Givaudan

ENGAGING
THE
SENSES

Annual Report 2011

Contents

Our Brand: Engaging the Senses

Introduction

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 market share of approximately 25%, and this industry leadership position is underpinned by a sales and marketing presence in all major markets. We create fragrances for personal and home care brands that range from prestige perfumes to laundry care, and in flavours our expertise spans beverages, savoury, snacks, sweet goods and dairy products.

Our people: engaging the senses worldwide

The theme of the 2011 Givaudan Annual Report is 'Our people: engaging the senses worldwide', featuring employees and their work in engaging the senses, immersing themselves in the stimulation and excitement of the creative process.

By engaging the senses, our people create pleasure and celebration from the flavours and fragrances they identify, develop and create. They bring to life our mission to develop and apply Knowledge and abilities in Discovery, Artistry and Performance.

Through our people and their expertise, we aim to engage in a commitment to discover, a pledge to succeed, a profound involvement and a partnership with customers.

Financial highlights

Sales CHF 3.9 billion, up 5.2% in local currencies

Pricing actions on track to recover raw material cost increases

Comparable EBITDA of CHF 790 million

Comparable EBITDA margin of 20.2%, improving in the second half of 2011

Net income of CHF 252 million, 6.4% of sales

Tax free cash dividend of CHF 22.0 proposed

in millions of Swiss francs, except for per share data	2011	2010
Sales	**3,915**	**4,239**
Gross profit	**1,666**	**1,956**
as % of sales	42.6%	46.1%
EBITDA at comparable basis [a, b]	**790**	**963**
as % of sales	20.2%	22.7%
EBITDA [a]	**758**	**887**
as % of sales	19.4%	20.9%
Operating income at comparable basis [b]	**480**	**655**
as % of sales	12.3%	15.5%
Operating income	**443**	**556**
as % of sales	11.3%	13.1%
Income attributable to equity holders of the parent	**252**	**340**
as % of sales	6.4%	8.0%
Earnings per share – basic (CHF)	**27.71**	**37.87**
Earnings per share – diluted (CHF)	**27.55**	**37.63**
Operating cash flow	**456**	**730**
as % of sales	11.6%	17.2%
Free cash flow	**117**	**437**
as % of sales	3.0%	10.3%

a) 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 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.

6,716m
Total assets (CHF)

3,221m
Total liabilities (CHF)

3,495m
Total equity (CHF))

456m
Operating cash flow (CHF)

Distinct capabilities

Global reach

8,913 employees work in 82 locations worldwide

Supply chain and creative centres operate close to our customers' end markets and service our customers locally

Diversity in our teams

Depth and range of customer relationships

Long-standing strategic relationships with top accounts

Diverse client portfolio across multinationals, private labels, regional and local customers

Largest commercial organisation allowing us to operate a dedicated customer servicing model

More in-depth customer relationships

Leading innovation and broadest product offering

Cross-leveraging of product knowledge

CHF 294 million spend in R&D in 2011

About 400 of our employees dedicated to R&D

Bringing differentiation to our customers by addressing consumers' unmet needs

Innovating and creating ingredients for our product palette in line with our Sustainability programme

Our business

What we do

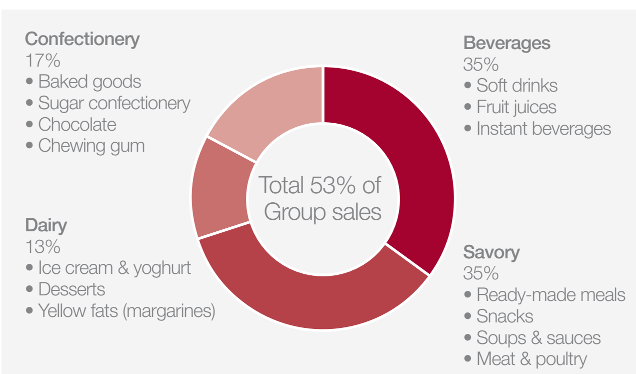
Flavour Division

We work with food and beverage manufacturers to develop flavours and tastes for market-leading products across all continents. 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.

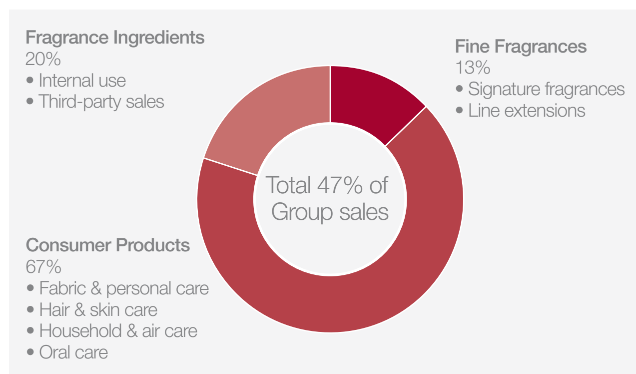
Fragrance Division

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. Our Perfumery team is the largest in the industry.

Flavour Division sales
%

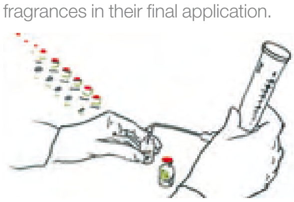


Fragrance Division sales
%

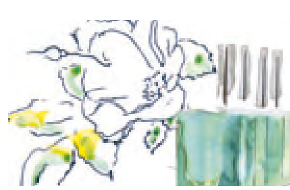


How we do it

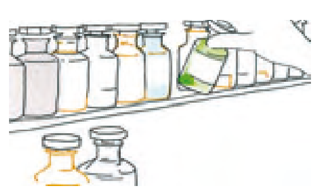
Research
Innovating to create new consumer-preferred aromas and ingredients combinations and improving the performance of flavours and fragrances in their final application.



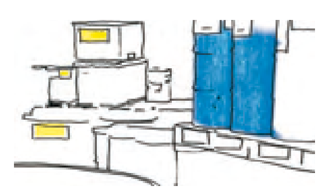
Creation
The creative process of transforming ingredients and technology into successful products.



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.



Where we do it

Mature markets

58% of Group sales

Representing 58% 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.

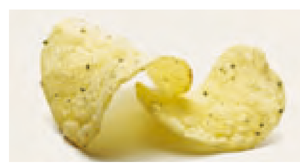
Developing markets

42% of Group sales

Asia Pacific, Latin America and Eastern Europe, already account for 42% of our annual sales and this is expected to increase to 50% by 2015. Market growth is expected to be much higher due to urbanisation, changes in lifestyle and the increase in consumers' disposable income. We have a dedicated presence with creation and production facilities in all key regions to fully capture this potential.

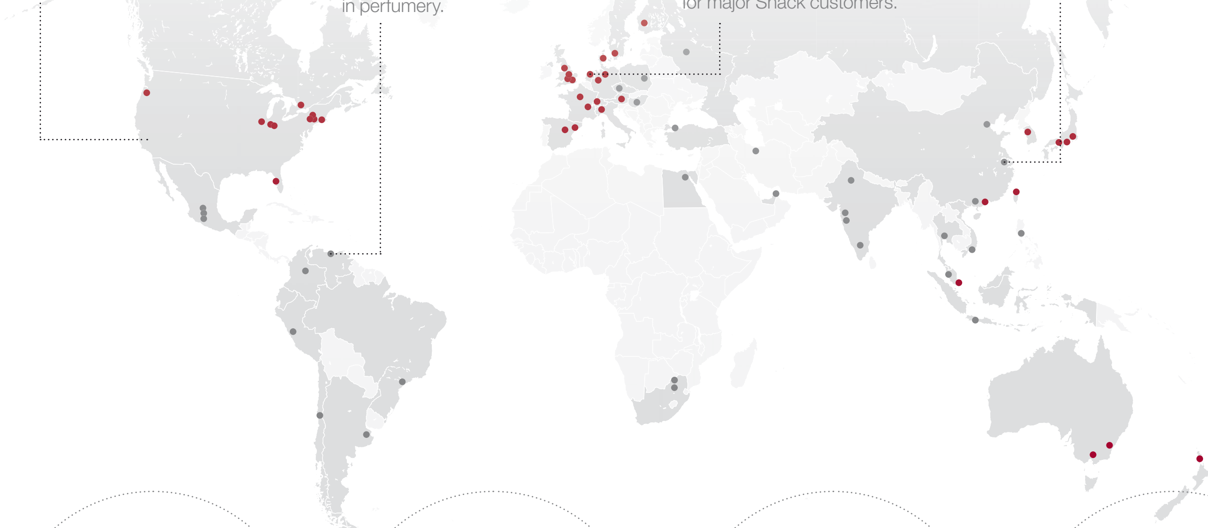
New partnership in sustainable sourcing
In March 2011 Givaudan announces a new partnership with Amyris Inc to explore the use of its sustainable source material, Biofene®, to produce fragrance materials.

Sustainable sourcing of tonka beans
Givaudan signs an extension to our agreement with Conservation International, to protect the environment in the lower Caura Basin area of Venezuela and to secure the sourcing of tonka beans used in perfumery.



Sodium reduction in Snacks
An understanding of local needs and consumer preferred flavour profiles, along with innovative technical expertise for the creation of healthier snack products, has led to the emergence of our EAME Snacks team as a preferred partner for major Snack customers.

Promoting high end, 'high tea' in China
Black Tea flavour design tools are successfully launched and promoted to ready-to-drink tea companies throughout Asia.



8,913
Employees

33
Production sites

82
Locations worldwide

25%
Market share (approx.)

Key events of the year

January

1 January:

CP Certificate for China Fragrance team
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 (above):

Alternative energy source at Pedro Escobedo
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

Salt Reduction Europe

8 February:

Full year results 2010
All integration targets achieved, Givaudan enters a new era of growth.

14 February:

GivaudanCollections™ Strawberry
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 (above):

Flavours demonstrates taste expertise
Givaudan Flavours exposes our taste expertise in making food products healthier as sponsor and key-note speaker at a salt reduction conference in London.

March

13 March:

New Flavours manufacturing site in Hungary
Givaudan celebrates the official foundation stone ceremony for its EUR 130 million (CHF 170 million) European savoury flavours production facility near Makó, Hungary.

18 March:

FiFi® season begins in Bologna, Italy
Givaudan creations are winners in the three feminine fine fragrances categories at Accademia del Profumo Awards.

24 March (above):

Annual General Meeting 2011
The AGM elects Lilian Biner as new member of the Board. This year's AGM achieves a record attendance of 306 shareholders.

July

7 July (above):

Givaudan Spain celebrates 50th anniversary
Givaudan Ibérica SA celebrates 50 years of operations. Our Chairman, Dr Jürg Witmer, delivers a congratulatory speech at a meeting of the Board of Directors in St Celoni, our manufacturing site in Spain.

12 July:

New Fragrance office in Guangzhou
Givaudan China celebrates the inauguration of its new Fragrances Guangzhou branch office in Guangdong Province of China. The new office represents an important foundation in the increasingly demanding Chinese market.

22 July:

First TasteEssentials™ Coffee journey
Givaudan Flavours team in Brazil undertakes first coffee essence journey as part of the TasteEssentials™ Coffee programme.

August

4 August:

Half year results 2011
Givaudan's business momentum continues to be strong with an inflow of new wins.

5 August:

Roll-out of new beef flavours
Givaudan Flavours continues its advancement in beef expertise with a roll-out of beef topnotes driven by our understanding of consumer preferences.

22 August (above):

TasteTrek™ Jasmine
Givaudan Asia Pacific focuses on Indonesia and tea with the Givaudan TasteTrek™ Jasmine.

September

12 September:

US launch of BarTrek™
BarTrek™ identifies new emerging trends and translates them into flavoured product opportunities for alcoholic beverage manufacturers.

27 September (above):

TasteTrek™ Citrus launched in EAME
The EAME Beverage team launches TasteTrek™ Citrus – Next Orange, a new range of distinctive and authentic orange flavours further inspiring our customers.

28 September:

Givaudan creations featured at BIDT
Fragrances created by Givaudan perfumer Antoine Maisondieu are a feature of the 'Dreamstone' installation in the French Pavilion at the First Beijing International Design Triennial.

April

4 April:

Sustainability Report 2010

Release of this year's 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 to the year.

14 April (above):

UK FiFi® wins

The Givaudan creations Tom Ford Private Blend Azure Lime, Gucci Guilty and Boss Bottled Night sweep to success at the Fragrance Foundation UK FiFi® Awards ceremony in London.

May

17 May:

DUFTSTAR success

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

20 May (above):

US CEW Beauty Awards achievements

Givaudan Fine Fragrances finalists take two of the three scent awards, and Givaudan sponsors the first ever CEW Eco Award.

25 May:

Wins at US FiFi®

Givaudan Fragrance creations win eight of 13 fine fragrance awards 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.

June

1 June (above):

Flavours webinar on vanilla ethical sourcing

Customers learn how our ethical sourcing and Sustainability programme for vanilla ensures sustainable supplies of ingredients and helps vanilla farmers and their families to thrive.

9 June:

Increasing demands on Naturals

Givaudan leads a debate at a CEW UK round table discussion in London on natural ingredients in perfume and cosmetics, highlighting the complexity of ethical sourcing.

28 June:

'Perfume' insight on UK's BBC4

Givaudan's perfumers, the Perfumery School and the Fine Fragrances team in São Paulo appear in a three-part series 'Perfume' broadcast on BBC4 in the UK.

October

4 October (above):

UCR – Citrus ten-year agreement

Givaudan Flavours signs a ten-year collaborative agreement with the University of California, Riverside.

11 October:

Nine month sales 2011

Givaudan continues to have a healthy business momentum.

20 October:

Pushing the boundaries in perfume creation

Givaudan perfumers Jacques Huclier and Sonia Constant push the boundaries in perfume creation with the conception of three highly creative and spiritual fragrances for the Liquides Imaginaires project displayed at La Maison Champs Elysées in Paris.

November

3 November:

Carbon disclosure project

The 2011 report points to Givaudan's disclosure score of 72 as significant progress in the industry sector.

15 November (above):

Arabia fragrance award

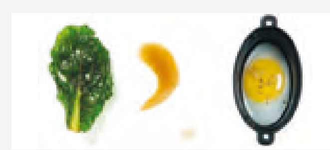
FiFi® Arabia 2011 selects Boss Orange as Best International Popular Appeal Male Fragrance of the year, and Gucci Guilty Man by Gucci, is voted best International Male Fragrance by consumers.

17 November:

TasteSolutions™ Mouthfeel

Roll-out of TasteSolutions™ Mouthfeel, including advanced technologies and the unique sensory language, Sense It™ Mouthfeel.

December



1 December:

European Purchasing Support Centre

The external Purchasing Support Centre (PSC) for Europe is successfully deployed and operational. The PSC is focused on indirect spend and functioning in Switzerland, Germany, Netherlands, UK, France, Spain and Hungary.

5 December (above):

New ChefsCouncil™ themes developed

ChefsCouncil™ platforms launched with new themes around 'Preserve and Preservation', 'Vintage Dishes' and 'Influential Vegetal'.

13 December:

Launch of iPerfumer2

Givaudan launches iPerfumer2 with new features allowing users to update their profiles and post 'wish lists' for fragrance gift-giving.

Chairman's letter

Dear Shareholder,

Givaudan's consistent sales momentum in 2011 demonstrated yet again that our fragrance and flavour creations are relevant for consumers worldwide when eating, drinking and cleaning, and are thus essential for the success of many products we use on a daily basis. Changing global consumer demographics mean that 42% of Givaudan's sales were from emerging markets in 2011, and the Company continues to shift resources to these markets.

The challenging economic environment presented substantial headwinds. In particular, the rise in raw material costs for some of our key input materials, had a substantial impact on our gross margin. Givaudan has successfully reacted by increasing selling prices, a measure which we will continue in 2012. The comparable EBITDA margin declined from 22.7% in 2010 to 20.2% in 2011. The continued strengthening of the Swiss franc against all major currencies significantly impacted our results on an absolute basis. Operating cash flow in 2011 decreased, as a result of the currency effect, higher inventory requirements due to the ongoing business transformation projects, and investments in production facilities as the Group increased its footprint in emerging markets.

With organic sales growth of 5.2% in 2011, we have made solid progress towards reaching our five-year goals announced with our mid-term strategy in 2010. On behalf of the Board of Directors I would like to express my deep gratitude to the management team and all our employees around the world for their continued dedication and hard work in defending our leadership position.

This solid result has also been the basis for the decision of the Board of Directors to propose to the Annual General Meeting an increased cash dividend of CHF 22.00 per share for the financial year 2011. Distribution will be made out of reserves for additional paid-in capital. This is the eleventh consecutive dividend increase following Givaudan's listing at the Swiss stock exchange in 2000.

At the AGM in 2012, Prof Henner Schierenbeck will retire from the Board after having served for 12 years as a Board member. During his tenure, Henner Schierenbeck has successfully and diligently chaired Givaudan's Audit Committee. I would like to thank Henner Schierenbeck, also on behalf of my fellow Board members and the management team for his always professional advice, commitment and long-lasting friendship. In 2011 we welcomed Ms Lilian Biner, a Swedish national, who was newly elected to the Board.

Over the past year the Board has held intense discussions with management on the strategy and the long-term opportunities of Givaudan. We are all convinced that our positioning as global leader in smell and taste will continue to present a strong basis for future value creation. Our unique expertise in creating flavours and fragrances and our understanding of sensory consumer trends are areas which we will continue to reinforce, particularly in those regions where demand is growing strongly. The Board also continued to focus on risk management and to develop internal compliance systems and structures.

As consumers increase their demand for naturally sourced fragrances and flavours, many of which are subject to highly volatile or limited supply, we will do everything we can to strengthen sustainable sourcing. This is both a business and ethical imperative. Last year I had the opportunity to visit our partners in Madagascar and on the islands of the Comores where we source critical raw materials such as vanilla, Ylang Ylang and clove oil. We deal with rural communities in small villages where little infrastructure exists and where we support local schools and agricultural projects. These communities who struggle for their livelihood deserve respect – not as recipients of aid, but as serious business partners who work hard to provide important natural materials. We look forward to deepen these networks with local suppliers around the world, approaching our partners with humility and sensitivity to foster long-term relationships.

As part of our Sustainability programme and in order to foster biodiversity, we collaborate with external institutions such as the University of California, Riverside where we contribute to preserving the diversity of citrus plants, one of the world's favourite flavours and a key ingredient in many beverages, meals and fragrances. During the year, the Board of Directors visited the citrus groves at Riverside to see first-hand how important it is to preserve and ensure the longevity of the more than 1,000 varieties of citrus plants grown there.

In a volatile and unpredictable macroeconomic environment we feel well placed to continue to improve our performance given the defensive nature of our business model. It can fulfil sensory consumer requirements at different price points and cost levels. Over the years we have made significant investments in our global talent and asset base as well as in R&D. We will continue to do so, particularly in the growth areas of Asia and Latin America. The expected growth in the emerging markets will continue to support the future expansion of our business. I am confident that Givaudan is on track to deliver on our promises and will continue to deliver value to our customers and shareholders.

Dr Jürg Witmer Chairman

Chief Executive's review

Dear Shareholder,

The healthy sales growth in 2011 is a vital sign that Givaudan's business momentum continues to be intact – despite the many headwinds the company faced in a volatile and uncertain economic environment. The local currency growth of 5.2% was achieved on top of last year's high growth comparable. It is in line with the mid-term guidance and underlines Givaudan's ability to focus on what it does best: bringing innovative flavours and fragrances to customers and be their essential partner in developing successful and sustainable consumer products.

In 2011, the Group sales increased 5.2% in local currency. This solid sales performance was well balanced across both Fragrances and Flavours divisions. It was notably generated in the Fragrances Consumer Products as well as in the developing markets for both divisions. This demonstrates that we are well on track to reach our mid-term goal of generating 50% of Group sales in those markets by 2015. Thanks to our unique capabilities, we will continue to profit from the shift of economic power to the developing countries.

The clear focus throughout the year on progressing towards our mid-term strategy helped to set the Company's priorities and to stay on track as we faced a testing external environment. The increase and continued volatility in prices for the broadest range of our raw materials, significantly impacted our profitability. Givaudan has limited control over the input costs fluctuations, but the way to respond to those changing conditions remains in our control.

In 2011, Givaudan was able to partially offset the raw materials impact on its profitability and mitigated – as foreseen – half of the impact through price increases and other measures.

This resulted in an earnings margin before interest, tax, depreciation and amortisation (EBITDA) of 20.2%. This was clearly below last year's margin level and is not satisfactory. The prices increases negotiated for 2012 will contribute to improve the margins. In addition, Givaudan has already identified and implemented a set of short-term and mid-term actions to return to its best-in-class profitability.

The other central external challenge Givaudan faced in 2011 was the continued strengthening of the Swiss franc against all major currencies. While the global presence of Givaudan provides a natural hedge which protects the profitability margins, the strengthening swiss franc did impact the overall amount of EBIDTA generated in Swiss francs. This effect, together with the higher raw material prices led to a 25.9% decline in net profit compared to last year.

The continuing trend of higher prices for key input materials highlights the importance of the strategic pillar to expand the sustainable sourcing of raw materials over the forthcoming years. With Givaudan's scale and global reach, the Company is in an advantageous position to implement new and innovative ways to not only secure future key natural resources for the production of flavours and fragrances, but to also identify new opportunities to address the raw material challenge.

In this quest, the Sustainability programme has played and will continue to play a key role to deliver measurable business impacts while safeguarding future resources. During 2011, Givaudan made considerable progress on its sustainability agenda. With the launch of the 2020 eco-efficiency and safety targets, the Company has set itself clear goals and a clear path for this journey. The visible translation of the programme's long-term vision into clear actions throughout the Company was also honoured by rewarding the Company's first ever Green Team Sustainability Award to colleagues at the Pedro Escobedo manufacturing site in Mexico. The Sustainability programme puts Givaudan in the position to be an important partner for its customers to help them address their own sustainability challenges.

