829*	*2,698*
Equity		**2,916**	**2,784**
Total liabilities, minority interest and equity		**4,910**	**4,319**

Consolidated Statement of Changes in Equity for the Six Months Ended 30 June

in millions of Swiss francs	Note	2002	2001
Share capital			
Balance at 1 January		86	86
Issue of shares	7	1	-
Balance at 30 June		**87**	**86**
Retained earnings, reserves and other equity components			
Balance at 1 January		2,698	2,593
Cumulative effect of adoption of IAS39		-	15
Balance at 1 January as restated		2,698	2,608
Dividends paid	8	(58)	(54)
Net income		157	149
Additional paid-in capital		49	-
Net movement of fair value reserve for available-for-sale financial assets		(49)	(39)
Net movement of own equity instruments	9	154	40
Net movement of equity component of exchangeable bond		-	11
Net movement of currency translation differences		(122)	85
Balance at 30 June		**2,829**	**2,800**
Total equity at 30 June		**2,916**	**2,886**

Consolidated Cash Flow Statement for the Six Months Ended 30 June

in millions of Swiss francs	2002	2001
Cash flows from (for) operating activities	**94**	**215**
Cash flows from (for) financing activities	**(39)**	**228**
Cash flows from (for) investing activities	**(148)**	**(315)**
Net effect of currency translation on cash and cash equivalents	(3)	2
Increase (decrease) in cash and cash equivalents	(96)	130
Cash and cash equivalents at the beginning of the year	467	280
Cash and cash equivalents at the end of June	**371**	**410**

Notes to the Consolidated Financial Statements (unaudited)

1. Group organisation

Givaudan SA and its subsidiaries (hereafter ‘the Group’), operate under the name Givaudan. The Group is headquartered in Vernier, near Geneva, Switzerland.

On 2 May 2002, the Group acquired 100% control of the flavour activities of Nestlé, Vevey–Switzerland, operating under the umbrella of Food Ingredients Specialities (hereafter “FIS”).

Givaudan is a leading supplier of creative fragrance and flavour products to consumer goods industries. It operates in over 100 countries and has subsidiaries in more than 20 countries.

2. Basis of preparation of financial statements

These financial statements are the interim condensed consolidated financial statements (hereafter ‘the interim financial statements’) of the Group for the six-month period ended 30 June 2002 (hereafter ‘the interim period’). They are prepared in accordance with and comply 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 Half-Year 2001 report and the Annual Report 2001 as they provide an update of the most recent financial information available. These interim financial statements are not audited.

In the preparation of these interim financial statements, the Group has adopted new or revised International Accounting Standards (IAS19 revised 2002) and interpretations of the International Financial Reporting Interpretations Committee (SIC27 to SIC33) effective as of 1 January 2002. As a result of implementing these standards no significant adjustments were required to the accounting policies used in the Annual Report 2001, as the policies previously reflected the main principles in the new or revised standards.

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

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

3. FIS acquisition

The acquisition of FIS has been accounted for in the interim financial statements by use of the purchase method of accounting. The results of FIS operations have been incorporated in the consolidated income statement since 2 May 2002. The assets and liabilities of FIS and the goodwill arising on this acquisition have been recognised in the consolidated balance sheet at 30 June 2002.

The transaction is valued at CHF 750 million. The consideration which is subject to certain purchase price adjustments was in the form of assumed debt, payment in cash and delivery of own shares. For the latter, the Group made use of its authorised share capital, issuing 100,000 registered shares (see Note 7).

As agreed with Nestlé, the entire delivery of own shares must be fulfilled within twelve months after the acquisition date.
The obligation to deliver remaining shares is fully provided for in the interim financial statements.

As part of the acquisition the Group acquired intellectual property rights of CHF 339 million and recognised them as an intangible asset. The rights are amortised on a straight-line basis over 20 years with the expense included in the income statement under amortisation of intangible assets.

Goodwill arising on the FIS acquisition is presently estimated at CHF 212 million and is subject to the finalisation of the purchase price allocation. The goodwill is recognised as an intangible asset and is amortised on a straight-line basis over 20 years from the acquisition date. The amortisation of goodwill is included in the income statement under amortisation of intangible assets.

4. Segment information

Segment information is included in the respective divisional comments.

5. Marketing, development and distribution expenses

In the six months ended 30 June the expenses for product development and research activities in 2002 amounted to CHF 101 million (2001: CHF 99 million) and are included in the income statement under marketing, development and distribution expenses.