The year also saw many successes in the environment, health and safety area. Our behavioural-based safety programme 'Zero is Possible' is having a positive impact on our safety culture – our lost time injury rate dropped sharply in 2011. This is a fantastic and important achievement.

Sales up by

5.2%

in local currencies

"In 2011, the Group sales increased 5.2% in local currency. This solid sales performance was well balanced across both Fragrances and Flavours divisions. It was notably generated in the Fragrances Consumer Products as well as in the developing markets for both divisions. This demonstrates that we are well on track to reach our mid-term goal of generating 50% of Group sales in those markets by 2015."

The implementation of the SAP-based enterprise management system continued successfully and, following the start of the roll-out in Asia, 87% of all potential users are now using this new system. The full roll-out will be completed by the end of 2012 when all the remaining sites in Asia Pacific will be online as well. This new management system, spanning from Operations to Finance and Human Resources, will continue to provide us with the backbone a company like Givaudan needs. Particularly in the area of supply chain management, the new platform allowed Givaudan to start new projects across both divisions, which includes customer care, planning, purchasing, sales and manufacturing departments. It is the clear aim of the platform to further leverage the capability of a harmonised management platform and to continue to operate an industry-leading supply chain.

Another key trend continuing in 2011 was the shift of economic power to the developing markets. Already today around 80% of the world's population live in the emerging markets but the contribution to global GDP is below that of the mature markets. However, there are predictions that the total GDP of emerging markets could overtake that of developed economies by 2014 [Ernst & Young study] which will also result in an accelerated shift in purchasing power to those areas. With the clear strategic focus on further expanding its already industry-leading position in those markets, Givaudan is in a good position to profit from that growth.

During 2011, the Company continued to expand its footprint in developing markets, making important investments such as the approval to build a state-of-the-art creative, commercial and high volume production centre in Singapore which should be operational in 2013. The year also saw the further expansion of our production capabilities in our chemical manufacturing site at Pedro Escobedo in Mexico as well as the creation of a Fragrance and Flavours commercial and applications office in Guangzhou (China), and a new Flavours powder blend plant in Daman (India). In Hungary, Givaudan celebrated the official foundation stone laying ceremony for its new European savoury flavours manufacturing plant near Makó.

Innovation is key to remain the leading company in the industry and among the year's most notable achievements was the Flavour Division's launch and successful commercialisation of a new artificial sweetness enhancer as part of our TasteSolutions™ programme. Our industry-leading encapsulation technology PureDelivery™ recorded a series of successes across beverage, confectionery and savoury applications. Using the TasteTrek™ in Japan and the ChefsCouncil™ Hong Kong event as inspiration, the research teams succeeded in identifying novel molecules responsible for the umami/kokumi taste perception, a milestone in order to be able to develop the next successful and consumer preferred flavours.

The Fragrance R&D teams successfully created Aikigalawood, the first bio-converted patchouli-like accord with a wood ambery character, particularly desirable in men's colognes, which will also be launched commercially in 2012. A new fragrance system combined with a clever encapsulation technology will deliver greater malodour protection. Significant progress was also made with research into moods and fragrances.

20.2%

EBITDA as % of sales

At comparable basis

As the Company enters 2012, there are many external uncertainties that may have an influence on our business performance, such as the difficult macroeconomic climate in Europe due to its debt crisis as well as an uncertainty about the global growth outlook for the forthcoming months.

These are external factors Givaudan has little influence over, but we have demonstrated over the past years our ability to address a challenging environment with the right strategies, actions and agility to respond in order to mitigate their impact. With the significant contributions Givaudan's employees made around the world during 2011, I am convinced that we have the right people, strategies and plans in place to continue on our successful path. The Executive Committee and I would like to thank all our employees for their continued dedication and commitment in 2011.

The economic environment is providing us with a demanding agenda ahead but Givaudan is well positioned in a defensive industry. Flavours and fragrances are consumed every day around the world and they are an essential part of successful consumer products. Looking back over a history of more than 200 years, I am confident about our strength to continue to create value for our shareholders, customers and all other stakeholders.

Gilles Andrier Chief Executive Officer

Strategy

Our five-year strategy targets (2010-2015)

EBITDA
Best-in-class

14-16%
Free cash flow of sales by 2015

4.5-5.5%
Organic sales growth

Above
60%
Free cash flow return

Based on an assumed market growth of 2-3%

Once the target leverage ratio of 25% has been reached

Developing markets

Driven by urbanisation and rising disposable income, the developing world's consumer demand for packaged food and beverages, as well as household and personal care products, is continuously increasing. For both our divisions, this trend represents significant opportunities for growth and we have therefore targeted an increase in total sales to the world's developing markets, from 40% in 2010 to 50% by 2015.

Givaudan is ideally positioned to achieve this growth. We have over 1,300 creative, sales and marketing employees based in the developing markets. Every year, we interview a high number of consumers in these countries, building our existing fund of local knowledge into an unrivalled resource. We continuously seek to understand what drives the consumer – and during 2011 we continued to make good progress in fulfilling their needs, with total Group sales in the developing markets rising to 42%.

For the first time, Flavour Division sales in developing markets are at the 40% level and are growing at twice the rate achieved in the more mature markets. The Division has continued to invest in flavour creation, application and manufacturing capabilities to support the fast-growing and diverse developing markets. The Division has achieved accelerated growth in key flavours such as coffee, as well as in key categories such as Beverage, Savoury and Food Service. In 2011, we expanded laboratories, creative

Brazil:

TV audience loves perfumery in Brazil

The infectious enthusiasm of Luciana Knobel, one of our Fine Fragrances experts in Latin America, has been noticed by the Brazilian media. After she described the smell of São Paulo in a leading Brazilian newspaper Luciana was invited to appear on the popular talk show 'Programa do Jô', hosted by the regionally well-known Jô Soare.

Talking about the fragrance industry, explaining her role at Givaudan and sharing how she began her career, Luciana went on to smell and describe the perfumes worn by the six members of the house band as well as Murilo Rosa, a famous Brazilian actor also on the show. As always with perfume, the audience was intrigued. They thoroughly enjoyed smelling materials and learning about perfumery with Luciana.

and manufacturing capabilities in Indonesia and India, and enhanced our creative resources in Brazil and Columbia, focusing on the sweet goods category. In Hungary, we invested in a new savoury blending facility which is scheduled to open in 2012.

The Fragrance Division sales grew four times faster in developing markets compared to mature markets, reaching 43.2 % with many of the major markets seeing double-digit growth. The Division has continued to invest in talent and training throughout the developing world: the new creative centre in São Paulo is fully operational; work on the building of a new creative centre and factory in Singapore which will be operational in 2013; and the planned expansion of the creative centre in India as well as the chemical factory in Mexico. These investments will enable Givaudan to maintain and grow our leadership position in these markets.

Indonesia:

Exploring opportunities

In line with our strategic goal of growing business in developing markets, we brought together cross-functional teams to explore opportunities in Indonesia. Our Consumer Understanding group from Asia Pacific looked at the changing face of Indonesian culture and how it is impacting the way people consume food and beverages.

After gathering insights and translating them into strategic opportunities, our team aligned with local cultural experts in an online forum, a celebrity chef, a barista, a mixologist and three food bloggers. As Indonesia has one of the highest rates of web-based activity in the world, the online platform was key to the huge success of the study and is now helping us with concept development in this fast-growing market.

Research and Development

A deep-seated commitment to R&D is the foundation for our success. It is the over-riding factor behind all of our past achievements and the key driver for sustained high performance in the long-term.

From healthier meals and tastier beverages to personal and household care or beautiful fine fragrances, our R&D teams enable us to engage and delight the senses of consumers everywhere. Those consumers are at the centre of our business. We invest resources and capital in understanding social trends and emerging needs, and then create the innovative solutions that will help our customers market appropriate products with a competitive edge.

In 2011, Givaudan made an industry-leading investment in R&D, with our total R&D investment exceeding CHF 294 million. While a percentage of that sum is directed towards short- and mid-term initiatives, a considerable amount is focused on long-term programmes that will underpin our future successes.

During 2011, both divisions made good headway in a number of areas that hold great promise for our customers as well as consumers worldwide.

Fragrance Division

Innovation lies at the heart of every activity at Givaudan. It drives every aspect of the work of our fragrance teams. The progress made in 2011 again underlined their ability and commitment, as the Company achieved important successes across our three key pillars of activity:

Delight – embracing the search for new ingredients that are sustainable and also deliver new opportunities to create innovative fragrances that satisfy consumer demand.

Well-being – creating fragrances which enhance mood and lead to consumer benefits such as improved sleep patterns.

Hygiene – including perfumes which mask or even remove malodour from masculine or feminine sweat, and fragrances which sustain the smell of fresh laundry for days.

During 2011, we closely aligned our research and innovation pipeline with the Givaudan value chain, driving superior and differentiated fragrances for our customers and endorsing our industry standing as the natural partner for our clients.

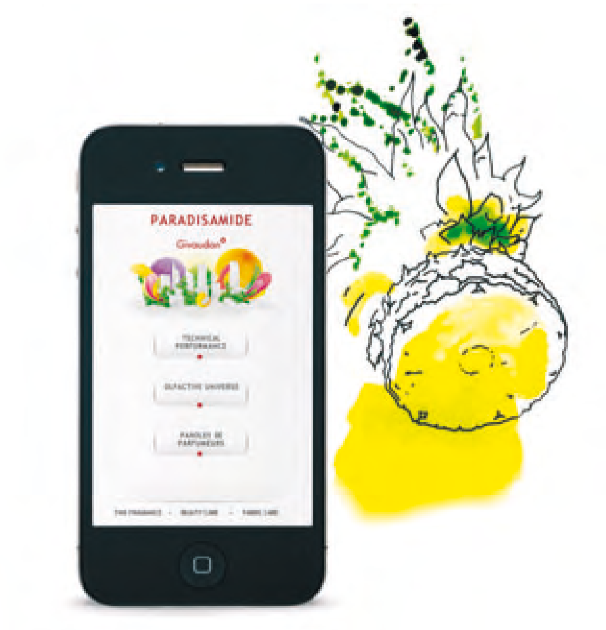
Our goal is to continuously provide our perfumers the best palette of ingredients in the industry while developing and using design technologies to deliver perfumes to customers and consumers that delight, excite or provide other key benefits. In the last 12 months our R&D projects pipeline comprised of a three-step innovation process: challenge driven innovation, design and consumer driven innovation, and market and product driven innovation.

India:

New molecule engages fragrance teams

Karmaflor™ has quickly established itself as a favourite among our Fine Fragrances and Consumer Products teams. Launched in May exclusively to our own perfumers, this material was first discovered during a ScentTrek™ tour of the south of India.

Karmaflor™ is a new salicylate that was identified in the flower scent of Saraca Asoca (Fabaceae), a tree that is regarded as sacred by Hindus and Buddhists. Its white-floral green lily note is complemented by the fruity freshness of tropical flowers and has already been used in over 70 fragrance accords for a wide range of products. Our perfumers have described the Frangipanier, Belle de Nuit floral character of Karmaflor™ as "sensational" and bringing "a truly natural scent signature".



Digital media helps perfumers discover Paradisamide®

When our Fragrance Ingredients team launched the tropical fruity material Paradisamide® onto the perfumery market in 2011, we created a dynamic promotional campaign which was as inspiring and unique as the material itself.

Bringing innovation to our industry, not only through the fragrance materials themselves, but also to how perfumery information is provided – we created an online tool and a smartphone application to promote Paradisamide® and provide easily accessible advice on using it. Perfumers were able to simply flash a tag with an iPhone or BlackBerry to learn about Paradisamide®. Information included basic formulations and guidance about usage, together with testimonials from our own people.

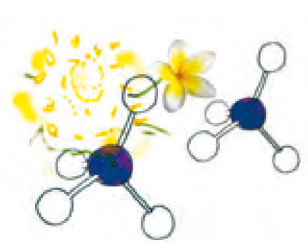
Challenge driven innovation

The fragrance value chain begins with a palette of cost effective, high quality perfumery raw materials, both synthetic and natural.

Against a background of ever-increasing regulation and increased demand for sustainability, our new molecule research team continues to explore the world for ingredients that deliver a powerful impact with a unique olfactory signature which are safe to use and do not have a negative impact on the environment. During 2011, we evaluated our portfolio and worked on more viable and sustainable alternatives where needed.

Central to our effort is the drive to identify molecules that deliver excellent fragrance performance at reduced usage. Such molecules allow customers to produce highly efficient products in small formats.

For our discovery teams, this quest draws heavily on the immense knowledge bank and expertise that exist within Givaudan, as well as new technologies that help reduce the costs of materials. In 2011, we continued to develop Akigalawood, the first bio-converted patchouli-like accord, and we are ready to launch it in 2012. Through Akigalawood, we are transforming what was previously a discarded product into an ingredient with wood ambery character that is particularly desirable in colognes for men.



Research pipeline aligned to Company value chain
- Driving superior and differentiated fragrances
- Positioning Givaudan as the preferred partner

Best palette of the industry	Fragrance design-enabling technologies	Perfume benefits
Cost efficient and meaningful	Enhance perfume	Malodour counteraction
New or existing PRMs*	Delivery at key consumer touch points	Mood and emotion
Synthetic and natural	Drive win rate and consumer delight	Health and Wellness
		Provide avenues to claim support
Challenge driven innovation	*Design and consumer driven innovation*	*Market and product driven innovation*
Chemistry	**Delivery systems**	**Malodour sensory**

Biosciences	Perfume performance	Analytics	Incubation	IP Department

* Perfume Raw Materials

Consumer driven innovation

Understanding the consumer is at the heart of our innovation. The business invests significant resources in identifying consumer attitudes and preferences worldwide in order to anticipate their habits, desires and expectations.

By listening to consumers in key geographies during 2011, we identified a number of important findings associated with body malodour. In particular, we explored the need for products that will not only combat underarm malodour but will also deliver regular reminders to consumers that their deodorant brand is at work, providing constant protection. Olfactive habituation is the major issue here: people become acclimatised to their particular fragrance when it is evident over a prolonged period, just as they become acclimatised to traffic noise and are able to sleep at night despite living close to a major road.

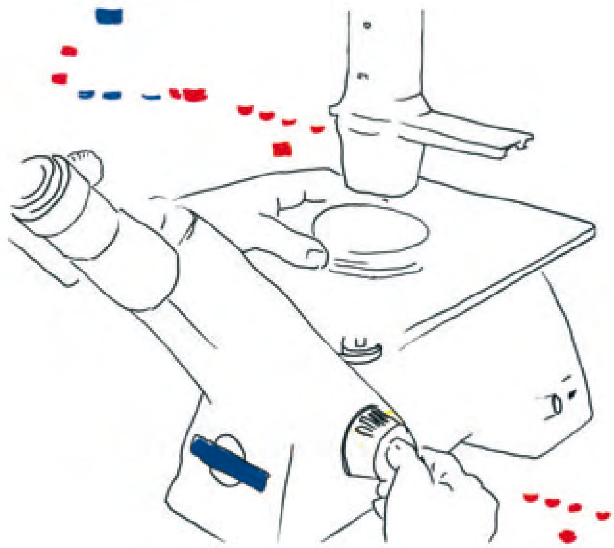
We worked closely with a global brand franchise to design and launch fragrance systems that provide greater protection and reduce the perception of undesirable body odours. The habituation issue was more challenging – how could we deliver a fragrance spike to overcome the acclimatisation effect and give consumers a renewed and reassuring reminder that their chosen brand was hard at work?

The solution lay in collaboration. We drew on the active support of the entire fragrance organisation to determine the key moments when the fresh accords should be released. Givaudan polymer chemists then transformed this proposition into a realistic encapsulation technology, before working alongside perfumers to make sure that the encapsulated accords eliminated body odour while also providing a spike in perfume release at the appropriate time. Our formulation experts then had the task of understanding the technical implications this new approach would have on the manufacturing process, while the commercial and supply chain teams complemented their efforts to deliver the system to our customer's manufacturing site with all the quality standards expected from Givaudan.

Getting close to consumers

The outstanding results of our fragrance teams are based on one core strength: understanding the consumer. Every year, we invest significant time and resources in getting close to consumers around the world. Through our 'Anthropologist's Nose' programme, our teams of perfumers, technologists and local evaluation experts discover what makes people tick and what excites them.

We explore how products are actually used in the real world, how fragrance adds to the consumer experience and product performance, and gain valuable insight into how both can be improved. Then we feed back the findings into the creative process in our global network of laboratories to inspire fragrance creation across all product categories.



Market driven innovation

Superior perfume drives consumer satisfaction and is the platform for major brands to gain competitive advantage. Every day, Givaudan creative teams across the world design superior, differentiated scents which support our customers' brands. Grounded in sound market insight, our target is to delight consumers by developing fragrances that stay successful in our customers' brands for many years.

We see significant opportunities in the area of Health and Wellness, a key pillar of the Givaudan strategy. In 2011, we embarked on a long-term research project which is exploring the ability of perfume to change mood. Sleep quality and anxiety are two areas where we believe perfumes can play a key role. Although other organisations have in the past carried out research with similar objectives, our study is looking at the subject in greater depth and is targeted at helping us identify methodologies which are both repeatable and reliable.

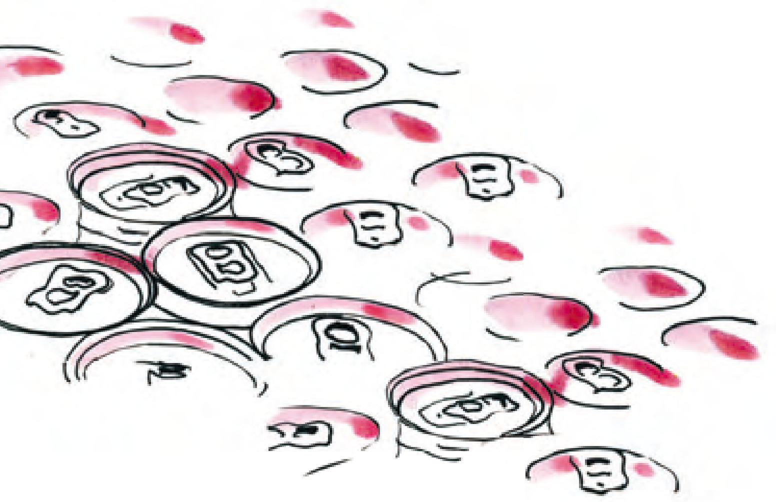
Once this programme has delivered its first results, we will use its findings to assess our vast bank of fragrances and, with the use of the proprietary algorithms already employed in our patented Mood and Emotion technology, guide our perfumers in their quest to create new and enhanced Health and Wellness collections.

Leading the industry

A process developed by Givaudan bioscientist Andreas Natsch and his team is becoming increasingly accepted as the new industry protocol for predicting skin sensitivity to fragrance ingredients.

KeratinoSens is the first in-vitro bio-assay to assess skin sensitisation – and it will enable our industry to continue ensuring the safety of its products when animal testing will be outlawed in 2013, under the 7th Amendment of the EU Cosmetics Directive.

Our team has worked with the Institute for In-Vitro Sciences to organise a ring study involving five laboratories. Each performed the KeratinoSens assay on a set of 28 test substances and produced acceptably similar results – proving that the test is reliably transferable between laboratories. The study findings were published by the Institute this year and endorsed KeratinoSens' reputation as a practical alternative to animal skin sensitisation testing.



Flavour Division

2011 was a year of progress, as we recorded a number of achievements targeted at delivering sustainable product differentiation for our customers. Respected as the industry leader with a long-established reputation for innovation, the Givaudan flavour team invests significant skills, experience and financial resources to open up new possibilities for our customers.

During 2011, we focused on four key areas:

Flavour enhancement – including the creation of novel ways (TasteSolutions™) of providing the full sugar, salt or fat experience that consumers enjoy, while lowering the use of these ingredients as part of the Health and Wellness strategy.

Flavour authenticity – with an emphasis on delivering authentic taste profiles even when the food or beverage product has been processed.

Flavour delivery – focusing on partial replacement of specific raw material solids (coffee, cocoa) for improved cost efficiency without negatively impacting taste.

Sustainability – ensuring that we have long-term and reliable access to natural ingredients by exploring ways to make them using biotechnological approaches.

Sweet innovation

In line with the five-year strategy to deliver consumer-relevant solutions through innovation, our R&D teams continue to address the growing global demand for healthier products. In order to meet the clear demand for products made with less sugar, Givaudan TasteSolutions™ Sweetness teams focused on creating healthier beverages with reduced sugar that still deliver the taste experience expected by consumers.

Our work in this area is groundbreaking and includes receptor research, sensory understanding, knowledge of how sweeteners perform, and flavours that optimise the sweetness profiles of customers' products. While helping our customers lead the way in bringing healthier products to the marketplace, we are also helping to enable their continued market success.

Ingredient discovery

The Givaudan TasteTrek™ and ChefsCouncil™ programmes are the cornerstones to explore how specific ingredients and complex building blocks can bring new and exciting opportunities to flavourists to create distinctive and differentiated taste solutions.

We undertook a TasteTrek™ in Japan to identify how cooks generate the typical umami taste of the Japanese kitchen. Applying our Natural Product Research capabilities, we isolated and identified novel target ingredients/building blocks which are responsible for the umami perception. One of these ingredients has already received FEMA GRAS approval and has a patent pending.

Held in Hong Kong, the 2010 ChefsCouncil™ generated insight into how chefs use various culinary techniques to generate authenticity and kokumi, which is sometimes described as 'heartiness' or 'mouthfulness'. In 2011, we carried out research to determine the chemical processes and building blocks involved in this perception, and our technologists and flavourists have created new proprietary ingredients and flavour systems which are now in the process of being made commercially available.

We also developed a signature aroma compound, based on grapefruit and pomelo, which was discovered in the ongoing TasteTrek™ Citrus through our relationship with the University of California, Riverside.

Clearly nature and ethnic culinary processes continue to be rich sources of inspiration for Givaudan's Flavour Innovation Portfolio.

We continue to seek new ways to deliver consumers' preferred tastes while reducing reliance on sugar, salt and fat, in keeping with our Health and Wellness Strategy. Among the year's most notable achievements was the first commercialisation of a new artificial sweetness enhancer that provides the 'up front' kick of sugar sweetness, creating a more authentic sugar experience with artificial low-calorie sweeteners. This product has already proved extremely popular with customers.

Mouthfeel is a key element in delivering a satisfying holistic taste experience for consumers. Drawing on Givaudan's strengths in technologies such as fermentation, separation and process reactions, we created during the year a range of unique new ingredients based on dairy products which provide richness, creaminess and butteriness without the fat calories or the presence of proteins normally delivering the desired mouthfeel. These new natural mouthfeel notes have been added to our existing dairy portfolio to provide better holistic solutions to our customers.

Extensive processing of food during the manufacturing process has the potential to reduce the flavour impact, with cereals particularly susceptible to this erosion of authenticity. 2011 saw the development of our proprietary oat grain enhancer, an ingredient that fully restores the flavour of freshly prepared oatmeal in processed foods.

Flavour delivery

Givaudan's PureDelivery™ technology leads the industry, and in 2011 we recorded a series of successes that are further strengthening our reputation, particularly in beverage, confectionery and savoury applications.

For example, we launched our PureDelivery™ UltraSeal™ flavour encapsulation range, which provides fresh and authentic flavour profiles for powdered beverages. Additionally, UltraSeal™ is easy for customers to use and provides high resistance to humidity as an added benefit.

As the high cost of raw materials like coffee, cocoa and other solids continues to put pressures on our customers, we seek to identify ways to reduce the amount of these materials. For instance, PureDelivery™ Pearl 320 provides customers with a cost-effective alternative to coffee, enabling them to reduce the amount of coffee in coffee-flavoured food and beverage applications by as much as 20%, yet still retain fully the desired sensory experience.

As we highlighted in the Half Year Report, our PureDelivery™ Burst technology is allowing customers to create confectionery products with sequential flavour release to bring new excitement and consumer experiences with flavour and taste.

In addition, we have created a thermostable granule that can preserve flavours for instance through the high temperature baking process.

Bringing an end to bitter aftertaste

Our flavour scientists continue to take great strides in making certain foods and beverages more palatable. In 2010, with the collaboration of the German Institute of Human Nutrition, we discovered a molecule that significantly blocks the bitter aftertaste associated with artificial sweeteners such as saccharin and acesulfame K.

Now being incorporated in products with artificial sweeteners, this discovery helps maintain the sweet taste consumers desire but without the bitter aftertaste. By shielding the tongue from bitter substances, it provides us with a synthetic approach to develop taste compounds that block a wide range of bitter tastes – and it is acknowledged as the first edible, commercially suited, bitter taste inhibitor specifically targeting human taste receptors.

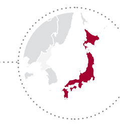
Flavour design

Technology continues to refine and accelerate our approach to ingredient discovery and flavour design.

High throughput screening with proprietary bio-assays enables us to evaluate the potential of a large number of molecules faster than ever before, while the Mini Virtual Aroma Synthesiser™ (MiniVAS), simplifies the flavour tasting process. Known as CardSniff, the latest MiniVAS portable version builds on our proven VAS technology by allowing us to take a range of taste aromas out to customers and consumers. This is a fast and reliable method of evaluating a range of tastes to identify those with the highest appeal.

Finally, we have continued to place greater emphasis on Intellectual Property in order to protect the competitive advantage of Givaudan's products and those of our customers, filing for 17 patent applications covering key technologies in 2011. At the year end, ten patents had been granted. Our reputation for breakthrough innovation was again in evidence, with four Givaudan papers published in peer-reviewed journals.

Japan:



Discovering more about Japanese cuisine

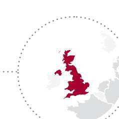
In a global effort to improve health and wellness, the food industry continues to focus on reducing salt and MSG – two ingredients that have historically been the foundation of prepared foods but are no longer acceptable in excessive quantities.

To assist our customers in making food taste delicious without relying on these ingredients, we have built new avenues in natural taste technology. For example, our recent TasteTrek™ Umami led us on an exploration of the scientific basis of Japanese cuisine, which has long been recognised for its use of traditional ingredients to provide taste and taste enhancement. Findings from the Trek have allowed us to rapidly expand our taste ingredients tools and to launch research projects that will enrich our taste ingredient palette over the long term.

Health and Wellness

Over a decade ago, we recognised an emerging consumer trend that has subsequently led to a great demand for healthier food and beverage products. Our commitment to Health and Wellness began at that time and, ever since, we have invested in new ingredient development, sensory methodologies and consumer understanding to assist customers in their product development challenges. Today, we are strongly positioned as a taste leader in the Health and Wellness arena.

In 2011, the Flavour Division launched numerous new TasteSolutions™ products and technologies, particularly in the areas of sweetness enhancement, salt replacement and mouthfeel improvement. A new sweetness enhancer was launched that creates an authentic sugar experience for consumers when artificial, low calorie sweeteners are being used in the end product. Additionally, we developed a Sweetness Curve, a visualisation that helps us assess the challenges of reducing sugar levels, describe the dominance over time of the different off-notes from high intensity sweeteners, and test the performance of our TasteSolutions™ flavours.



UK:

Sensory Science investment: well-being and fragrance

Our Sensory Science teams, have created a new research programme on the scientific theory of well-being. The programme builds on our understanding of fragrance and mood, which states that positive emotions are key drivers of enhanced behavioural outcomes in people and ultimately lead to a heightened state of well-being.

For 2011, our academic partners have included four UK-based universities: the University of Oxford, University of Bristol, Loughborough University and the University of Essex. These valuable partnerships form the cornerstone of our well-being research programme, enhancing the strength of our scientific approach and broadening our knowledge base.

A range of new mouthfeel ingredients was also developed and launched, together with a mouthfeel language and curve. The ingredients provide richness, creaminess and butteriness without the calories from fat, and without the proteins that normally deliver desirable mouthfeel. Sense It™ Mouthfeel, our mouthfeel-specific sensory language, ensures the appropriate description of the flavour, taste and mouthfeel of products while increasing communication across functional groups. The Flavour business remains strategically focused on launching new products and capabilities that enable our customers to reduce levels of sugar, fat and sodium in their products while delivering great taste.

Fragrances have the unique ability to enhance moods by communicating qualities such as freshness, cleanliness and relaxation. During the year, the Fragrance Division launched an in-depth research programme to help customers design products able to affect moods and behaviours, including sleep quality and anxiety.

Less sugar, but no less taste

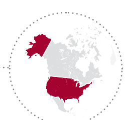
Consumers worldwide are demanding food and beverage products that have reduced amounts of sugar without compromising taste. In 2011, we further developed new natural ingredients designed to help our customers in this effort.

A key element in this initiative is our in-depth understanding of consumer' perceptions of sweeteners. Because people struggle to clearly convey what they taste and smell, we developed a language, called Sense It™, to define aroma, taste and mouthfeel in a universal way. The Sense It™ Sweet language removes subjectivity and helps guide Givaudan flavourists in the creation of new sweetness solutions that more closely satisfy consumer tastes. Sense It™ Sweet has already helped us create consumer-pleasing sweetness solutions for sugar-reduced beverages, milk drinks, yoghurts, ice creams, cereals and baked goods.

Sustainable sourcing of raw materials

The sustainable sourcing of raw materials is one of our five growth strategies as well as being one of the five pillars supporting our Group-wide Sustainability programme. This is explained in detail in our separate Sustainability Report available from March 2012 on www.givaudan.com – [sustainability] – [publications]

USA:



Helping to ensure the future of citrus

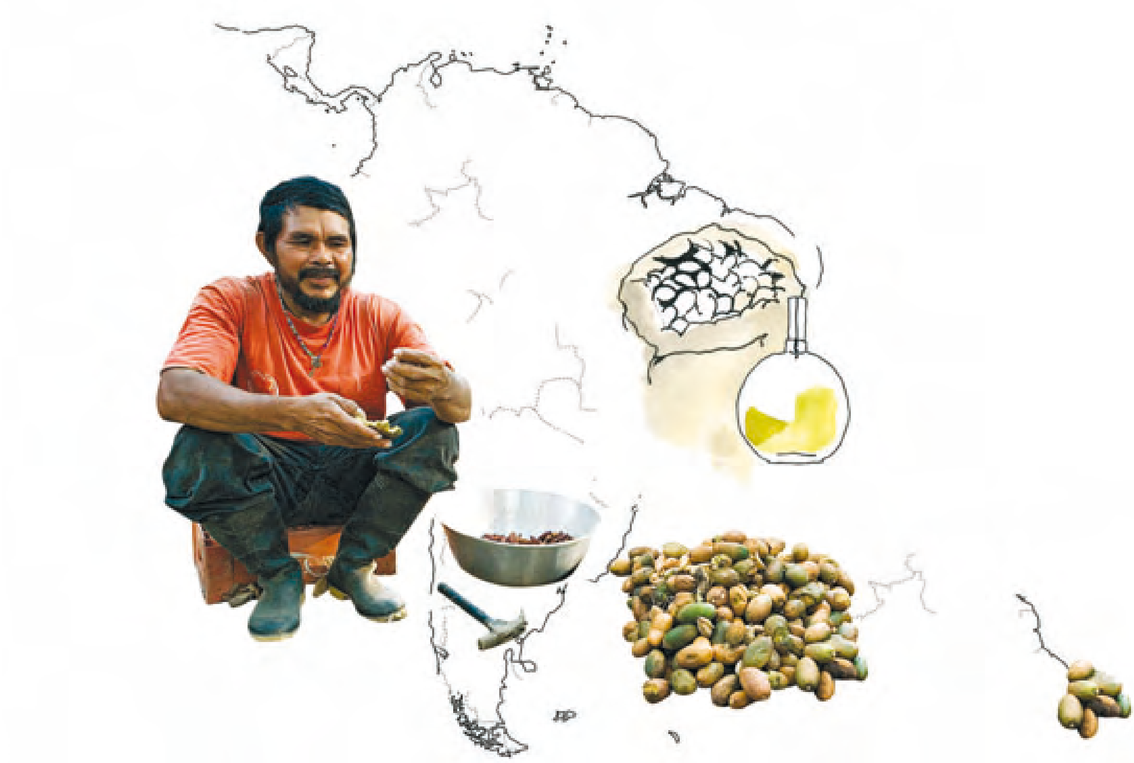
Our Citrus Council is a global team of experts focused entirely on citrus. One of their primary responsibilities is respecting raw material sources and their sustainability, and acting when these sources are threatened.

The Citrus Variety Collection at the University of California, Riverside is one of the world's leading sources of citrus varieties, and includes 2,200 trees representing more than 1,000 accessions of citrus and citrus relatives. Though irreplaceable, the Collection faces critical challenges – and it requires new, reliable streams of financial support for staffing, maintenance, facility improvements, and educational and outreach programmes. We have helped ensure the Collection's future by signing a ten-year collaboration agreement with UCR.

As the world's largest buyer of raw materials in the fragrance and flavour industry, we use more than 10,000 different ingredients sourced from more than 50 countries. We have a clear ethical and commercial responsibility to these supply chains – and this is expressed in our Innovative Naturals programme, through which we are targeting initiatives to ensure the long-term availability of the naturals that we use.

The Innovative Naturals programme benefits Givaudan by enabling security and traceability of supply as well as supporting our drive to discover new naturals that will present creative opportunities to our perfumers and flavourists. But this programme also brings a series of valuable advantages to local communities, by providing additional and stable revenue, protecting the environment and supporting infrastructure projects such as new schools.

We have a number of programmes currently in place, including our vanilla initiative in Madagascar where we continue to work with local villagers and farmers. During 2011, we made substantial progress in improving the vanilla supply chain for quality, control and traceability. We also made advancements in bean curing proprietary processes, and four schools were refurbished or rebuilt, with a further ten scheduled for work in the future.

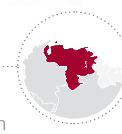


Givaudan has taken an exclusive partnership role in preserving the Citrus Variety Collection at the University of California, Riverside to ensure the future of citrus. In 2011, Givaudan established an endowed chair, to help facilitate the research conducted at the grove (i.e. greening, genetics research), and signed a ten-year collaboration agreement with UCR.

In Laos, we are involved in a project to develop the communities at the centre of benzoin gum extraction. During 2011, we successfully encouraged perfumers to explore the advantages of benzoin. As an example, it is a key constituent of the new Candy by Prada women's fragrance, contributing to the success of the fragrance. This led to increased demand for the gum which, in turn, feeds back into improved opportunities for the local communities.

Ylang Ylang is an important flower for perfumers that grows on Mohéli, the smallest of the Comores Islands in the Indian Ocean. The last 12 months have seen us continue to work with local communities and a local supplier to support them as they strive to improve supply and quality. We financed three new stills and also made good progress in establishing nurseries for the Ylang Ylang trees themselves as well as for trees which will be used for fuel for the distillation process. We are currently developing a vanilla project on Mohéli, building on the success of our existing relationship with the community and the proven benefits of the Ylang Ylang programme.

Venezuela:



Extending our support

Wherever we source raw materials, our team works closely alongside local people to ensure mutual benefit. In November 2011 we signed an extension to our agreement with Conservation International, a non-profit organisation, to protect the environment in the lower Caura Basin area of Venezuela. The new arrangement sees a further 60,000 ha added to the original 88,000 ha of forest in the programme. This will protect more flora and fauna while still enabling the local community to increase its revenue by increasing the output of beans.

Money received for the beans is held in a bank account managed by the community. Funds can be used as a line of interest-free credit to help people buy livestock, seeds or otherwise improve their lives.

Targeted customers and segments

As part of our five-year strategy, we continue focusing on enhancing partnerships with our existing major customers, while also developing those accounts and product categories where we are currently under-represented relative to our industry position. From a strategic standpoint, this will enable us to drive market share in mature as well as developing markets.

We will succeed in reaching this objective by maintaining and further developing our reputation as a true partner for customers: one which brings innovation, consumer insight, marketing understanding and commercial expertise to the relationship in order to provide sustainable flavour and fragrance creations.

During 2011, the Flavour Division again achieved significant growth from that group of customers that is delivering a CAGR that is exceeding the rest of the business by 50%. In particular, important advancements in our TasteSolutions™ programme, notably in taste modulation to enhance sweetness or sodium perception together with improved mouthfeel, had a close fit with our customers' strategies. Large wins with targeted customers in the areas of salt, sweetness and mouthfeel have led to differentiated products in the marketplace.

Inspiring the savoury segment

Through our TasteEssentials™ Beef programme, we anticipate changing consumer tastes and provide customers with exciting beef flavours that inspire new products and opportunities, driving their growth as well as our own.

We have a long history of creating consumer–preferred beef flavours and cost-effective solutions. In 2011, our internal culinary team of chefs and food scientists successfully addressed a number of issues concerning for customers, worldwide. These included: nutritional and health concerns; the increasing demand for convenience products without compromising taste; changes in meat cuts used; the recreation of key elements of local beef dishes for truly authentic products; and the mounting pressure from retailers to provide more information on beef origin.

Flavours achieved accelerated growth in Food Service and captured valuable growth opportunities in Savoury and Beverage platforms. The Health and Wellness arena continues to dominate as a major trend and focus of our customers. Our innovative solutions and ByNature™ natural flavours programmes have been at the heart of a number of key wins, providing customers in the Food Service, Beverage, Savoury and Snack categories with products that are not only healthier but tastier too.

In Fragrances, we continue to see strong growth in the North American consumer marketplace, driven by the expansion of our Strategic Business Unit (SBU) platform. The SBU is focused on high value small- and medium-sized customers and employs a highly efficient commercial model, which allows it to offer superior service at reasonable cost. The result has been consistent double-digit growth in a business segment that was previously not a strategic target.

In Fine Fragrances, our focus remains on two key strategic goals: creating fragrances with sustained success, and growth in developing markets. Our proactive creation programmes deliver sustained success as seen in recent key market launches such as Gucci Guilty. In developing markets, we continue to strengthen our expertise in order to support our clients and capitalise on the growth in these regions, for example by investing in resources and new consumer insight programmes.

Gucci Guilty – global success

Fragrance Superstar of the Year 2011, selected by the Fragrance Foundation, New York, is Gucci Guilty (P&G Prestige in association with Givaudan). This was just one of many awards for Gucci Guilty. The accolades began in November 2010 at the inaugural FiFi® Awards in Dubai, where Gucci Guilty was voted My Favourite Perfume of the Year – Female by consumers.

Other awards in 2011 include Best Women's Scent Prestige at the Cosmetic Executive Women (CEW) Beauty Awards, Best Female Perfume of the Year voted by consumers at the FiFi® Awards in Italy, in Germany and the UK, where it was selected by both the industry and by consumers in the Perfume Shop People's Choice Awards. International success continued at the Atualidade Cosmética Award Ceremony in São Paulo where Gucci Guilty won the Consumers Choice Award in the International Perfumery category – alongside Gucci Guilty for Men which won the masculine title.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08 DEC 2011

Performance

790m
EBITDA
(CHF)

443m
Operating income
(CHF)

2,082m
Sales Flavour Division
(CHF)

1,833m
Sales Fragrance Division
(CHF)

Business performance

Givaudan Group sales totalled CHF 3,915 million, an increase of 5.2% in local currencies and a decline of 7.6% in Swiss francs compared to 2010.

Sales of the Fragrance Division were CHF 1,833 million, an increase of 4.7% in local currencies and a decline of 7.8% in Swiss francs.

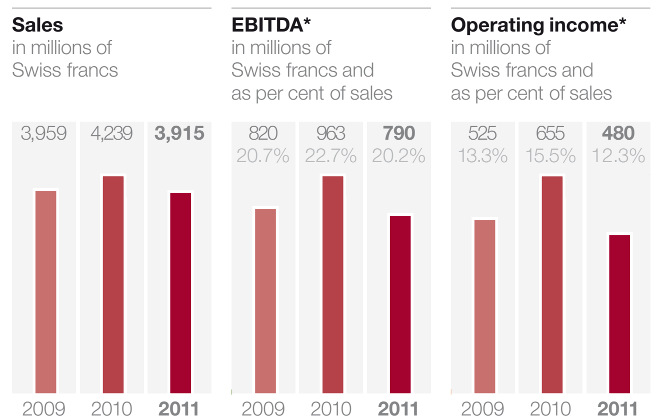
Sales of the Flavour Division were CHF 2,082 million, an increase of 5.7% in local currencies and a decline of 7.5% in Swiss francs compared to 2010.

Gross margin

The gross profit margin decreased to 42.6% from 46.1% 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 of the year.

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

EBITDA declined to CHF 758 million in 2011 from CHF 887 million last year. On a comparable basis, excluding integration and restructuring expenses, EBITDA decreased to CHF 790 million from CHF 963 million reported last year. The continued strengthening of the Swiss franc against all currencies, and in particularly the USD, as well as the increase in raw material costs, significantly impacted absolute levels of EBITDA. When measured in local currency terms, EBITDA on a comparable basis declined by 8.6%. The comparable EBITDA margin was 20.2% in 2011, compared to the 22.7% 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 EBITDA margins.



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

* On a comparable basis.

Operating income

Operating income declined to CHF 443 million from CHF 556 million last year. On a comparable basis, excluding CHF 37 million of integration and restructuring costs, operating income declined to CHF 480 million in 2011 from CHF 655 million in 2010. The operating margin on a comparable basis decreased to 12.3% in 2011 from 15.5% reported last year. When measured in local currency terms, operating income on a comparable basis decreased by 14.4%.

Financial income and expense

Financing costs were CHF 91 million in 2011, down from CHF 93 million in 2010. Other financial expenses, net of income, were CHF 34 million in 2011, versus CHF 26 million in 2010, mainly driven by continued currency volatility.

The Group's income taxes as a percentage of income before taxes were 21% in 2011, versus 22% in 2010.

Net income

Net income decreased to CHF 252 million in 2011 from CHF 340 million in 2010 mainly as a result of the strenghening Swiss franc. This represents 6.4% of sales in 2011, versus 8.0% in 2010. Basic earnings per share decreased to CHF 27.71 in 2011 from CHF 37.87 in the previous year.

Cash flow

Givaudan delivered an operating cash flow of CHF 456 million, down from the CHF 730 million generated for the comparable period in 2010, mainly due to a lower EBITDA and an increase in inventories. Inventories increased due to the higher raw material prices and higher safety stock required during the SAP implementation in Asia. As a percentage of sales, working capital increased, mainly as a result of higher inventory levels. Accounts receivable also increased at the end of the year, as a consequence of the strong sales performance in the last quarter.

Total net investments in property, plant and equipment were CHF 176 million, up from the CHF 105 million incurred in 2010, mainly driven by the investment in the centralised flavour production facility in Hungary. Intangible asset additions were CHF 86 million in 2011, a significant portion of this investment being in the Company's Enterprise Resource Planning (ERP) project based on SAP. Implementation was completed in North America and is on progress in Asia, with the project on track to be completed in June 2012. Operating cash flow after investments was CHF 194 million, down versus the CHF 553 million recorded in 2010. Free cash flow, defined as operating cash flow after investments and interest paid, was CHF 117 million in 2011, down from CHF 437 million in 2010, mainly driven by the lower EBITDA, additional working capital requirements and higher investments in 2011. Free cash flow as a percentage of sales was 3.0%, compared to 10.3% in 2010.

Financial position

Givaudan's financial position remained solid at the end of December 2011. Net debt at December 2011 was CHF 1,453 million, up from CHF 1,353 million at December 2010. At the end of December 2011 the leverage ratio (defined as net debt divided by net debt plus equity) was 29%, compared to 28% at the end of 2010.

Dividend proposal

The Board of Directors of Givaudan will propose to the Annual General Meeting, on 22 March 2012, a cash dividend of CHF 22.00 per share for the financial year 2011. This is the eleventh consecutive dividend increase following Givaudan's listing at the Swiss stock exchange in 2000.