6. Earnings per share - diluted

For the calculation of diluted earnings per share, the weighted average number of shares outstanding is adjusted to assume conversion of all potential dilutive shares arising from the executive share options plans and the guaranteed exchangeable bonds.
Net income is adjusted for elimination of interest, net of tax for dilutive convertible instruments.

7. Share Capital

In the context of the acquisition of FIS, Givaudan made use of the initially authorised share capital by issuing 100,000 registered shares on 8 May 2002. The share capital therefore consists of 8,725,627 (2001: 8,625,627) registered shares.

8. Dividends paid

At the Annual General Meeting held on 26 April 2002, the distribution of an ordinary dividend of CHF 7.00 gross per share (2000: CHF 6.50) was approved. The dividend was paid on 2 May 2002.

9. Own equity instruments

The Group holds own equity instruments to cover in-part the anticipated obligations related to the executive share options plan, the guaranteed exchangeable bonds issued on 7 June 2001 and the future commitments to deliver shares to Nestlé SA resulting from the FIS acquisition. On 30 June 2002, the Group held 8,266 (2001: 222,429) own shares and derivatives on own shares equating to a net position of 414,055 (2001: 175,000) own shares.

10. Comparative figures

Certain prior year figures have been reclassified for comparison purposes.

Pro forma Financial Information Related to the FIS Acquisition (unaudited)

Pro forma Consolidated Income Statement for the Six Months Ended 30 June

in millions of Swiss francs, except per share data	Note	2002	2001
Sales	2	1,490	1,454
Cost of sales	3	(779)	(775)
Gross profit		**711**	**679**
as % of sales		*47.7%*	*46.7%*
Marketing, development and distribution expenses		(336)	(321)
Administration expenses		(60)	(64)
Amortisation of intangible assets	4	(48)	(49)
Other operating income (expenses), net	5	(15)	(13)
Operating profit		**252**	**232**
as % of sales		*16.9%*	*16.0%*
Financial income (expenses), net	6	(17)	(11)
Result before taxes		**235**	**221**
Income taxes	7	(72)	(68)
Result after taxes		**163**	**153**
Minority interest		(1)	(1)
Net income		**162**	**152**
as % of sales		*10.9%*	*10.5%*
Earnings per share – basic (CHF)	8	**18.62**	**17.37**
Earnings per share – diluted (CHF)	8	**18.61**	**17.37**

Notes to the Pro forma Condensed Consolidated Income Statement (unaudited)

1. Pro forma information

Pro forma information is presented for illustrative purposes. The pro forma information shows what the significant effects on the income statement for the first six months ended 30 June 2001 and 2002 might have been, had the acquisition of FIS occurred on 1 January 2001. The pro forma information does not purport to represent what the Group's results of operations would actually have been. It has been prepared for illustrative purposes only and, because of their nature, cannot give a complete financial picture of the Group.

2. Sales

Sales to Nestlé realised by FIS are reclassified as sales to third parties. Sales to Givaudan realised by FIS and sales to FIS realised by Givaudan are fully eliminated.

3. Cost of sales

Cost of sales are adjusted correspondingly to the sales adjustments.

4. Amortisation of intangible assets

Goodwill and intellectual property amortisation is incorporated in the results as if the acquisition would have occurred on 1 January 2001.

5. Other operating expenses (income), net

One-time operating expenses related to the acquisition are excluded from the income statement.

6. Financial income (expenses), net

The adjustment reflects the increase in interest expense as a result of supplementary debt necessary for financing the operating activities of the acquired companies and the decrease in interest income as a result of cash reduction required to purchase the companies.

7. Income taxes

The pro forma adjustment reflects the increase in income taxes related to the above adjustments at the statutory rate of the Group entity in which the related items are recorded.

8. Earnings per share

The basic and diluted earnings per share adjustment reflects the assumption that the issuance of the 100,000 registered shares had occurred on 1 January 2001.

Givaudan Agenda

2002

Half Year Presentation, Zurich	5 September
Investors' Conference, Munich	12 September
Roadshow, Netherlands	24 September
Roadshow, Copenhagen/Stockholm	26/27 September
9 Month Sales	10 October
Roadshow, Frankfurt	15 October
Roadshow, London	16 October
Investors' Conference, London	19 November
Creation Day, Paris	21 November

2003

Analyst Conference Call	5 March
Annual Media Conference	5 March
Annual General Meeting	11 April
Annual Investor Conference	15 April

By rubbing the cover image of this report, a fresh smell of green apples is released.
Givaudan creates refreshing apple fragrances for stimulating shower gels.

The Givaudan Half Year Report is published in English, German and French

Chlorine-free paper - Printed in Switzerland

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