The total amount of this dividend distribution will be made out of reserves for additional paid-in capital which Givaudan shows in its balance sheet as per the end of 2011. Pursuant to Swiss tax legislation, this dividend payment will not be subject to Swiss withholding tax and it will also not be subject to income tax on the level of the individual shareholders who hold the shares as part of their private assets and are resident in Switzerland for tax purposes.

Board of Directors

At the Annual General Meeting on 24 March 2011 Prof. Henner Schierenbeck was re-elected for a term of one year. He will retire from the Board at the Annual General Meeting in 2012, as he will then have served for 12 years as a Board member and Chairman of the Audit Committee. In 2011, Ms Lilian Biner, a Swedish national, was elected as a new Board member for a term of three years.

Short-term outlook

During 2012, the Company will continue to work in close collaboration with its customers to make the necessary adaption of its prices to reflect the sharp increase in input costs. As the Company will complete the roll-out of SAP, it will continue to leverage on this investment through initiatives such as shared services, as well as ensuring that its supply chain is efficient and requires reduced working capital levels.

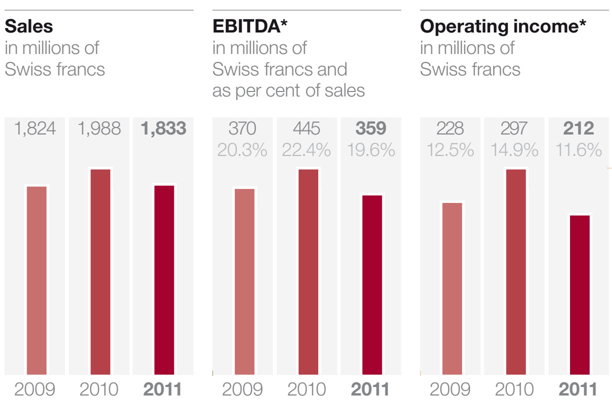
Mid-term guidance

Mid-term, the overall objective is to grow organically between 4.5% and 5.5% per annum, assuming 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 – developing markets, Health and Wellness, market share gains with targeted customers and segments, research and sustainable sourcing – 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.

Fragrance Division

The Fragrance Division recorded sales of CHF 1,833 million, an increase of 4.7% in local currencies and a decline of 7.8% in Swiss francs. After a good sales performance in the first half year, sales continued to show strong growth in the second half, helped by price increases.



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

* On a comparable basis.

The growth was driven by a strong performance in Consumer Products, particularly in the developing markets of Latin America and Asia Pacific.

Total sales for Fragrance compounds (Fine Fragrances and Consumer Products combined) increased 5.3% in local currencies and declined by 7.7% in Swiss francs to CHF 1,587 million from CHF 1,719 million. Fragrance Ingredients sales increased by 0.7% in local currencies.

EBITDA decreased to CHF 351 million from CHF 398 million last year. In comparable terms, EBITDA decreased to CHF 359 million from CHF 445 million reported last year. The EBITDA margin on a comparable basis decreased to 19.6% compared to the 22.4% of last year.

Operating income decreased to CHF 204 million from CHF 239 million last year as higher raw material prices made their impact felt. The operating margin on a comparable basis decreased to 11.6% from 14.9% reported last year. Operating income on a comparable basis was CHF 212 million, below the CHF 297 million reported last year.

Rewriting the rules

Modern perfumery is as much about delivering the scent at the right moment as it is about creating the right smell. Our teams are now taking perfume delivery to a new level by using tiny thin-walled spheres that trap perfume droplets to form microcapsules of pure fragrance. This is later released to deliver a fragrance boost to delight consumers when they use a product.

Known as Mechacaps®, this technology, in combination with free fragrance, effectively rewrites the rules and generates new sensory benefits that are especially effective in fabric care but increasingly in personal care too. For example, we can deliver a citrus freshness (a notoriously delicate scent) that lasts several days on dry fabric, or release a different perfume note by the action of water, temperature or friction, which could be particularly interesting for use in deodorants.

Beijing:

Awakening the senses

When Christian Astuguevieille, a perfume artistic director, wanted to use scent alongside visual, auditory and tactile stimuli to display his work in the French Pavillion at the First Beijing International Design Triennal, he contacted Givaudan.

'Dreamstone' is an artistic installation that was created to awaken the senses; smell, hearing, touch and sight. Unveiled at the National Museum of China to mark the First Beijing International Design Triennial, 'Dreamstone' gave Givaudan perfumer Antoine Maisondieu the opportunity for playful olfactive interpretation of the theme which, as the name suggests, explored the power of the senses to evoke emotion and memories.

The perfume was based on bergamot, thyme, clove, birch, tar and lignum vitae to reflect a concept of smoky Lapsang Souchong tea and warm minerals.

In 2011, further investments were approved to expand the infrastructure in the developing markets. For example, in Moscow the creative and commercial teams moved into new and expanded offices, while in India we added additional floor space to expand the creative and development centre in order to meet the demands of this high-growth market. The year also saw the further expansion of the production capabilities in the fragrance ingredients manufacturing site in Pedro Escobedo, Mexico. In Singapore, a state-of-the-art creative, commercial centre and a high-volume production centre was approved during the year, which should be operational in 2013.

Fine Fragrances

Fine Fragrances sales grew by 0.2% against the very strong comparables of the previous year. The year started with sales in the first half below 2010 levels. However, growth increased in the second half of the year driven by a strong pipeline of new wins across all major customer categories and distribution channels.

Looking at the performance on a regional basis, Latin America delivered the strongest growth, as a result of new wins and volume gains with most customer accounts. In Europe, Africa and the Middle East sales decreased as the new wins were unable to offset business erosion, partially attributed to the re-stocking impact of 2010.

Givaudan's perfumers were again recognised for their creativity, winning an unprecedented range of top awards. Givaudan captured no less than eight out of the 13 fragrance awards at the US FiFi® Award ceremony, including the Consumer's Choice Award for Bombshell by Victoria's Secret. This was repeated in Germany where Givaudan won the majority of awards at the DUFSTAR ceremony.

Givaudan received many accolades for Gucci Guilty by Gucci, which was honoured at four of the events; the FiFi® in New York and the CEW Beauty Awards, the FiFi® Awards in the UK, and at the German FiFi®, the DUFSTAR Awards.

New launches in 2011 created by our team and clients include:

Women's fragrances	Men's fragrances
Belcorp Vehemence For Her	**Belcorp** Vehemence For Him
Elizabeth Arden Taylor Swift Wonderstruck	**Boticario** Coffee Man Seduction
Estée Lauder Tom Ford Violet Blonde	**Clarins** Decibel
L.V.M.H. Madly Kenzo	**Elizabeth Arden** John Varvatos Star USA
Mast Global Signature Be Enchanted Signature Coconut Lime Breeze Victoria's Secret Gorgeous Victoria's Secret Angel	**Natura** Kaiak Aventura Expedicoes Sintonia Noite
Natura Amo Xodo	**Procter & Gamble** Boss Orange Eau De Lacoste L.12.12 Blanc Eau De Lacoste L.12.12 Vert Gucci Guilty Homme
Parlux Rihanna Reb'l Fleur	
Puig Prada Candy	

Consumer Products

Sales for the Consumer Products business unit increased by 6.9% in local currencies against last year's high comparables. This increase was across all customer groups as well as all regions. Sales in developing markets grew faster than sales in mature markets.

Asia Pacific reported strong growth led by international customers, especially in the fabric care segment, with China, Indonesia and Vietnam recording the strongest increases. All customer groups contributed to the growth in Latin America, with an excellent performance in Mexico. In Europe, Africa and the Middle East, sales increased across all customer segments, particularly in the developing markets. In North America, sales growth was driven by local and regional customers, with a double-digit increase in both fabric care and home care.

On a segment basis, sales in the fabric care and oral care achieved double-digit growth. Home care sales also rose, especially in Asia Pacific, while personal care sales were flat despite the good performance in the hair care and deodorant categories.

Stars of the industry

The artistry of Givaudan, its people and creations were acknowledged through a series of individual awards during 2011.

(untitled) by Maison Martin Margiela Parfums, created by Daniela Andrier, was the FIFI® Awards 2011 'Perfume Extraordinaire of the Year' winner, a prestigious accolade to Givaudan and L'Oreal Luxe that applauds extraordinary, visionary olfactory creations.

Perfumer Olivier Pescheux was honoured with the Prix International du Parfum, a prestigious award given by the François Coty Association in Paris. Sid Shah, Head of Internet Technology and Innovation at Givaudan, was named a Rising Star in the Beauty Industry by Fashion Group International (FGI) in New York for his work behind the fragrance recommendation app iPerfumer which helps people make the right perfume choices. The achievements of Cosimo Policastro, our Executive Vice President, Fine Fragrances North America, were recognised at the Beyond Beauty Gala in New York. In accepting his award on behalf of the Company, Cosimo Policastro praised the culture at Givaudan, saying: "Givaudan is a company that cares. A company comprised of people who are passionate about their contribution to our industry."

Moving freshness to new levels

How do you provide long-lasting fragrant freshness that lasts and works better the more you move about? Givaudan's technology teams rose to this challenge by; combining an initial microcapsule – which releases the fragrance contained within it when it comes in contact with perspiration – with a second microcapsule that bursts as the result of friction when body moves about. The first technology is already often used in deodorants, but the second was originally used in food products by the Flavour Division. Working closely together the Fragrance and Flavour teams adapted the technology to suit antiperspirants across a range of product formats such as; aerosols, roll-ons and sticks. The teams then worked with perfumery to develop a fragrance that not only performed in the microencapsulate but won with consumers by delivering the right, fresh, clean smelling result.

Fragrance Ingredients

Sales in Fragrance Ingredients increased 0.7% in local currencies. Price increases in all product categories compensated for the decline in volume, compared to the previous year. Sales of specialities showed a modest growth while the remaining product categories recorded slight declines in sales. The performance was mainly dampened towards the end of year, partially driven by destocking.

A novel fragrance ingredient, Paradisamide™ – a long-lasting, fresh tropical fruit note – was launched on the market early this year and had a positive impact on sales.

The fragrance ingredients unit on the Naarden site in the Netherlands ceased production at the end of December 2011. Further investments in reaction and distillation capacities have been made in the ingredients manufacturing plant at Pedro Escobedo in Mexico, and they are expected to be fully operational early in 2012.

Research and Development

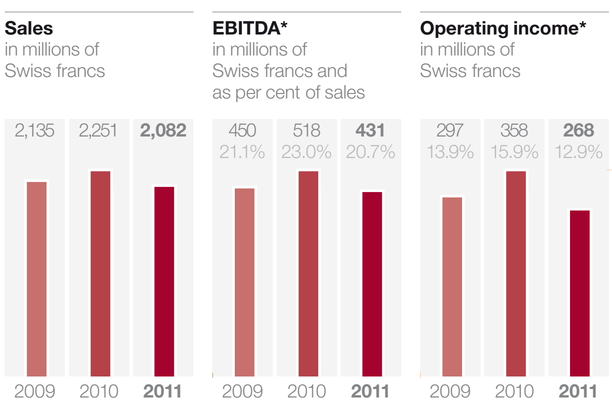
Research and development is the growth engine of the Fragrance Division, driving our performance by creating the outstanding materials in our palette and transforming them into differentiated perfumes that win the hearts and minds of consumers everywhere.

Our R&D expertise is delivered by the extensive capabilities of industry-leading teams based in locations worldwide. These teams, which are organised by market segment, comprise local evaluation experts who work close to consumers at a regional level. They are supported by dedicated local development resources and enabled by our skilled perfumers who operate on a global basis.

During the year, we invested CHF 151 million in fragrance R&D. That sum is more than any other comparable organisation and it has provided the springboard for a number of important developments across our three pillars of activity: Well-being; Hygiene; and Delight. The year saw notable advances in all three areas, and details can be found on page 18-21 of this Report.

Flavour Division

The Flavour Division reported sales of CHF 2,082 million, a growth of 5.7% in local currencies and a decline of 7.5% in Swiss francs.



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

* On a comparable basis.

The developing markets increased at near double-digit growth over 2010 while the mature markets delivered above average growth despite the unfavourable economic conditions. All major segments grew favourably with Beverage, Savoury and Snacks leading the way. The strategic pillars in the Flavour Division achieved strong growth with emphasis on expanding the developing markets, implementing key Health and Wellness programmes, gaining market share with targeted customers, and providing strategic solutions to the Food Service industry.

EBITDA decreased to CHF 407 million from CHF 489 million last year. The comparable EBITDA decreased to CHF 431 million from CHF 518 million reported last year. The comparable EBITDA margin decreased to 20.7% in 2011 from 23.0% in 2010.

Operating income declined to CHF 239 million from CHF 317 million last year. The operating margin on a comparable basis decreased to 12.9% from 15.9% reported last year. On a comparable basis, operating income was CHF 268 million, below the CHF 358 million reported last year.

Throughout all regions and segments, the Flavour Division worked closely with its customers on growth and innovation opportunities. In Health and Wellness applications, the division continued its successful commercialisation of sweetness and salt replacement solutions, translating into a double-digit growth rate.

Identifying key global trends

The food and beverage world is constantly searching for the next great flavours to excite consumers. Although flavour forecasts exist, they tend to disappoint – real knowledge requires a highly detailed study of how key global trends interconnect and how they come together to drive consumer behaviour.

During the year we reconstructed our FlavourVision™ programme, creating our most extensive global trend studies to date. Following 16 weeks of research involving extensive global data, reports and experts, we identified four Megatrends and 15 Microtrends. Exclusively available from Givaudan, the findings act like a GPS for flavour direction – a treasure trove that manufacturers can exploit in order to identify flavours relevant to their brands and consumer targets.

Asia Pacific

Sales in Asia Pacific achieved a 10.5% growth in local currencies, a solid performance on top of a double-digit prior year comparables. The developing markets of China, India and Vietnam recorded double-digit gains while Indonesia delivered a high single-digit increase. Sales in the mature markets escalated as well with solid growth in Japan and Oceania. Givaudan's global footprint was able to react quickly to support Japanese customers' needs following the earthquake and tsunami in March.

Progress was well balanced across all segments as strong new wins complemented the established business growth with gains coming from Beverage, Dairy, Snacks and Savoury. The region delivered double-digit growth in the divisional strategic growth pillars, with strong emphasis in Food Service and Health and Wellness sales.

To support growth momentum in India, Givaudan is working to expand the technical centre that will house expanded flavour creation, application and innovation capabilities to service the fast-growing flavour and taste opportunities in the Indian marketplace.

Indonesia:

Understanding jasmine

Tea continues to account for a growing portion of beverage sales worldwide. Some of the most popular tea comes from Indonesia and is infused with a combination of two delicate jasmine aromas. To understand these aromas, our Asia Pacific beverage team and our local Indonesian team joined forces to study jasmine flowers, the source of the key aromas when mixed with tea leaves.

Since the scent of the closed flower is non-existent, the team waited patiently until early evening when the flowers open and are most pungent. Using our proprietary headspace capture system, the team captured the amazing aromas and brought them back to the laboratory where they are now inspiring a new generation of customer products.

Europe, Africa, Middle East (EAME)

Sales increased 5.0% in local currencies despite the ongoing difficult economic environment in the region. The developing markets of Africa, Middle East and Russia achieved high single-digit growth. The mature markets increased with gains mainly coming from Germany, Ireland, the UK and Spain.

The region recorded expansion across all segments with Savoury and Snacks leading the way. Growth was attributed both to new wins as well as growth of the established business. The strategic pillars of Health and Wellness, Food Service and Targeted Customers delivered double-digit growth. Consumer research around naturals was the key driver to the success for the ByNature™ natural flavour programme which led to strong gains in Eastern and Western Europe markets.

The region is in the final stages of completing the construction of the new centralised savoury production facility. This state-of-the-art manufacturing site is located in Makó, Hungary, close to the fast-growing developing markets of Eastern Europe.

Culinary fluency

In 2011, our longstanding commitment to culinary discovery is once again recognised as being essential to delivering novel, authentic, and modern flavours for our customers' products.

Applying culinary expertise to the knowledge bank of key ingredients and cooking techniques accumulated over ten years of our TasteTrek™ and CulinaryTrek™ programmes, we continued to expand our consumer understanding and help customers develop consumer-relevant products and authentic tastes. In addition, the chefs serving on our ChefsCouncil™ provided 'chef-to-shelf translation' expertise to link high-end cuisine to customers' products. Such demonstrations of our industry-leading culinary fluency not only inspire concepts for customers' brands, but also serve as the foundation for strong and ongoing relationships.

North America

Sales increased 1.4% in local currencies despite high prior year comparables and the continued economic uncertainty in the region. Volumes continue to be depressed, with the main gains coming from new wins in Beverages and Snacks. The strategic pillar of Food Service contributed strongly with double-digit gains as a result of new wins in the Beverage and Dairy segments while Health and Wellness continued its growth trend against high comparables.

Latin America

Sales improved 7.1% in local currencies against high prior year comparables, with strong growth coming in the fourth quarter of the year. Argentina and Chile recorded double-digit gains, supported by the expansion of the established business and new win revenue, while Brazil and Mexico improved based on new wins in targeted customers and segments. Expansion across all segments was realised with strength coming from Beverages, Snacks and Sweet Goods segments. The strategic pillar of Health and Wellness gained significantly as key customers focused on sweetness enhancement.

An expansion of the production site in Argentina is being implemented to accelerate growth in the beverage category. The expanded spray drying capacity is expected to be completed in mid-2012

Research and Development

Scientific innovation is a cornerstone for the continued growth and commercial success of the Flavour Division. Through the creativity, technical expertise and scientific know-how of our R&D teams, we develop the high-performing flavour systems which create wins in the market for our customers and taste experiences for consumers.

Our R&D efforts build on a well-balanced capability that not only supports our core business through our TasteSolutions™ and TasteEssentials™ initiatives, but also our work in areas of strategic importance, in line with our business strategy. We focus on developing evolutionary, transformative and disruptive innovations to sharpen and maintain our competitive edge, resulting in our reputation as the leading innovator in the industry.

Even in difficult economic times, we continue to believe passionately in the value of innovation in developing novel solutions for our customers and positioning our Company for the upturn. In 2011, we invested CHF 143 million in R&D; the fruits of this investment were extensive and are reported on in detail on pages 22-25.

Brazil:

Building our knowledge

In May 2011, a team from Givaudan Flavours in Brazil journeyed to the Fazenda Boa Esperança coffee plantation near São Paulo, Brazil to immerse themselves in the world of coffee and to build their expertise for Givaudan customers worldwide.

This large plantation offers numerous coffee varieties, including catuai, catucai, obata, bourbon, tupi, and novo mundo. Tasting, smelling and understanding the differences in flavour profiles and growing processes of these coffee varieties are key to our flavourists' ability to create inspiring ideas for customers who are thinking of launching new coffee-based beverages. The team also spent time with a master barista to learn the secrets behind a superb espresso.

Sustainable business model

8,913
Employees

Gender split
63% Males
37% Females

-13%
CO_2 Emissions (Kg/Tonne)

2011 vs 2009 baseline
CO_2 Scope 1 and 2

-36%
in Lost Time Injury Rate in 2011 at our manufacturing sites

Sustainable business model

Sustainability is at the core of Givaudan's commitment to maintain and expand a business that delivers long-term benefits to all stakeholders.

An overarching framework guides our sustainability principles and enables activities that range from supporting fair trade, ethical sourcing and community engagement, to the installation of energy efficient technologies. Our Sustainability programme ensures we effectively address business challenges that evolve from economic, environmental and social circumstances.

Driven by extensive efforts to address the concerns and interests of our key stakeholders, our Sustainability programme is expressed through five pillars. These pillars are explored further in our annual Sustainability Report, next published in March 2012 to report on progress made in 2011.

Currently, this section of the Annual Report provides details on areas such as Compliance, Risk Management and Regulatory matters. In future years we will combine sustainability reporting into this section to deliver one comprehensive document.

Asia:

Demonstrating our strengths in Asia

In October 2011, 25 investors took part in a one-week tour of Asia to understand more about Givaudan's creation, technology and production centres in the region. In Shanghai and Singapore, our management team gave the investors an insight into the fast-growing Chinese and other Asian markets. Local flavours and smells were experienced in our labs and in a field tour in the tea region of Hangzhou.

As recently as 2000, Asia represented only 18% of our sales. Today, we have more than one billion Swiss francs of sales in this region, resulting in a quarter of revenues, and almost half of our nominal growth stems from Asia. Emerging markets as a total already account for 42% of our sales, growing three to four times faster than the mature markets.

Compliance

As the industry leader, Givaudan is committed to adhering to high ethical standards in business conduct. We will comply with all applicable laws and regulations in our relations with customers, suppliers, shareholders, employees, competitors, government agencies and the communities in which we work.

This commitment is enshrined in our Principles of Business Conduct and is accompanied by a system of internal policies, procedures and guidelines, and overseen by a multilayered compliance organisation.

The Principles of Business Conduct can be viewed on our website **www.givaudan.com** – [our company] – [corporate governance] –[rules and policies]

Organisation and processes

Givaudan recognises different aspects of compliance, from general compliance to specialised areas such as product safety compliance or environment, health and safety. For these specialised areas, compliance is assured by specific corporate functions, including the regulatory product safety team (Regulatory) and the environment, health and safety team (EHS). The general compliance team assures compliance with the Principles of Business Conduct and general ethical rules and coordinates with the different specialised compliance functions to ensure a harmonised system. The Corporate Compliance Officer works with a network of local compliance officers to further enhance our compliance function.

Focus 2011

As indicated in last year's Report, we successfully launched a new compliance e-training programme in 2011. The programme focuses on our Principles of Business Conduct and is being rolled out across the Company. It includes modules on anti-corruption as well as gifts and entertainment, areas which have been under the spotlight in recent times.

The Executive Committee has also passed a policy on Anti-Corruption, Gifts, Entertainment and Hospitality to supplement our existing principles, which were already based on the OECD recommendations, and to address changes in the legal landscape, including the 2010 UK Bribery Act, which came into force. We are implementing the policy worldwide.

To round off our compliance programme, we have a well-established helpline in our US business, and this was extended during 2011 to Australia and New Zealand. Further global expansion is planned for 2012. The helpline, which, depending on the jurisdiction, may allow confidential, and sometimes even anonymous, reporting of alleged compliance incidents, complements our regular reporting processes which remain focused on line managers and local and corporate compliance officers.

Shareholders

From its spin-off in 2000 to the end of 2011, Givaudan has created almost CHF 5 billion in value for shareholders in the form of dividend payments and share price appreciation.

We adhere to good corporate governance, following best practices consistent with those of major industrial countries. In particular, all information published in our Annual Report complies with both the Swiss Code of Best Practice for Corporate Governance and the SIX Corporate Governance Guidelines. For more information please refer to the separate section on Corporate Governance.

Informing different stakeholders in a timely and responsible way is of key importance to ensure transparency and equal treatment. Through media releases, teleconferences and publications on our website, we disseminate material information about performance and activities widely and simultaneously.

The principles of Givaudan's disclosure and information policy can be found on: **www.givaudan.com** – [our company] – [corporate governance] – [rules and policies]

At the close of 2011, Givaudan had 18,134 shareholders listed in the share register, owning 61.3% of the share capital. The top 20 shareholders, including nominees and funds, represent around 42.2% of the share capital. With few changes to last year's figures, approximately 40% of the shareholders are based in North America.

In 2011, the management team conducted over 30 road shows, maintaining the high level of activity seen in 2010. We added Brazil to the roadshow roster in 2010, and China followed suit in 2011. In the future, the Company will expand its activities into developing countries. In 2011, we met existing and potential shareholders in 29 financial centres. Thirty-nine Group presentations and conferences were held, attracting a total of more than 1,200 participants. Over 400 individual meetings and conference calls with fund managers globally contributed to improved awareness about Givaudan. In order to inform the financial community directly, we organised two conference calls to provide more details about the full and half year results. Together, they attracted 282 participants. Furthermore, 12 visits to Givaudan sites globally with a total of 90 participants, mainly fund managers, were organised to provide an in-depth view of activities. This year's site visit programme included a two-day investor event in Shanghai and Singapore, where 25 sell-side analysts and fund managers learnt about the promising future of the Asian markets.

In our first investor relations programme for China, in April 2011 we organised a site visit and local management presentations in Shanghai for investors in Hong Kong, Shanghai and Beijing. The event was attended by 18 fund managers.

For the fifth time, Givaudan organised a year-end presentation in the perfumery school in Paris.

The complete agenda of forthcoming events for shareholders is published on: **www.givaudan.com** – [investors] – [investor calendar]

Customers

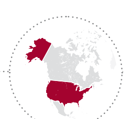
In 2011, the top ten customers per division accounted for about 55% of Fragrance sales and 30% of Flavour sales. Our customers are among the most successful consumer products manufacturers and Food Service operators. Our success with them is based on our knowledge and innovation, adherence to the highest professional standards and our record as a consistently reliable business partner.

Givaudan serves its global, regional and local customers around the world through a network of more than 40 subsidiaries and a world-spanning supply chain. One of the key aspects of Givaudan's global internal policies and practices is the commitment to maintain strict confidentiality on proprietary customer information and customer projects, as well as to fully protect their intellectual property.

We work in partnership with our customers to ensure that our Fragrance and Flavour creations engage consumers around the world. Being a key partner and adviser to global brands is an important factor for sustaining Givaudan in the long term, so we invest in the expertise that will strengthen these relationships. For example, our discovery programmes, in both Fragrance and Flavour research and consumer understanding, benefit brands that lead in their respective markets. Also, our extensive regulatory expertise is a significant added value that we offer our customers.

Our people provide a commitment to service that is vital for the sustainability of our strong customer relationships. Our Perfumery and Flavourist teams are the largest in the industry. Their talents extend across all product categories to deliver the unmatched creativity and innovation needed to remain at the leading edge of today's market. This can only be achieved by knowing our customers, their markets and brands, while constantly challenging ourselves to exceed their expectations.

USA:



Looking after our people

We value the health and well-being of each employee. In 2011, our North American business launched its 'Healthy Options' Wellness programme. This initiative provides strategic educational programmes and fitness activities to support improvements in employee health, leading to heightened personal performance and savings in overall health care. The new multi-tiered programme has a variety of offerings and incentives including: personal health surveys; biometric screenings; targeted interventions based on health risk factors (tobacco cessation, weight reduction, stress management); health coaching triage for risk reduction and disease management; and age-appropriate annual preventive exams.

Each location has an appointed Wellness Team of employees dedicated to successfully driving well-being messages and encouraging healthy lifestyle changes. Early reactions have been positive with voluntary participation rates near 70%.

Asia:

Building our future talent

As the Company drives for growth in the emerging markets, we must ensure that we have the right talent in place to deliver our long-term strategy.

The year saw renewed focus on attracting and retaining high-quality employees in Asia Pacific. Part of this strategy was to launch a new Management Trainee Programme in Asia Pacific. Six graduate trainees were recruited from schools in Shanghai, Singapore and Mumbai, and they are now following a two-year programme that comprises four placements, each of six months in duration, across both divisions.

We received positive feedback from all trainees regarding their personal growth, professional development and career progression. Plans are now in place for the next intake of trainees.

Our people

2011 has been a year of progress for our Human Resources (HR) team. We have continued the good work of recent years, executing against the strategy we established in 2008, while shaping our organisation to ensure that we have the right resources and processes in place to underpin the Company's drive for growth.

Our employees are at the heart of the Givaudan strategy and the role of HR is to act as a valued strategic business partner, provide high-quality industry-leading services and manage programmes to sustain the Company's leading performance. Long-term success is achieved by developing, challenging and rewarding our people to foster a performance-driven culture that also promotes respect, openness and diversity.

Evolving our organisation

Three groups form the core of the HR organisation: HR Business Partners, HR Country Organisations and HR Centres of Expertise. Each of these groups plays a critical role in efficiently and effectively delivering our suite of services.

In 2011, we continued to embed HR Business Partners deeper into the organisation, while our Country HR teams, the backbone of our organisation, continue to provide the highest level of delivery and support to the business. Over the past year, we have expanded our Centres of Expertise (CoE) to engage in key areas of focus. Our newly revised CoE organisation now consists of Talent Management, Talent Acquisition, Learning and Development, Compensation, Benefits, HR Process and Technology, and Communication.

We are confident that this evolution of our HR organisation is providing incremental value to the business. It will help us implement our HR strategy and enable high performance across all three HR groups.

Championing talent

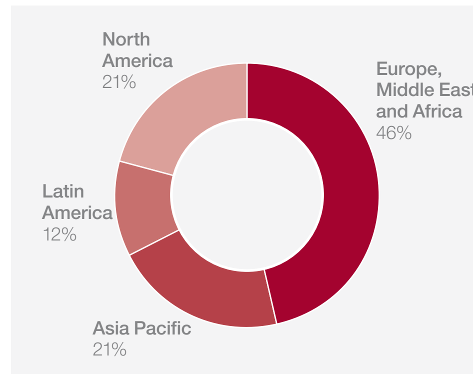
Aligned to the belief that our people are at the heart of Givaudan's strategy, we want to be recognised as a company that is an agile learning organisation. Givaudan positions itself as a company that not only attracts and retains the best talent, but also champions talent at every stage, from acquisition to training, development and career management.

For example, our Talent Management Programme, which develops our employees to provide long-term succession planning, is linked to our business strategy while supporting the individual's career management.

In 2011, we again gathered knowledge from processes such as the annual performance management review in order to assess how we can best match individuals' skills and ambitions to the current and future needs of the Company. As part of this process, we launched an employee profile tool on our intranet. Our employees now have the opportunity to quickly and easily set out their career aspirations and circumstances using an online tool. This data will be an important addition to the information we consider as part of our talent management process.

The e-Recruitment initiative we announced in last year's Report has continued to deliver excellent value. Through the careers section of our website, we have improved awareness of vacant positions and engaged with internal and external talent pools.

Employees per region
%



USA:

Supporting talent through mentoring

In the USA, we piloted mentoring programmes to identify, develop and engage high performing employees. By matching mentee development needs with mentor strengths in pairs that worked across business units, we leveraged the talent and skills of our senior leaders to engage our more junior high performers, while exposing the mentoring pairs to different parts of the business.

The mentoring programmes provided us with greater visibility to our employee talent, gave our experienced senior leaders a platform to grow their mentoring talents, as well as connect with emerging talent. Above all, the programme clearly demonstrated Givaudan's commitment to supporting and developing our talent.

Head count development by region	Number of employees 31.12.2011	%	Number of employees 31.12.2010	%	Change from 2010 to 2011 %
Switzerland	1,546	17	1,552	18	(0.4)
Other Europe, Africa, Middle East	2,611	29	2,432	28	7.4
Asia Pacific	1,875	21	1,790	21	4.7
Latin America	1,037	12	979	11	5.9
North America	1,844	21	1,866	22	(1.2)
Total	**8,913**	**100**	**8,619**	**100**	**3.4**

Staff turnover by region	2011	Turnover rate %	2010	Turnover rate %
Asia Pacific	196	10.1	193	10.5
Europe, Middle East and Africa	423	9.6	417	9.8
Latin America	125	12.0	123	12.4
North America	184	10.0	152	8.1
Total	**928**	**10.0**	**885**	**9.9**

Supporting diversity

At Givaudan we have a long and successful history of focusing on our internal talent and bringing together people from different backgrounds. Towards the end of 2010, we launched our Diversity positioning statement which confirmed our commitment to sustaining a diverse and inclusive workforce.

During 2011, we carried out a range of activities to further underline this commitment. As one of our key targets is to increase the representation of females in senior leadership positions, we interviewed more than 50 female Givaudan employees and senior leaders globally to gather their insights and perspectives. Their input gave us a better understanding of what we do well and also highlighted areas for development. Our findings included: Givaudan is seen to be a good place to work, with respondents believing that they are supported positively by managers; senior leaders believe that greater gender diversity at senior levels will positively impact the business; we can build on the current skills development opportunities we have in place for advancement to senior roles; greater visibility is needed around how Givaudan supports career progression; and more opportunity for achieving work-life balance can have a positive impact on all employees.

Our response to this feedback has led to a number of actions taking place or being initiated. For example, we have established a 'Diversity Sounding Board', made up of senior leaders from across our organisation. This group provides guidance and a balanced business perspective as we continue to evolve our current practices in managing diverse teams. We are also working on projects related to career visibility, talent management and work-life balance.

Suppliers

Givaudan is the largest buyer of ingredients in the global Fragrance and Flavour industry. Our purchasing activities carry significant influence due to our high purchasing volume and the large number of ingredients we buy (10,000 ingredients). We therefore recognise our impact on industry supply chains. Reliable suppliers and continuous supply are essential to our sustainability as a business and we acknowledge the importance of responsible investment in order to ensure future availability of ingredients.

As referred to in the Chief Executive's review on pages 10-13, during 2011 the price of raw materials rose to unprecedented levels due to supply restrictions and volatility. At the same time, we have been coming to terms with the fallout from the extreme destocking and restocking that we saw in 2009 and 2010.

The Company has implemented four initiatives to address the issues of price inflation and supply volatility that will also help us to meet our sustainability aspirations.

By building our own sourcing and manufacturing network, we will make further progress against our objectives of reducing price volatility. Innovative Naturals, our ethical sourcing programme, includes a range of initiatives relating to materials such as vanilla, orange oil and vetiver.

This is explained in more detail in our Sustainability Report, which is available from March 2012 on our website at **www.givaudan.com** – [sustainability] – [publications]

As the industry leader, we also have access to sophisticated technology that we can leverage in order to exploit new and innovative ways of creating materials by alternative means. For example, through a partnership with Amyris, we are developing an alternative sustainable base material for one of our largest manufactured chemical specialities.

Long-term purchasing strategies and alliances are also vital to support our future business. We have forged long-term partnerships with two of the world's largest chemical companies in order to bring stable pricing and supply to the way in which we procure glycols and large aroma chemicals.

Finally, we have a financial hedging strategy in place to help mitigate our risks. This includes, for example, a crude oil indexed price arrangement with our leading supplier. We have also implemented a strategy to maintain a minimum rolling inventory of key materials as well as taking long positions with key strategic materials.

Supply chain

Every year, we purchase thousands of tons of materials from suppliers around the world – and we ship our wide range of products to customers in all regions.

With our SAP deployment nearing completion, the Executive Committee approved a Supply Chain initiative as a key project that embraces both divisions and is integral to the long-term sustainability of Givaudan's business.

The Supply Chain initiative will increase global transparency, improve integrated processes and leverage our SAP platform.

In 2011, we established the global project plan, roadmap and key milestones. We also staffed the new Global Supply Chain team composed of experts for both the Flavour and Fragrance Divisions.

Building on the significant work accomplished to date, the Supply Chain programme will accelerate during 2012. We will deploy initiatives which will enhance supply and demand processes, Sales & Operations Planning (S&OP), risk management, inventory strategies and cross functional performance measurement to support the Givaudan strategy.

This will contribute to further improve customer service and optimise total supply chain costs and working capital. We anticipate that the benefits of the project will materialise towards the end of 2012 and throughout 2013.

Information technology

In 2011, we further extended the deployment of the Outlook solution, our ERP system based on SAP. This has continued to be a major activity for the Company as a whole and in particular, for our Information Technology group.

The major achievements of the year included the completion of the roll-out of SAP/Outlook across the Flavour Division in North America, representing seven locations and around 1,400 users. In our Europe, Middle East and Africa region we finalised work in the UK, with the implementation of SAP in both the Milton Keynes and Staines sites, resulting in a single simplified setup. The plant at Makó in Hungary has also been the focus for important system preparation prior to next year's implementation. Finally, Outlook went live in the Asia Pacific region: an initial wave that included Singapore, Indonesia and Thailand was completed in September, adding around 400 users to the overall community. The go-live and subsequent stabilisation have been carried out in a very short period of time and with minimum disruption to the business.

In total, we have added close to 2,000 users to the Outlook solution, which takes the number of users of SAP to around 7,100 worldwide. For 2012, we are on target to complete the programme. This will comprise the remaining two waves in Asia Pacific (namely the sites in China, India, Australia, Japan and South Korea) as well as work in Hungary and South Africa.

The last 12 months have also seen early progress in evolving the IT organisation towards a model that will efficiently support the SAP platform. This process will be further defined and implemented during the first half of next year to coincide with full implementation of Outlook, ensuring a seamless transition.

In addition to our work on Outlook, the IT teams continued to enhance the solutions supporting Research, Creation, Sales and Marketing. For example, we carried out several projects to deliver best-in-class tools in the areas of pricing and brief management. Notably, we focused on delivering a strong and integrated corporate business intelligence platform, providing dynamic performance indicators to management. We continued to enable innovation across our organisation launching a social networking and collaboration platform that is initially targeted on enhancing interactivity across the global research, product development and marketing disciplines.

Environment, Health and Safety (EHS)

The health and safety of Givaudan's people and the protection of the environment lie at the heart of the Company's approach to business.

Developed in 2010, the global EHS strategy entered its execution phase in 2011. Our global EHS network collaborated to shape and execute a three-year action plan – aimed at ensuring the Company continues to innovate and perform without compromising the safety of our people, products, assets and the environment. We have formed a global EHS steering committee, composed of diverse representatives of our business, with the mandate to guide, advise, and support the EHS teams during the execution of their plans.

The EHS organisation continued to be reinforced in 2011. Our global experts apply their know-how to support local teams in the areas of safety, hazardous materials, dangerous goods, reporting, auditing and change management.

During 2011, we focused on five major themes:

Behavioural-based safety

First introduced in 2010, SafeStart™ training is the foundation to promote a safety culture by raising awareness of safety among employees. This long-term programme will be fully rolled out by the end of 2012, by which time every employee will have been directly trained in the practical and consistent safety behaviours applicable at work, home or on the road.

In 2011, a key focus was on harmonising our approach to safety performance by setting targets for each site worldwide in alignment with and contributing to our global objective of less than one accident involving a lost time injury per 1,000 employees by 2020. In addition to the roll-out of the SafeStart™ training, local action plans have been developed to ensure those targets can be met. With the implementation of our new global EHS reporting system, we can monitor incidents on a daily basis around the world. This enables a rapid response to all incidents and allows a sharing of key learnings from events around the globe, improving local incident prevention programmes. All this together contributes to continuously strengthening our safety culture.

UK:

Creating a culture of safety

Our teams work hard to make sure that safety is ingrained into Givaudan's culture. In 2011, we organised a wide range of special days and other initiatives designed to keep safety at the front of everybody's minds, in line with our behavioural-based programme 'Zero is Possible'.

For example, at Ashford in the UK we involved as many people as possible in an EHS Day that used a series of fun activities to get the message across. The events, which included everything from bicycle challenges and defensive car driving to talks on ladder safety, safe gardening and visits by the external emergency services, were attended by 130 people.

In 2010, our behavioural based safety programme called 'Zero is Possible' led to a 16% reduction in the rate of lost time injuries. In 2011, we recorded an even greater decrease as the rate fell a further 36%. We recognise that safety is a never-ending journey and we will not be complacent in any regard, but it is nevertheless pleasing to report such a significant improvement in performance again in 2011.

EHS audits

We have continued our programme of audits in order to ensure a full 360-degree view of Givaudan's EHS-related activities. Two different types of audits are carried out, the first by a global independent third party firm undertaken at every site to make sure that we comply with local regulations and that our systems in place are effective, comparing our performance to industry standards and best practices. The programme to audit all operational locations, started in 2010, will be finalised by mid-2012. The second type of audit is the on-going assessment of our property, environmental, and product liabilities by our insurers. The audit findings and recommendations to improve the protection level of our installations and our follow-up actions have allowed us to further reduce our exposure to major risks. A new internal audit tracking tool is under development that will allow us to better manage the audit outcomes and measure our audit performances.

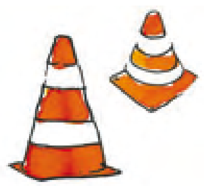
Corporate EHS directives

A complete set of internal EHS directives is one of the major initiatives of the EHS strategy. Towards the end of 2011 we finalised all eight directives, each of which has a subset of practical guidelines and tools. These directives, guidelines and tools have been developed to ensure ease of application across our business by keeping them practical, easily understood and supporting best practices in the EHS community.

The directives cover: Environmental Protection; Health Protection; Safety; Security; Risk and Crisis Management; Material Stewardship; Reporting and Performance Management; and EHS Training. We anticipate launching them on our intranet early in 2012.

Hazardous materials

Hazardous materials management is integral to Givaudan's business and we are committed to following established compliance standards in order to mitigate risks to our people and the environment. During 2011, we launched our company-wide Hazardous Material (HazMat) Compliance strategy and built the organisation to provide global management oversight with regional specialists to focus on execution by managing the challenges of tracking, storing, handling, labelling and transporting hazardous materials.



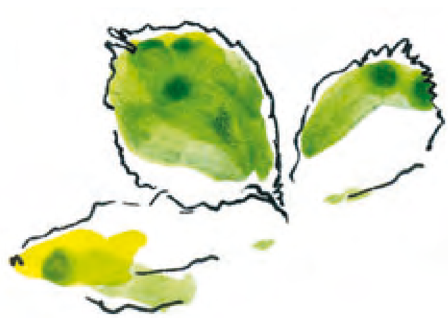
Under the guidance of the newly appointed Global Head of Hazardous Material Compliance, we have evolved the function and created a strong network of HazMat Compliance managers in all regions.

Two major projects implemented in 2011 were the introduction of the Globally Harmonized System for the labelling and classification of all SAP-coded materials and the implementation of an international transport emergency response platform. In addition, we created a HazMat Competency Centre in 2011, a key resource where anybody in the business can access impact analysis information and product intelligence.

Environment

In line with our Sustainability programme, we have ambitious but realistic eco-efficiency targets for 2020 on energy, CO_2 emissions, waste and water which were ratified by the Executive Committee in January 2011. We have made very good progress in our first year towards achieving these targets. Furthermore, we have applied the Global Reporting Initiative (GRI) guidelines to report on our sustainability status and performance. The 2010 report, published in March 2011, achieved GRI application level C, checked and confirmed by the GRI. In keeping with our continuous improvement principles we aspire to achieve a GRI level B+ for the 2011 Sustainability Report. This level of achievement provides increased rigour and credibility expected of financial reporting, while serving the information needs of a broad range of stakeholders.

Supplementary information relating to our recent progress on sustainability will be detailed in our 2011 Sustainability Report, published separately and available from March 2012 at **www.givaudan.com** – [sustainability] – [publications]



Risk management

Managing risk is integral to Givaudan's business. The Company operates a structured and continuous process of identifying, assessing and deciding on responses to key risks at all levels.

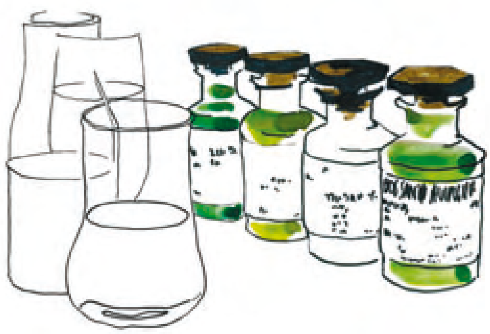
Risk management principles and responsibilities

Givaudan's risk management process is based on the Givaudan Risk Management Charter established by the Board of Directors. Givaudan defines risk management as a structured and continuous process of identifying, assessing and deciding responses to risks, as well as reporting the opportunities and threats they create and which may affect the achievement of the business objectives.

The Givaudan risk management process takes into account interactions among risks on an enterprise-wide scale. The risk management process has been developed on the basis of leading standards and practices including the ERM framework of the Committee of Sponsoring Organizations (COSO) of the Treadway Commission.

The Givaudan Risk Management Charter focuses on detailing the objectives and principles of risk management within Givaudan and formalising roles and responsibilities. It offers a framework for a pragmatic and effective risk management process to deal with the most relevant key risks which may affect Givaudan's ability to achieve critical objectives. The Board of Directors is responsible for defining and approving the risk management framework while the execution of the overall risk management process has been delegated to the Executive Committee, which reports back to the Board of Directors annually.

The risk management process facilitates disclosure of potential risks and Givaudan's philosophy for dealing with them to key stakeholders. At the same time, it reinforces the awareness of key executives of the magnitude of risks, provides risk-based management information for more effective decision-making, helps to safeguard the values of the Company and its assets, and protects the interests of shareholders.



Strategic risks

The strategic risk assessment and management process follows an annual cycle. To ensure a harmonised Group-wide approach, the process is coordinated by the Corporate Compliance Officer and involves managers from all business areas to identify risk profiles and understanding of the threats and opportunities they present for Givaudan. This in turn permits adequate management and mitigation plans to be put in place to address the different risks. For each strategic top-level Company risk a member of the Executive Committee is designated as the risk owner with the responsibility to manage the risk on a Group-wide basis. Corporate Internal Audit provides assurance on the effectiveness of the risk management process.

The 2011 strategic risk management process focused on a detailed review of the risk drivers and risk mitigation actions for the top Company risks involving subject matter experts for each risk. It also analysed the relationships and interdependencies between the top Company risks and the stated 2015 growth strategies.

Product safety risk management

Our product safety assessment programme is designed to ensure that all products are safe for consumer use. At the core of the programme is a systemic safety evaluation of the ingredients used in our Fragrance and Flavour products, and control of their use which is managed by our global IT systems. All new ingredients are evaluated for human and environmental safety prior to their use. Finished products are created to comply with all safety and regulatory requirements of the markets in which they will be sold. In addition, Givaudan supports, and in many cases leads, industry-wide programmes of the respective industry associations (IFRA and IOFI) for assuring the safe use of flavours and fragrances in consumer products.

EHS and operational risk management

EHS carried out comprehensive risk assessments for all of Givaudan's 34 production sites in 2011 following a centrally developed approach utilising parameters to analyse and assess these risks. As part of the EHS annual risk management cycle, ten of these sites were followed up with external formal compliance and risk audits to assure the effectiveness of the methodology used. The actions identified from all the audits are managed internally using a proprietary EHS Management System with formally documented solutions and closure records.

Additionally, Givaudan Operations carried out continuous risk assessments and management of all chemical processes in accordance with leading industry standards.

Information technology risks

Following the decisions of the IT governance project and triggered by related IT audit findings, Information Security took the initiative to advance the IT Risk Management framework. The focus defined for 2011 was an assessment of risks that could disrupt important IT services in the Global Datacenter. Within this scope the global ERP system SAP/Outlook was selected for a detailed assessment that covered IT organisations, IT processes, IT systems as well as location risks for the Global Datacenter buildings. The findings attested that disruption risks are well covered according to the current state-of-the-art. Identified improvement opportunities have been fed into a risk treatment plan. For 2012 follow-up activities and further extensions of the IT risk assessment scope are planned.

Financial risk

Please consult pages 109-115 of the Financial Report regarding our financial risk management.

Regulatory

The role of our regulatory teams is to ensure that our products meet or exceed safety and suitability regulations around the world. We are also dedicated advocates for our industry, making sure that regulatory developments support the interests of our customers and consumers.

Throughout 2011, our local, regional and global expertise again provided our customers with the resources and information to market their products around the world.

The safety and regulatory compliance of our products is a top priority for Givaudan. We have developed, and continue to develop, state-of-the-art systems and processes to ensure our products comply with safety and regulatory requirements in all relevant markets and meet the full expectations of our customers.

We support our customers in what is an increasingly challenging global marketplace – products regularly move between different regulatory environments, often being created in one country and then sold in a diverse range of regulatory jurisdictions. In the flavour sector, this means leveraging the exceptional capabilities of our local, regional and global resources to differentiate ourselves and support customers as they launch products and brands across geographies. For example, as customers continue to meet consumer demand by focusing on products with Health and Wellness benefits, we remain committed to providing technology that differentiates their offerings. In 2011, we registered many new innovative ingredients or technologies in various regulatory venues around the world.

Customers are routinely asking more complex questions and expecting appropriate support, such as with issues relating to Halal and other foods that feature dietary restrictions. As markets in Asia and the Middle East grow, the importance of Halal-certified products increases. Our new manufacturing site in Hungary will include segregated production to protect the dietary integrity of such products.

In the fragrance arena, we are successfully meeting our obligations under Europe's REACH regulations. REACH governs chemical control and, as we stated in 2007, the net cost of compliance for Givaudan will be CHF 44 million over ten years. We carried out significant preparatory work for phase II of the regulations during 2011 and are on target to deliver 125 registrations by the end of 2012. In this area, as well as in others, we lead the industry in developing best practice, sharing our experiences widely among suppliers and consortia partners in order to help them take the optimum approach.

We are committed to helping customers meet their overall business objectives. During 2011, our Flavour Division continued providing high-quality regulatory documentation and advice to customers. By listening to customers' needs and views, and better understanding the international nature of many customers' businesses, we put processes in place to facilitate documentation support for products going to multiple global markets.

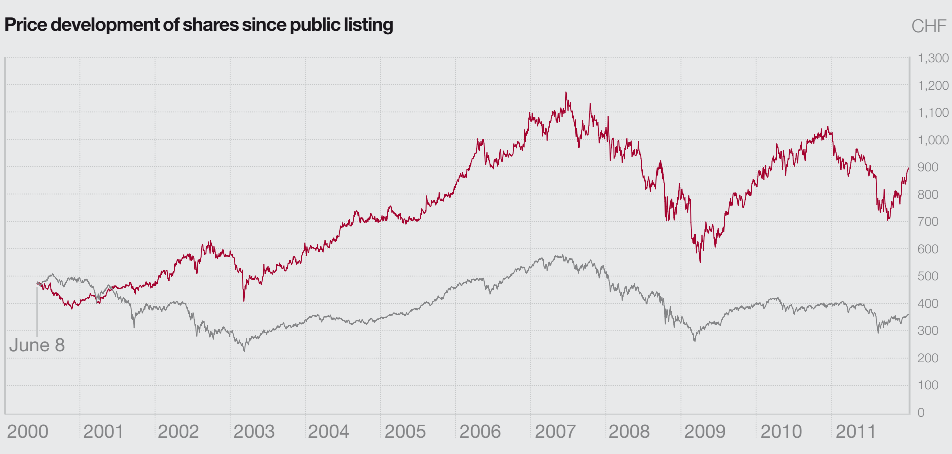
We have also continued to produce our highly respected RAPS Flash ingredients bulletins which advise fragrance customers on issues of concern or interest. In 2011, for example, we carried out an extensive evaluation of the safety of cyclamen aldehyde and, through the RAPS flash, alerted customers to the demonstrable safety profile of this product.

We remain dedicated to industry stewardship and the advancement of science and advocacy for our industry.

The last 12 months have seen us continue to work hard to bring a greater degree of harmonisation to the regulations impacting the flavour industry worldwide through our leadership in trade associations such as the International Organisation of the Flavor Industry (IOFI), the Flavor and Extract Manufacturers Association of the US (FEMA), and the European Flavour and Fragrance Association (EFFA). We also continued to demonstrate our firm commitment to leading the strategic development of the fragrance sector. Givaudan executives feature prominently on the Board of the International Fragrance Association (IFRA), where we sit alongside key customers. During 2011, we engaged in productive dialogue with all stakeholders, particularly regarding protection of Intellectual Property (IP).

Corporate governance

Price development of shares since public listing



Givaudan Shares are traded at virt-x ticker symbol 1064593

Corporate governance

Givaudan's corporate governance system is aligned with international standards and practices to ensure proper checks and balances and to safeguard the effective functioning of the governing bodies of the Company.

This section has been prepared in accordance with the Swiss Code of Obligations, the Directive on Information Relating to Corporate Governance issued by the SIX Swiss Exchange and the 'Swiss Code of Best Practice for Corporate Governance' issued by economiesuisse and takes into consideration relevant international governance standards and practices.

The basis of the internal corporate governance framework is contained in Givaudan's Articles of Incorporation.

The Company's organisational regulation, which is published on its website **www.givaudan.com** – [our company] – [corporate governance] – [rules and policies] further clarifies the duties, powers and regulations of the governing bodies of the Company.

Except when otherwise provided by law, the Articles of Incorporation and Givaudan's Board Regulations, all areas of management are fully delegated by the Board of Directors, with the power to sub-delegate to the Chief Executive Officer, the Executive Committee and its members. The Board Regulations of Givaudan also specify the duties and the functioning of its three Board Committees.

The Articles of Incorporation and other documentation regarding Givaudan's principles of corporate governance can be found at: **www.givaudan.com** – [our company] – [corporate governance] – [rules and policies]

1. Group structure and shareholders

1.1. Group structure

1.1.1. Description of the issuer's operational Group structure

Givaudan SA ("the Company"), 5 Chemin de la Parfumerie, 1214 Vernier, Switzerland, the parent company of the Givaudan Group, is listed on the SIX Swiss Exchange under security number 1064593, ISIN CH0010645932.

Givaudan SA is the global leader in the fragrance and flavour industry, offering its products to global, regional and local food, beverage, consumer goods and fragrance companies. The Company operates around the world and is split into two principal divisions: Fragrance and Flavour. The Fragrance Division is further divided into Fine Fragrances, Consumer Products and Fragrance Ingredients business units. The Flavour Division consists of four business units: Beverages, Dairy, Savoury and Sweet Goods.

Both Divisions have sales and marketing presence in all major countries and markets and operate separate research and development organisations. Whenever it is appropriate, the Divisions share resources and knowledge in the areas of research, consumer understanding and purchasing.

Corporate functions include Finance, Information Technology, Legal, Compliance and Communications as well as Human Resources.

1.1.2. Listed companies within the scope of consolidation

The Company does not have any subsidiaries that are publicly listed.

1.1.3. Unlisted companies within the scope of consolidation

The list of principal consolidated companies, their domiciles and the shareholding is presented in note 31 to the consolidated financial statements of the 2011 Financial Report.

For more details regarding the structure of the Group, please refer to notes 1 and 5 to the consolidated 2011 financial statements.

The 2011 Financial Report can be accessed at: **www.givaudan.com**

1.2. Significant shareholders

To our knowledge, the following shareholders were the only shareholders holding more than 3% of the share capital of Givaudan SA as at 31 December 2011 (or as at the date of their last notification under art. 20 of the Stock Exchange Act): William H. Gates III (10.29%), Nestlé SA (10.03%), Harris Associates LP (4.80%), MFS Investment Management (4.62%), Nortrust Nominees Ltd (nominee; 11.81%), Chase Nominees Ltd (nominee; 7.17%) and Mellon Bank N.A. (nominee; 3.43%).

The Company has not entered into any shareholders agreements with any of its key shareholders.

1.3. Cross-shareholdings

The Company does not have any cross-shareholdings with any other company.

For further information, please consult the SIX internet site:
www.six-swiss-exchange.com – [market data] – [shares] – [company] – [overview] – [significant shareholders]

2. Capital structure

2.1. Capital on the disclosure deadline

Ordinary share capital

As at 31 December 2011, the Company's ordinary share capital amounted to CHF 92,335,860 fully paid in and divided into 9,233,586 registered shares with a par value of CHF 10.00 each. The market capitalisation of the Company at 31 December 2011 was CHF 8,264,059,470.

The Company has also both authorised and conditional share capital as described below.

2.2. Authorised and conditional capital in particular

Authorised share capital

According to the decision of the Annual General Meeting held on 25 March 2010, the Board of Directors is authorised until 26 March 2012 to increase the share capital up to CHF 10,000,000 through the issuance of a maximum of 1,000,000 fully paid-in listed shares with a par value of CHF 10.00 per share.

Conditional share capital

The Company's share capital can be increased:

- by issuing up to 161,820 shares through the exercise of option rights granted to employees and Directors of the Group
- by issuing up to 463,215 shares through the exercise of option or conversion rights granted in connection with bond issues of Givaudan SA or a Group company. The Board of Directors is authorised to exclude the shareholders' preferential right to subscribe to such bonds if the purpose is to finance acquisitions or to issue convertible bonds or warrants on the international capital market. In that case, the bonds or warrants must be offered to the public at market conditions, the deadline for exercising option rights must be not more than six years and the deadline for exercising conversion rights must be not more than 15 years from the issue of the bond or warrants and the exercise or conversion price for new shares must be at a level corresponding at least to the market conditions at the time of issue
- by issuing up to 123,163 shares through the exercise of option rights granted to the shareholders of Givaudan SA.

For the conditional share capital, the subscription rights of the shareholders are excluded.

The acquisition of shares through the exercise of option or conversion rights and the transfer of such shares are subject to restrictions as described below.

2.3. Changes in capital

The information regarding the year 2009 is available in notes 6 and 7 to the statutory financial statements of the 2010 Financial Report. Details of the changes in equity for the years 2010 and 2011 are given in notes 6 and 7 to the statutory financial statements of the 2011 Financial Report.

2.4. Shares and participation certificates

The Company has one class of shares only. All shares are registered shares with a par value of CHF 10.00 each. Subject to the limitations described below, all shares have the same rights in all respects. Every share gives the right to one vote and to an equal dividend.

2.5 Dividend-right certificates

There exist no dividend-right certificates or participation certificates other than the registered shares.

2.6 Limitations on transferability and nominee registrations

2.6.1 Limitations on transferability for each share category; indication of statutory group clauses and rules for granting exceptions

No shareholder will be registered as shareholder with voting rights for more than 10% of the share capital of the Company as entered in the register of commerce. This restriction also applies in the case of shares acquired by entities which are bound by capital, voting power, common management or otherwise or those which act in a co-ordinated manner to circumvent the 10% rule. It does not apply in the case of acquisitions of undertakings or part of undertakings or in the case of acquisition of shares through succession, division of an estate or marital property law.

2.6.2 Reasons for granting exceptions in the year under review

No exceptions to these rules have been granted during 2011.

2.6.3 Permissibility of nominee registrations; indication of any percent clauses and registration conditions

Subject to the provisions mentioned in the next paragraph, registration with voting rights in the Company's share register is conditional on shareholders declaring that they have acquired the shares in their own name and for their own account.

Based on a regulation of the Board of Directors, nominee shareholders may be entered with voting rights in the share register of the Company for up to 2% of the share capital without further condition, and for more than 2% if they undertake to disclose to the Company the name, address and number of shares held by the beneficial owners.

2.6.4 Procedure and conditions for cancelling statutory privileges and limitations on transferability

The limitations on transferability and nominee registrations may be changed by a positive vote of the absolute majority of the share votes represented at a shareholders' meeting.

2.7 Convertible bonds and warrants/options

There are no bonds or warrants outstanding that are convertible into shares of Givaudan SA.

3. Board of Directors

Since the most recent amendment of the Articles of Incorporation of Givaudan SA at the general meeting of shareholders of 24 March 2011, the Board of Directors may consist of between seven and nine members.

Givaudan's Board of Directors currently consists of eight members and comprises an in-depth knowledge in the areas of finance, strategy and the fragrance and flavour industry. The Board represents a long-standing experience in many areas of the Company's business, ranging from research and innovation to marketing and regulatory affairs. Their knowledge, diversity and expertise are an important contribution to lead a company of Givaudan's size in a complex and fast-changing environment.

3.1 Members of the Board of Directors

Dr Jürg Witmer
Chairman

Attorney
Swiss national, born 1948
Non-executive
First elected in 1999
Current term of office expires in 2012

Chairman of the Board of Directors of Clariant AG, Vice-Chairman of the Board of Syngenta AG. Jürg Witmer joined Roche (1978) in the legal department and subsequently held a number of positions including Assistant to the CEO, General Manager of Roche Far East in Hong Kong, Head of Corporate Communications and Public Affairs at Roche headquarters in Basel, Switzerland, and General Manager of Roche Austria. He was appointed CEO of Givaudan in 1999 and became Chairman of the Board of Directors in 2005. He has a doctorate in law from the University of Zürich, as well as a degree in international studies from the University of Geneva.

André Hoffmann
Vice-Chairman

Businessman
Swiss national, born 1958
Non-executive
First elected in 2000
Current term of office expires in 2012

Vice-Chairman of the Board of Roche Holding Ltd, Member of the Board of Amazentis SA, Genentech Inc, Glyndebourne Productions Ltd, INSEAD and MedAssurant Inc. Chairman of FIBA – Fondation Internationale du Banc d'Arguin, Fondation MAVA, Living Planet Fund Management Company SA, Massellaz SA as well as Nemadi Advisors Ltd. Vice-President of Fondation Tour du Valat and WWF International. André Hoffmann became Head of Administration of the Station Biologique de la Tour du Valat in France (1983) and then joined James Capel and Co. Corporate Finance Ltd, London as an associate at the Continental Desk (1985), and later became Manager for European Mergers and Acquisitions. He joined Nestlé UK, London as a brand manager (1991). He studied economics at the University of St. Gallen and holds a Master of Business Administration from INSEAD.

André Hoffmann

Dr Jürg Witmer

Irina du Bois

Dr Nabil Y. Sakkab

Irina du Bois
Director

Chemical Engineer
Swiss and German national, born in 1946
Non-executive
First elected 2010
Current term of office expires in 2013

Chairperson of the Fondation Pierre du Bois pour l'histoire du temps présent. Irina du Bois started her career at Nestlé as Regulatory Affairs Manager (1976) and became Head of Regulatory Affairs (1986), subsequently taking on the additional function of Corporate Environmental Officer (1990). Before retiring from Nestlé in 2010, she headed the Regulatory and Scientific Affairs department (2004-2009). Active in a number of organisations and institutions related to the food industry, Irina du Bois has been chairperson of the International Standards Expert Group of the Confederation of the Food and Drink Industries of the EU; member of the International Organisations Committee of the International Life Sciences Institute; member of the Biotechnology Committee of the Swiss Society of Chemical Industries; and member of the Swiss committee of the Codex Alimentarius. She holds a diploma in chemical engineering of the École Polytechnique Fédérale de Lausanne (EPFL).

Dr Nabil Y. Sakkab
Director

Businessman
American national, born 1947
Non-executive
First elected in 2008
Current terms of office expires in 2014

Member of the Board of Altria Group Inc, Aplion Medical LLC, Chairman BiOWiSH Technologies, Creata Ventures and Deinove. Advisory Professor at Tsinghua University, Beijing. Nabil Y. Sakkab joined Procter & Gamble in Cincinnati (1974) and retired from the same company (2007) as Senior Vice-President, Corporate Research and Development. During this time, he served on P&G's Leadership Council and the Innovation Committee of P&G's Board of Directors. He is the author of several scientific and innovation management publications and co-inventor on more than 27 patents. Nabil Y. Sakkab graduated from the American University of Beirut with a BSc degree in chemistry and from the Illinois Institute of Technology with a PhD in chemistry.

Thomas Rufer
Director

Certified Public Accountant
Swiss national, born 1952
Non-executive
First elected in 2009
Current term of office expires in 2012

Member of various public and private bodies such as Vice-Chairman of the Board of Directors and Chairman of the Audit Committee of the Berner Kantonalbank, Chairman of the Board of Directors of the Federal Audit Oversight Authority and Member of the Swiss Takeover Board. Thomas Rufer joined Arthur Andersen (1976) where he held several positions in audit and business consulting (accounting, organisation, internal control and risk management). He was Country Managing Partner for Arthur Andersen Switzerland (1993-2001). Since 2002, he has been an independent consultant in accounting, corporate governance, risk management and internal control. He holds a degree in business administration (économiste d'entreprise HES) and is a Swiss Certified Public Accountant.

Peter Kappeler
Director

Businessman
Swiss national, born 1947
Non-executive
First elected in 2005
Current term of office expires in 2013

Member of the Board of Directors of Cendres et Métaux SA, Schweizerische Mobiliar Holding AG, Schweizerische Mobiliar Genossenschaft. Peter Kappeler has served in different industrial and banking companies. For 17 years, he was head of BEKB/BCBE (Berner Kantonalbank), from 1992 to 2003 as CEO and until 2008 as Chairman of the Board of Directors. He acts as owner or co-owner of some small industrial and start-up companies and is also a member of various boards, including the Summer Academy Foundation at the Paul Klee Center. He holds a Master of Business Administration from INSEAD as well as a degree in engineering from the ETH Zürich.

Thomas Rufer (left) with Peter Kappeler

Prof. em. Dr Dres. h. c. Henner Schierenbeck
Director

Professor
German national, born 1946
Non-executive
First elected in 2000
Current term of office expires in 2012

Professor emeritus of Bank Management and Controlling at the University of Basel, scientific adviser for the 'Zentrum für Ertragsorientiertes Bankmanagement' (Münster/Westfalen), Member of the Supervisory Board of DIA Consult AG. Henner Schierenbeck became a Professor of Accounting (1978), and of Banking (1980), at the University of Münster. He became Professor of Bank Management and Controlling at the University of Basel (1990). He holds a PhD from the University of Freiburg, together with two honorary doctoral degrees from the State University of Riga, Latvia and Mercator School of Management, Duisburg, Germany.

Lilian Biner
Director

Business woman
Swedish national, born in 1962
Non-executive
First elected in 2011
Current term of office expires in 2014

Member of the Boards of Oriflame Cosmetics SA, RNB Retail and Brands AB, Thule Group AB, OJSC Melon Fashion Group and a-connect (group) ag. Lilian Biner has senior management experience from retail and consumer goods companies. These posts have most recently included Chief Financial Officer and Executive Vice President with Axel Johnson AB (2007) and Head of Strategic Pricing, Electrolux Major Appliances Europe, a company she joined as head of HR and Organisational Development (2000). She is a graduate of the Stockholm School of Economics (BA/MBA).

Prof. em. Dr Dres. h. c. Henner Schierenbeck

Lilian Biner

3.2 Other activities and vested interests

Please refer to the biographies of the Board members described in section 3.1 for their other activities and vested interests.

Except those described in section 3.1, no Board member of Givaudan SA holds any material permanent management or consultancy functions for significant domestic or foreign interest groups nor any significant official functions or political posts. The Board of Directors assesses the independence of its members.

As per 31 December 2011, all members of the Board of Directors were non-executive. None of the Board members has important business connections with Givaudan SA or any of its affiliates. Dr Jürg Witmer, non-executive Chairman, was the CEO of Givaudan until 27 April 2005.

3.3 Cross-involvement

Section 3.3 of the Directive on Information Relating to Corporate Governance of SIX Swiss Exchange has been repealed without replacement.

3.4 Elections and terms of office

3.4.1 Principles of the election procedure (total renewal or staggered renewal) – limits on terms of office

During the general meeting of shareholders of 24 March 2011, the Articles of Incorporation of Givaudan SA were amended to provide that the number of Board members is between seven and nine and the term of office of the Board members is between one and three years, subject to prior resignation or removal by the shareholders meeting. Board members have to resign at the latest at the ordinary general meeting following their 70th birthday.

Elections are by rotation in such a way that the term of office of about one-third of the Board members expires every year. The members of the Board of Directors are elected by the general meeting of shareholders and election is individual. Re-election of Board members is possible.

In order to allow a phased renewal of the Board's composition, the Board has adopted an internal succession planning.

At the 2011 Annual General Meeting, two Board members were re-elected: Dr. Nabil Sakkab was re-elected for an additional three years in office and Prof. Henner Schierenbeck, a German national, was re-elected for a term of one further year. The Annual General Meeting also elected a new Board member, Lilian Biner, a Swedish national with a long-standing senior management experience in retail and consumer goods companies.

3.4.2 For each Board member: date of first election to board – remaining term of office

For the dates of first election to the Board and the remaining term of office for each Board member, please refer to the biographies of the Board members in section 3.1 above.

3.5 Internal organisational structure

3.5.1 Allocation of tasks among the Board members

The Board of Directors designates its Chairman and its Vice-Chairman, each for a term of three years.

The Chairman convenes, prepares and chairs the meetings of the Board of Directors, prepares and supervises the implementation of resolutions of the Board of Directors (to the extent not delegated to a committee), supervises the course of business and the activities of the Executive Committee, proposes succession candidates for appointment to the Board of Directors or to the Executive Committee, proposes the global remuneration of the Chief Executive Officer and other members of the Executive Committee to the Compensation Committee and co-ordinates the work of the Committees of the Board of Directors. The Chairman receives all invitations and minutes of Committee meetings and is entitled to attend these meetings.

The Chairman further decides in cases which fall under the tasks and powers of the Board of Directors, but in which a timely decision of the Board of Directors cannot be made because of urgency. In such cases, the Chairman informs the members of the Board of Directors as quickly as possible and the corresponding resolution is minuted at the next following Board meeting.

If the Chairman is unable to act, the Vice-Chairman exercises his functions, assuming all his tasks and powers.

3.5.2 For each committee of the Board of directors: list of members – tasks – areas of responsibility

The Board of Directors has established three Committees: an Audit Committee, a Nomination and Governance Committee and a Compensation Committee. Each committee is led by a Committee Chairman whose main responsibilities are to organise, lead and minute the meetings. For the participation of the Board members in the committees, please refer to the table below.

Membership of Committees until 23 March 2011

Committee of the Board	Jürg Witmer [Chairman]	André Hoffmann	Irina du Bois	Peter Kappeler	Thomas Rufer	Nabil Sakkab	Henner Schierenbeck
Audit				□	□		■
Nomination and Governance	■	□	□				
Compensation		■		□		□	

■ Chairman of the Committee

□ Member of the Committee

Membership of Committees from 24 March 2011

Committee of the Board	Jürg Witmer [Chairman]	André Hoffmann	Lilian Biner [1]	Irina du Bois	Peter Kappeler	Thomas Rufer	Nabil Sakkab	Henner Schierenbeck
Audit			□		□	□		■
Nomination and Governance	■			□			□	
Compensation	□	■			□			

■ Chairman of the Committee

□ Member of the Committee

[1] Member of the Board since 24 March 2011

Audit Committee

The primary function of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities by reviewing the financial information, the systems of internal controls and the audit process. It carries out certain preparatory work for the Board of Directors as a whole. The Audit Committee currently consists of four members of the Board.

The Audit Committee ensures that the Company's risk management systems are efficient and effective. It promotes effective communication among the Board, management, the internal audit function and external audit. It reviews and approves the compensation of the external auditors for the annual audit. The Chief Financial Officer attends the meetings of the Audit Committee on invitation of its chairman.

The Audit Committee met four times in the course of 2011. Each meeting lasted approximately half a day. The Chief Financial Officer, the Head of Internal Audit and the Corporate Compliance Officer attended all four meetings of the Audit Committee as did the External Auditors, apart from certain private sessions.

Compensation Committee

The Compensation Committee reviews and recommends the compensation policies to the Board of Directors. It approves the remuneration of the CEO and the other members of the Executive Committee as well as all performance-related remuneration instruments and pension fund policies.

The Compensation Committee consists of three members of the Board. The Committee takes advice from external independent compensation specialists and consults with the Chairman and the CEO on specific matters where appropriate.

In 2011, the Compensation Committee met four times. The average duration of each meeting was between one and a half and two hours. During these meetings, the Committee reviewed inter alia the remuneration policy and compensation principles for Givaudan.

Nomination and Governance Committee

The Nomination and Governance Committee assists the Board in applying the principles of good corporate governance. It prepares appointments to the Board of Directors and the Executive Committee and advises on the succession planning process of the Company. It consists of three members of the Board.

The Nomination and Governance Committee met twice during 2011 each for one hour.

More information on the Board of Directors and the roles of the Committees are described in the following sections of Givaudan's internet site: **www.givaudan.com** – [our company] – [board of directors] and **www.givaudan.com** – [our company] – [board of directors] – [committees of the board]

3.5.3 Work methods of the Board and its Committees

Board meetings are held periodically and in addition when matters require a meeting or on the written request of one of the members of the Board. The Chairman, after consultation with the Chief Executive Officer, determines the agenda for the Board meetings. Decisions may also be taken by circulation (including telefax and electronic data transmission) or by telecommunication (including telephone, video-conference etc.), provided that none of the Board members requests a formal meeting.

Meetings of Board Committees are usually held directly before or directly following a Board meeting, with additional meetings scheduled as required. The Board of Directors receives regular reports from its Committees, the Chairman, as well as from the Executive Board. The minutes of all Committee meetings are circulated to all Board members.

In preparation for Board meetings, Board members receive pertinent information for pre-reading. During the course of 2011 a secure electronic document sharing system was adopted for dissemination of information to the Board members.

In 2011, the Givaudan Board of Directors held six regular meetings, including one constitutive meeting directly following the general meeting of shareholders, and one meeting by telephone. The Board also passed two resolutions by circulation. Regular meetings in Switzerland usually last for one to one and a half days, Board meetings at Givaudan locations outside Switzerland last for two days, including visits to sites and strategic locations and discussion with the management of the visited region. Extraordinary meetings are usually shorter. In 2011, all Board members attended all Board meetings. In July 2011, the Board visited the Givaudan fragrance site in San Celoni, Spain, on the occasion of the site's 50th anniversary.

Apart from the constitutive meeting directly following the general meeting of shareholders, the Company's operational and financial performance was presented by management and reviewed by the Board during each Board meeting. The Board was also informed about and discussed various aspects of the Company's future strategy, all major investment projects, management succession planning and compensation and other major business items as well as the findings of Internal Audit and risk management. The members of the Executive Committee attended all regular meetings except for certain closed sessions. The Chief Executive Officer and Chief Financial Officer also attended the extraordinary meeting. Selected members of the management team were regularly invited to address specific projects at regular Board meetings.

In 2011, the Board conducted one annual self-assessment and had continuous discussion of its own succession planning.

3.6 Definition of areas of responsibility

The Board of Directors is responsible for the ultimate direction, strategic supervision and control of the management of the Company, as well as other matters which, by law, are under its responsibility. This includes the establishment of medium- and long-term strategies and of directives defining Company policies and the giving of the necessary instructions in areas such as acquisitions, major investments and long-term financial commitments exceeding certain thresholds.

In accordance with Swiss law, the Articles of Incorporation and the Board Regulations of Givaudan, the duties of the Board of Directors include the following matters:

- the ultimate management of the Company and, in particular, the establishment of medium- and long-term strategies and of directives defining Company policies and the giving of the necessary instructions;
- the establishment of the organisation;
- the approval of the annual Group budget;
- the structuring of the accounting system and of the financial controlling as well as the financial planning;
- the assessment of the Company's risk management as reported by the Audit Committee;
- the decision on investments in, or divestments of, fixed and tangible assets of a global amount exceeding the limit set by the corporate investment guidelines established by the Board of Directors;
- the appointment and removal of the persons entrusted with the management and representation of the Company, in particular the Chief Executive Officer and the other members of the Executive Committee;
- the ultimate supervision of the persons entrusted with the management, in particular with respect to compliance with the law, the articles of incorporation, regulations and instructions given in any areas relevant to the Company, such as working conditions, environmental protection, trade practices, competition rules, insider dealing, and ad hoc publicity;
- the preparation of the annual business report, as well as the preparation of the Annual General Meeting of shareholders and the implementation of its resolutions;
- the notification of the court in case of insolvency;
- the decisions regarding the subsequent performance of contributions on shares not fully paid in;
- the ascertainment of share capital increases to the extent that these fall under the powers of the Board of Directors and resulting confirmations and modifications to the Articles of Incorporation; and
- the verification of the special professional qualifications of the auditors.

Except as otherwise provided by Swiss law, the Articles of Incorporation and the Board Regulations, all other areas of management are fully delegated by the Board of Directors to the Chief Executive Officer, the Executive Committee and its members.

3.7 Information and control instruments vis-à-vis senior management

The Board recognises that in order to be able to carry out its tasks of ultimate direction of the Company and supervision of the management it needs to be fully informed about all matters that materially impact Givaudan. To ensure this, the Board has at its disposal an information and control system which comprises the following instruments:

Management information system
The Board ensures that it has sufficient information for appropriate decision-making through a management information system with wide-ranging information rights for the Board members:

- The Chairman of the Board receives invitations and minutes of Executive Committee meetings on a regular basis and the Chief Executive Officer and the Chief Financial Officer report regularly to the Chairman of the Board of Directors.
- The Chief Executive Officer and the Chief Financial Officer are present and report at all regular Board meetings and answer all requests for information by the Board members about any matter concerning Givaudan that is transacted. Other members of the Executive Committee and selected senior managers are regularly invited to address specific projects at regular Board meetings. All members of the Executive Committee have a duty to provide information at meetings of the Board of Directors on request.

- The Head of Internal Audit and the Corporate Compliance Officer report to the Board once annually. The Board also receives annual reports on Environment, Health and Safety, Sustainability and Risk Management.
- The Head of Internal Audit is present and reports at each meeting of the Audit Committee. The Chief Financial Officer and the Corporate Compliance Officer are also present at all meetings of the Audit Committee, as are the external auditors. Furthermore, the Group Controller attends most Audit Committee meetings. The Head of Human Resources is present and reports at each Compensation Committee meeting, except when questions of compensation for Executive Committee members are being deliberated.
- All Board members have access to all Committee meeting minutes.
- The Board of Directors receives summarised monthly reports including performance against key performance indicators from the Executive Committee. All Board members are immediately informed on extraordinary events. They also have direct access to the Givaudan intranet where all internal information on key events, presentations and organisational changes are posted. In addition, the Board members receive relevant information, including press releases and information to investors and financial analysts.
- In preparation for each Board meeting, the Board members receive information and reports from the Executive Committee and other members of senior management via a data room and other means of communication.
- The Board of Directors visits at least one Givaudan country operation per year, where it meets members of senior local management. Additionally, Board members are encouraged to visit country operations when travelling and meet with local and regional senior management directly to afford the Board members the opportunity to get first-hand information on local and regional developments and to interact directly with management across the globe.
- The Board has regular access to the Chief Executive Officer, Chief Financial Officer and the other members of the Executive Committee. Any Board member may request from the Chief Executive Officer and other members of the Executive Committee information concerning the course of the business.

Risk Management

Givaudan has established an internal risk management process that is based on the Givaudan Risk Management Charter. It focuses on identifying and managing risks.

The Board of Directors defines the strategic risk management framework. This process is under the responsibility of the Executive Committee. The risk management process follows a structured assessment, review and reporting cycle that is coordinated by the Corporate Compliance Officer to ensure a harmonised Group-wide approach.

For each identified strategic top-level company risk a member of the Executive Committee is designated as the risk owner with the responsibility to manage the risk on a Group-wide basis. Once annually the Executive Committee reports to the Board on the risk management process, the strategic risks and the mitigation actions. Corporate Internal Audit provides assurance on the effectiveness of the risk management process.

For further information on risk management please refer to page 109-115.

Internal Audit

The Corporate Internal Audit function is established as an independent and objective corporate function reporting directly to the Audit Committee.

Its role is to evaluate and contribute to the continuous improvement of the Company's risk management and control systems. This specifically includes the analysis and evaluation of the effectiveness of business processes and recommendations for adjustments where necessary.

Corporate Internal Audit uses a risk-based audit approach aimed at providing assurance on all relevant business processes across Givaudan entities following a business process audit methodology that provides value to the local entities and to the Group's management. Givaudan corporate strategy, risk management findings, past audit results, management input, changes in organisation and Corporate Internal Audit experience are the elements taken into account to build the annual internal audit plan. Effective communication and reporting ensure an efficient implementation of the audit recommendations. For specific audits of affiliates, the internal audit function is supported by dedicated staff from Ernst & Young.

Once annually the internal audit activity is reported to the full Board of Directors.

4. Executive Committee

The Executive Committee, under the leadership of the Chief Executive Officer, is responsible for all areas of operational management of the Company that are not specifically reserved to the Board of Directors.

The Chief Executive Officer, subject to the powers attributed to him, has the task of achieving the strategic objectives of the Group and determining the operational priorities. In addition, he leads, supervises and coordinates the other members of the Executive Committee, including convening, preparing and chairing the meetings of the Executive Committee.

The members of the Executive Committee are appointed by the Board of Directors on recommendation of the Chief Executive Officer after evaluation by the Nomination Committee. The Executive Committee is responsible for developing the Company's strategy as well as the long-term business and financial plan. Key areas of responsibility also include the management and supervision of all areas of the business development on an operational basis, and approving investment decisions.

The tasks and powers of the Executive Committee include the approval of investments, leasing agreements and divestments within the corporate investment guidelines. The Executive Committee approves important business projects, prepares the business plan of the Group and the budgets of the individual divisions and functions. In addition, it plays a key role – together with the Human Resources organisation – in the periodic review of the talent management programme, including succession planning for key positions. Alliances and partnerships with outside institutions, such as universities, think tanks and other business partners, are also monitored by the Executive Committee.

The members of the Executive Committee are individually responsible for the business areas assigned to them.

The Executive Committee meets generally on a monthly basis to discuss general Company business and strategy. In 2011, the Committee held 12 meetings at Givaudan sites around the world, each meeting lasting between one and three days. These meetings are an opportunity to be present at Givaudan locations across the globe. Each major region is visited at least once a year to ensure a close interaction with all the different business areas.

4.1 Members of the Executive Committee

Gilles Andrier
Chief Executive Officer

Member of the Board of the Swiss-American Chamber of Commerce; Member of the Board of the Natural Resources Stewardship Circle.

He joined Givaudan (1993) as Fragrance Division Controller and Assistant to the Chief Executive Officer. He later held various positions including Head of Fragrances Operations in the USA and Head of Consumer Products in Europe. He was appointed Head of Fine Fragrances, Europe (2001) before becoming Global Head of Fine Fragrances (2003) and then CEO of Givaudan (2005). Born in Paris, France (1961), Gilles Andrier graduated with two Masters in Engineering from ENSEEIH Toulouse and spent the first part of his career with Accenture in management consulting. He is a French national.

Gilles Andrier

Mauricio Graber
President Flavour Division

President of the International Organisation of the Flavour Industry (IOFI). He began his career with Givaudan (1995) as Managing Director for Latin America with Tastemaker. When Tastemaker was acquired by Givaudan, he became Managing Director for Mexico, Central America and the Caribbean before becoming Vice President for Latin America (2000). He then was appointed President of the Givaudan Flavour Division (2006). Born in 1963, he is a Mexican national and has a BSc in Electronic Engineering from Universidad Autonoma Metroplitana and a Masters in Management from the JL Kellogg Graduate School of Management, Northwestern University, USA.

Michael Carlos
President Fragrance Division

Vice Chairman of the International Fragrance Association (IFRA). Member of the Executive Committee of the Research Institute of Fragrance Materials. He began his career with Givaudan (1984) as General Manager in Hong Kong. He became Head of the European Creative Centre in Argenteuil (1992) where he was in charge of integrating the creative resources from Givaudan and Roure. He was appointed Global Head of Consumer Products (1999) and then President of the Fragrance Division (2004). Born in 1950, Michael Carlos is a French national and has an MBA from the Indian Institute of Management and a degree in chemical engineering from the Indian Institute of Technology.

Mauricio Graber

Michael Carlos

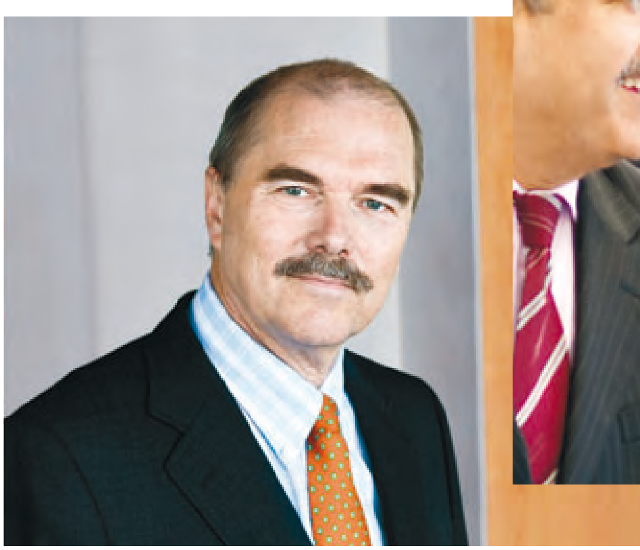
Matthias Währen
Chief Financial Officer

Member of the Regulatory Board, SIX Exchange Regulation, Board Member of science industries Switzerland. He started his career in Corporate Audit with Roche (1983) and became Finance Director of Roche Korea (1988) and then Head of Finance and Information Technology at Nippon Roche in Tokyo (1990). He was appointed Vice President Finance and Information Technology at Roche USA (1996) and then Head of Finance and Informatics of the Roche Vitamins Division (2000). He was involved in the sale of this business to DSM (2003) before joining Givaudan (2004). Born in 1953, Matthias Währen is a Swiss national and a graduate of the University of Basel.

Adrien Gonckel
Information Technology

He began his career with F. Hoffmann-La Roche Ltd, (Basel) in the IT department (1973). He worked for Roche Belgium, Brussels as Head of IT and with Citrique Belge in charge of systems integration (1975-1978). He rejoined F. Hoffmann-La Roche Ltd, Basel (1978), taking European leadership of its IT coordination, moving then to the Roche subsidiary Roure-Bertrand-Dupont in Argenteuil, France as Head of Group IT (1982) before becoming Givaudan-Roure's Head of Group IT (1992). Born in 1952, Adrien Gonckel is a French national. He completed a Masters in IT at the University of Belfort and Lyon, France.

Adrien Gonckel



Matthias Währen

Joe Fabbri
Human Resources

He joined Givaudan (1989) as Operations Director responsible for commissioning the Canadian manufacturing facility. Moving to the USA (1996) he was appointed Head of Operations at East Hanover, New Jersey. Based in Switzerland, he led various regional operations projects before becoming Head of Flavours Operations, EAME (2001), Head of Global Flavours Operations (2004), and Head of Global Human Resources (2008). In addition to his Human Resource responsibilities he is responsible for Global Sustainability (2008), Global Indirect Procurement organisation (2009), and Global Environmental, Health and Safety (2010). Born in 1958 in Ontario, Canada, Joe Fabbri graduated in mechanical engineering technology and spent the first years of his career in various engineering roles before moving into operations management.

The curricula vitæ of the members of the Executive Committee are also available on Givaudan's internet site:
www.givaudan.com – [our company] – [executive committee]

Joe Fabbri

4.2 Other activities and vested interests

Please refer to the biographies of the members of the Executive Committee described in section 4.1 for their other activities and vested interests.

Except for those described in section 4.1, no member of the Executive Committee of Givaudan SA holds any material permanent management or consultancy functions for significant domestic or foreign interest groups nor any significant official functions or political posts.

4.3 Key elements of all management contracts between the issuer and companies (or natural persons) not belonging to the Group

Givaudan has not entered into any management contracts with third parties that fall within the scope of Subsection 4.3 of the SIX Directive on Information relating to Corporate Governance.

5. Compensation, shareholdings and loans

In accordance with the Swiss Code of Obligations and the SIX Directive on Corporate Governance, Givaudan publishes the details of the remuneration of its Board of Directors and its Executive Committee in the separate chapter 'Compensation Report' in this Annual Report as well as in the 2011 Financial Report.

6. Shareholders' participation

6.1 Voting-rights and representation restrictions

6.1.1 All voting-rights restrictions; indication of any statutory group clauses and rules on granting exceptions, particularly in the case of institutional voting-rights representatives

In exercising voting rights, no shareholder may, with his own shares and the shares he represents, accumulate more than 10% of the entire share capital. Entities which are bound by voting power, common management or otherwise or which act in a coordinated manner to circumvent the 10% rule are considered as one shareholder.

This restriction does not apply to the exercise of voting rights through members of a corporate body, independent representatives and holders of deposited shares, to the extent that no avoidance of the said restriction to the voting rights results therefrom.

6.1.2 Reasons for granting exceptions in the year under review

Givaudan has not granted any exception to its voting-rights restrictions during 2011.

6.1.3 Procedure and conditions for abolishing statutory voting-rights restrictions

Any change in the above rules requires a positive vote of the absolute majority of the share votes represented at a shareholders' meeting, as prescribed by Swiss law.

6.1.4 Statutory rules on participation in the general meeting of shareholders if they differ from applicable legal provisions

There are no restrictions of the Swiss legal provisions. Any shareholder who, on the day determined by the Board of Directors, is registered as a shareholder with voting rights has the right to attend and to vote at the shareholders' meeting. Each shareholder may be represented by another shareholder who is authorised by a written proxy, or by a legal representative, a holder of deposited shares, a member of a corporate body or an independent person designated by the Company.

6.2 Statutory quorums

The Articles of Incorporation of Givaudan SA follow the majority rules prescribed by Swiss law for decisions of general meetings of shareholders.

6.3 Convocation of the general meeting of shareholders

Shareholders registered with voting rights are convened to general meetings by ordinary mail and by publication in the Swiss official trade journal at least 20 days prior to the day of the meeting. Shareholders representing at least 10% of the share capital may demand in writing that a shareholder meeting be convened, setting forth the items to be included on the agenda and proposals.

6.4 Agenda

Shareholders representing shares for a nominal value of at least CHF 1 million may demand in writing at least 45 days before the meeting, that an item be included in the agenda, setting forth the item and the proposals.

6.5 Inscriptions into the share register

Shareholders will be registered with a right to vote in the share register of Givaudan SA until the record date set by the Board of Directors. The specified date for the ordinary general meeting is specified in the invitation and is set approximately two weeks before the meeting. Only shareholders who hold shares registered in the share register with a right to vote at a certain date, or their representatives, are entitled to vote.

Givaudan SA has not granted any exceptions from this rule.

7. Change of control and defence measures

7.1 Duty to make an offer

The Articles of Incorporation of Givaudan SA do not contain any rules on opting out or opting up under Swiss law. The Swiss legal provisions apply, by which anyone who acquires more than 33 ⅓% of the voting rights of a listed company is required to make a public offer to acquire all listed securities of the company that are listed for trading on the SIX Swiss Exchange.

7.2 Clauses on changes of control

In the event of a change of control, share options granted by the Company to members of the Board of Directors and to a total of 282 senior management and employees will vest immediately. All other defence measures against change of control situations previously in effect were deleted by the Board of Directors in 2007.

8. Auditors

External Auditors

8.1 Duration of the mandate and term of office of the lead auditor

At the Annual General Meeting of shareholders on 26 March 2009, Deloitte SA were first appointed as Group and statutory auditors of Givaudan SA and its affiliates and have held the audit mandate since that time. At the Annual General Meeting of shareholders on 24 March 2011, Deloitte SA were reappointed for the business year 2011. Since March 2009, the responsible principal auditor for the Givaudan audit at Deloitte has been Thierry Aubertin, Partner.

8.2 Auditing fees

The fees of Deloitte for professional services related to the audit of the Group's annual accounts for the year 2011 were CHF 3.3 million. This amount includes fees for the audit of Givaudan, its subsidiaries, and of the consolidated financial statements.

8.3 Additional fees

In addition, for the year 2011, Deloitte rendered other services (mainly tax-related) for CHF 0.3 million.

8.4 Informational instruments pertaining to the external audit

The external auditor presents the outcome of the audit directly to the Audit Committee at the end of each reporting year. The Audit Committee is also responsible for evaluating the performance of Deloitte as external auditors pursuant to a set of defined criteria. In addition, the Committee reviews and approves the compensation of Deloitte and evaluates and approves other services provided by the external auditor. During 2011, Deloitte attended all four meetings of the Board's Audit Committee. The scope of the audit is defined in an engagement letter signed by the Chairman of the Audit Committee and the Chief Financial Officer.

9. Information policy

Givaudan's Principles of Disclosure and Transparency are described in detail at: **www.givaudan.com** – [our company] – [corporate governance] – [rules and policies]

Hard copies of Company publications such as the Annual Report, Half Year Report and Sustainability Report and other corporate documents are available on request.
The Annual Report, the Half Year Report and the Sustainability Report can also be downloaded from Givaudan's internet site at: **www.givaudan.com** – [investors] – [financial information] – [full & half year reports] and www.givaudan.com – [sustainability] – [publications]

Quarterly sales information and other media releases can be found at: **www.givaudan.com** – [media] – [press releases]

Key reporting dates 2012/2013

Annual General Meeting 2012	22 March 2012
Three Months Sales	11 April 2012
Half Year 2012 Results	3 August 2012
Nine Months Sales	9 October 2012
Full Year 2012 Results	5 February 2013
Annual General Meeting 2013	21 March 2013

The complete calendar of events is available at: **www.givaudan.com** – [investors] – [investor calendar]

Articles of Incorporation: **www.givaudan.com** – [our company] – [corporate governance] – [rules and policies]

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Compensation report

Givaudan aims to attract, motivate and retain the highest calibre of professional and executive talent to sustain its leadership position within the fragrance and flavour industry. The Company's compensation policies are an essential component of this strategy, as well as a key driver of organisational performance.

Compensation governance

The Compensation Committee of the Board of Directors consists of three non-executive members of the Board, chaired by André Hoffmann. The Chief Executive Officer is regularly invited to Compensation Committee meetings. He does not participate in discussions regarding his own compensation. The Head of HR acts as secretary of the Committee.

The Compensation Committee prepares and recommends compensation policies for the Board of Directors. It regularly reviews Company-wide programmes in regard to base salary, annual incentives, share-based long-term incentives, as well as pension and benefit plans. The Compensation Committee is also responsible for reviewing and approving individual compensation and benefits of each Executive Committee member as well as recommending overall compensation for the Board of Directors.

The Compensation Committee meets two to four times a year. It utilises independent external consultants to benchmark the compensation of senior management.

Compensation principles

Givaudan compensation programmes are based on the following principles:

- **Pay for performance:** employees are rewarded for their contribution to business results. This is achieved through the variable pay plans described below.
- **External competitiveness:** total compensation positioning should enable Givaudan to attract and retain highly talented individuals critical to its success.
- **Internal consistency and fairness:** internal salary scales reflect job level, job function and geographic market.
- **Alignment of interests:** Givaudan seeks to align management and shareholders' interests by rewarding long-term value creation through share-based programmes.

Givaudan's total compensation offering is composed of the following elements:

- **Base salary:** base salary is regularly benchmarked in each location and pay scales are reviewed annually according to local market evolution. As a general rule, pay scales are built around market median.
- **Profit Sharing Plan:** non-management employees participate in the global Profit Sharing Plan. Payouts are based on yearly evolution of Group EBITDA (at comparable basis).
- **Annual Incentive Plan:** this plan covers all managers and executives globally. It rewards participants for the achievement of financial targets and other individual objectives.
- **Long Term Incentive Plan:** the LTIP links selected executives and key employees to the evolution of the Givaudan share price through share option and/or restricted share unit awards.
- **Performance Share Plan:** participation in the Performance Share Plan is restricted to approximately 50 senior executives. This plan has a five-year performance period (2008-2012). Vesting of performance shares is conditional upon the economic value generated over the performance period.
- **Benefits (indirect compensation):** benefit plans seek to address current and future security needs of employees. These generally include retirement, health, death and disability benefits. Benefits-in-kind such as Company vehicles are offered to certain employees according to local market practice.

As is apparent from the chart below, every Givaudan employee is linked to Company performance through cash-based and/or share-based variable pay plans.

The Annual Incentive Plan, the Long Term Incentive Plan and the Performance Share Plan are described in more detail in the next section.

Givaudan compensation architecture

Pay component	Targeted population	Approximate number of participants
Base salary	All employees	8,900
Profit Sharing Plan	Non-management employees	6,400
Annual Incentive Plan	Managers and executives	2,500
Long Term Incentive Plan	Executives and key employees	270
Performance Share Plan	Senior executives	50

Compensation of Givaudan executives

The compensation of Givaudan executives, in terms of both structure and level, is regularly benchmarked against individuals in similar positions within listed European companies. This comparative group of companies are comparable in size and have a significant international presence. Compensation surveys include the following group of companies:

- Fragrance and flavours companies
- European companies in related industries:
  - consumer products
  - food and beverage
  - speciality chemicals
- Swiss multinational companies of a size similar to Givaudan (excluding the financial sector)

To the extent that the median size of the peer group of companies differs from Givaudan's size (taking into account revenue, market capitalisation and number of employees), regression techniques are applied to adjust raw survey results, thereby ensuring strict comparability.

All benchmarking activity regarding Executive Committee members is performed by independent external consultants. Benchmarking activity for lower level executives is performed internally by the Compensation unit, using survey data provided by external consultants.

Givaudan's executive compensation targets base pay at the market median. Executives have the opportunity to be rewarded with above median pay for sustained outstanding performance through various variable compensation components. These variable elements reflect achievements against quantitative targets established by the Board of Directors, as well as the contribution and leadership qualities of individual executives. Variable compensation represents a significant portion of an executive's total compensation. The weight of variable compensation increases with level of responsibility and impact of the position on Company results.

The total compensation of Givaudan executives consists of direct and indirect compensation components.

- Direct compensation is composed of base salary, annual incentive and share-based components.
- Indirect compensation includes retirement coverage, health benefits, death and disability protection as well as certain benefits-in-kind according to local market practice.

Direct compensation components are described below.

Base salary

Base salary adjustments are based primarily on market evolution, taking into consideration the executive's performance and contribution to Company results. Salary adjustments for Executive Committee members are decided by the Compensation Committee.

Annual Incentive Plan

The Annual Incentive Plan is designed to reward executives and managers for the achievement of annual operational targets.

Annual targets for Executive Committee members are set by the Board of Directors upon recommendation by the Compensation Committee. For 2011, these targets and their respective weights were as follows:

- Sales Growth (local currencies): 50%
- EBITDA margin: 50%

For the purpose of the Annual Incentive Plan, EBITDA is expressed as a percentage of Sales.

Achievements against these targets are reviewed and approved by the Compensation Committee.

Annual incentive payouts for lower level executives and managers are based on a mix of financial objectives cascaded from Givaudan Group targets and qualitative objectives addressing key initiatives and/or process improvements.

Expressed as a percentage of base salary, annual incentives at target were the following in 2011:

- Chief Executive Officer: 80%
- Chief Financial Officer and Division Presidents: 60%
- Global Head of Human Resources and Global Head of Information Technology: 50%
- Division Management Committee members: 35%-50%
- Other executives and managers: 10%-35%

Based on the performance achievements, incentive payouts may vary between 0% and a cap of 200% of target incentive.

Long Term Incentive Plan

A new design for the Givaudan Long Term Incentive Plan (LTIP) was approved by the Board of Directors on 25 March 2009. Until 2008, the Givaudan LTIP was delivered in the form of stock options. As from 2009, the LTIP gives participants a choice as to how they receive their awards:

- 100% of award value in stock options
- 100% of award value in restricted share units (RSUs)
- 50% of award value in stock options and 50% in RSUs

These three alternatives have approximately equal values at grant and are designed to address the various financial situations, personal circumstances and risk profiles of LTIP participants. The Company believes that offering participants a choice enhances the perceived value of the Givaudan LTIP, and therefore its effectiveness in attracting, retaining and motivating key talent.

The total grant value of the LTIP awards is approved each year by the Board of Directors. Participation is limited to approximately 3% of the employee population, including senior executives and key contributors. The individual grants to Executive Committee members are reviewed and approved annually by the Compensation Committee.

Both stock options and RSUs link executive compensation to shareholder value creation as reflected in the evolution of Givaudan's share price.

The main characteristics of stock options and RSUs are described below. More details can be found in the 'Share-Based Payments' section of the 2011 Financial Report.

Stock options

Stock options have a vesting period of two years and expire after five years.

As a principle, the strike price for the options is established by the Board of Directors at a level that is higher than the market value of the Givaudan share at grant (out-of-the-money options). The underlying market value at grant is the average price of the Givaudan share in the two weeks following the publication of the annual results.

The maximum number of options awarded each year (with annual issuance of call warrants on the Swiss stock exchange) and the option parameters are approved by the Board of Directors.

Restricted Share Units

RSUs give participants the right to receive a specific number of Givaudan shares (or a cash equivalent, where securities laws prevent the offering of Givaudan securities to employees) at the end of a vesting period of three years, subject to continued employment with the Company.

Participants have no shareholder's rights during the vesting period, i.e. they do not receive dividends and have no voting rights until RSUs are converted into Givaudan shares.

After the vesting period has elapsed, shares can be held or sold by the participant with no restriction except for applicable blackout periods.

Performance Share Plan

The introduction of a Performance Share Plan (PSP) was approved by the Board of Directors on 30 November 2007. The PSP is designed to reward executives who significantly impact long-term Company performance. Fifty-two senior executives were awarded performance shares in 2008. Performance shares will vest on 1 March 2013, conditional upon the economic value generation over the five-year period. The economic value generation will be measured by cumulative EBITDA over the five-year period, adjusted for the utilisation of capital.

The actual number of shares to vest at the end of the five-year performance period may vary between 0% and a maximum of 150% of the number of performance shares granted, based upon the performance achievement. Thirty thousand performance shares were reserved for the plan over the five-year period. Performance shares are granted only once in respect of the five-year performance period.

Compensation of the Executive Committee

2011 in Swiss francs	Gilles Andrier CEO	Executive Committee members (excluding CEO) [a]	Total compensation 2011 (accrued annual incentive) [b]	Total compensation 2010 (accrued annual incentive) [b]	Total compensation 2010 (paid annual incentive) [c]
Base salary	968,009	2,390,079	3,358,088	3,254,349	3,254,349
Annual incentive	655,119	1,098,748	1,753,867	3,010,575	1,344,068
Total cash	**1,623,128**	**3,488,827**	**5,111,955**	**6,264,924**	**4,598,417**
Pension benefits [d]	119,455	430,023	549,478	503,589	503,589
Other benefits [e]	117,961	599,785	717,746	713,909	713,909
Number of options granted [f]	–	50,000	50,000	220,000	220,000
Value at grant [g]	–	778,500	778,500	3,335,200	3,335,200
Number of RSUs granted [h]	1,132	2,451	3,583	400	400
Value at grant [i]	980,652	2,123,301	3,103,953	322,480	322,480
Number of 2008-2012 performance shares granted [j]	3,000	6,900	9,900	9,900	9,900
Annualised value at grant [k]	533,580	1,227,234	1,760,814	1,760,814	1,760,814
Total compensation	**3,374,776**	**8,647,670**	**12,022,446**	**12,900,916**	**11,234,409**

a) Represents full year compensation of five Executive Committee members.

b) Annual incentive accrued in reporting period based on current year performance.

c) Annual incentive paid in current year with regard to previous year performance, as reported in 2010 Compensation Report.

d) Company contributions to broad-based pension and retirement savings plans and annualised expense accrued for supplementary executive retirement benefit.

e) Represents annualised value of health and welfare plans, international assignment benefits and other benefits in kind. Contributions to compulsory social security schemes are excluded.

f) Options vest on 26 February 2013.

g) Economic value at grant based on a Black & Scholes model, with no discount applied for the vesting period.

h) Restricted Share Units vest on 26 February 2014.

i) Economic value at grant according to IFRS methodology, with no discount applied for the vesting period.

j) Performance shares were granted in March 2008 for the five-year period 2008-2012 and vest on 1 March 2013.

k) Annualised value at grant calculated according to IFRS methodology, and assuming 100% achievement of performance target.

Highest total compensation

Chief Executive Officer Gilles Andrier was the Executive Committee member with the highest total compensation in 2011. For compensation details, please refer to the above table as well as the complete disclosure of compensation to Board of Directors and Executive Committee members set out in the 'Related Parties' section of the 2011 Financial Report.

Other compensation, fees and loans to members or former members of the Executive Committee

No other compensation or fees were accrued for or paid to any member or former member of the Executive Committee during the reporting period. No member or former member of the Executive Committee had any loan outstanding as of 31 December 2011.

Special compensation of members of the Executive Committee who left the Company during the reporting period

No such compensation was incurred during the reporting period.

Contractual termination clauses of Executive Committee members

Employment contracts of Executive Committee members provide for a maximum indemnity equivalent to 12 months' total remuneration for termination of employment by the Company. No additional compensation or benefits are provided in the case of change in control, except for the immediate vesting of share options granted by the Company.

All contractual arrangements of Executive Committee members are approved by the Compensation Committee of the Board of Director.

Compensation of members of the Board

Compensation of Board members consists of Director fees and Committee fees. These fees are paid shortly after the Annual General Meeting for year in office completed. In addition, each Board member is entitled to participate in the Givaudan Long Term Incentive Plan (LTIP).

As of 2011, the Board receives only RSUs and is no longer granted option rights. With the exception of the Chairman and outgoing Board members, each Board member receives an amount of CHF 10,000 for out-of-pocket expenses. This amount is paid for the coming year in office. The LTIP awards are also granted for the same period.

The compensation paid out to the Board of Directors during the year was as follows:

2011 in Swiss francs	Jürg Witmer Chairman	André Hoffmann	Lilian Biner[a]	Irina du Bois	Peter Kappeler	Thomas Rufer	Nabil Sakkab	Henner Schierenbeck	Total remuneration 2011	Total remuneration 2010
Director fees	320,000	80,000	–	80,000	80,000	80,000	80,000	80,000	800,000	800,000
Committee fees	30,000	50,000	–	20,000	40,000	20,000	20,000	40,000	220,000	220,000
Other cash compensation[b]	–	–	–	–	–	–	20,000	–	20,000	–
Total cash	**350,000**	**130,000**	**–**	**100,000**	**120,000**	**100,000**	**120,000**	**120,000**	**1,040,000**	**1,020,000**
Number of options granted	–	–	–	–	–	–	–	–	–	46,900
Value at grant	–	–	–	–	–	–	–	–	–	711,004
Number of RSUs granted[c]	505	126	126	126	126	126	126	126	1,387	402
Value at grant[d]	437,482	109,154	109,154	109,154	109,154	109,154	109,154	109,154	1,201,560	324,091
Total compensation	**787,482**	**239,154**	**109,154**	**209,154**	**229,154**	**209,154**	**229,154**	**229,154**	**2,241,560**	**2,055,095**

a) Joined the Board of Directors on 24 March 2011.

b) Consulting fee for special assignment completed in 2011.

c) Restricted Share Units vest on 26 February 2014.

d) Economic value at grant according to IFRS methodology, with no discount applied for the vesting period.

Payment to Board members for out-of-pocket expenses amounted to CHF 70,000.

Compensation of the Board member with the highest compensation

The Board member with the highest compensation in 2011 is Dr. Jürg Witmer, Chairman of the Board as of 28 April 2005. For compensation details please refer to the detailed table above as well as the complete disclosure of compensation to Board of Directors and Executive Committee members set out in the 'Related Parties' section of the Financial Report.

Other compensation, fees and loans to members or former members of the Board

No additional compensation or fees were paid to any member of the Board. No Board member had any loan outstanding as of 31 December 2011.

Special compensation of members of the Board who left the Company during the reporting period

No such compensation was incurred during the reporting period.

Additional fees and loans

No additional fees and/or compensation were paid during the reporting period to any member of the Board. None has any loan outstanding from the Company.

Ownership of shares

In total, the Chairman and other non-executive Board members including persons closely connected to them held 89,472 Givaudan shares. For further details, please refer to the table on page 83.

As per 31 December 2011, the Chief Executive Officer and other members of the Executive Committee, including persons closely connected to them, held 351 Givaudan shares. For further details, please refer to the table on page 83.

Ownership of share options and Restricted Share Units

Executive Committee members who elect to receive stock options may receive:

(1) Call warrants. These securities are fully tradable after vesting;

or

(2) Option rights, in jurisdictions where securities laws prevent the offering of Givaudan securities to employees. Option rights are settled in cash and offer recipients economic benefits identical to share options.

These rights are not tradable or transferable after the vesting period.

In 2009, Board members and Executive Committee members were offered the alternative to receive Restricted Share Units (RSUs) in lieu of stock options as described above.

As from 2011, Board members are no longer granted stock options and receive the totality of their entire share-based remuneration in the form of RSUs.

Details about Givaudan stock options and RSUs are described in the 'Share-Based Payments' section of the 2011 Financial Report.

The following table shows:

- The shares held individually by each Board member as per 31 December 2011.
- The RSUs that were granted in 2009–2011 and were still owned by members of the Board as per 31 December 2011.
- The share options/option rights that were granted until 2010 and were still owned by the members of the Board as per 31 December 2011.

The Company is not aware of any ownership of shares, share options/option rights or RSUs as per 31 December 2011 by persons closely connected to the Board of Directors.

2011 in numbers	Shares	RSUs	Share options/Option rights Maturity 2012	Maturity 2013	Maturity 2014	Maturity 2015
Jürg Witmer, Chairman	1,400	505				26,800
André Hoffmann[a]	86,929	126	6,700	6,700	6,700	6,700
Lilian Biner		126				
Irina du Bois	39	260				
Peter Kappeler	10	281				3,350
Thomas Rufer	58	281			3,350	3,350
Nabil Sakkab		281		6,700	3,350	3,350
Henner Schierenbeck	1,036	193	6,700	6,700	6,700	3,350
Total Board of Directors	**89,472**	**2,053**	**13,400**	**20,100**	**20,100**	**46,900**

a) The following Givaudan derivatives were also held by Mr Hoffmann as per 31 December 2011:
– 30,000 call warrants UBS – Givaudan 20.8.2013 (ISIN value no. CH 011 659 55 10)

The following table shows:

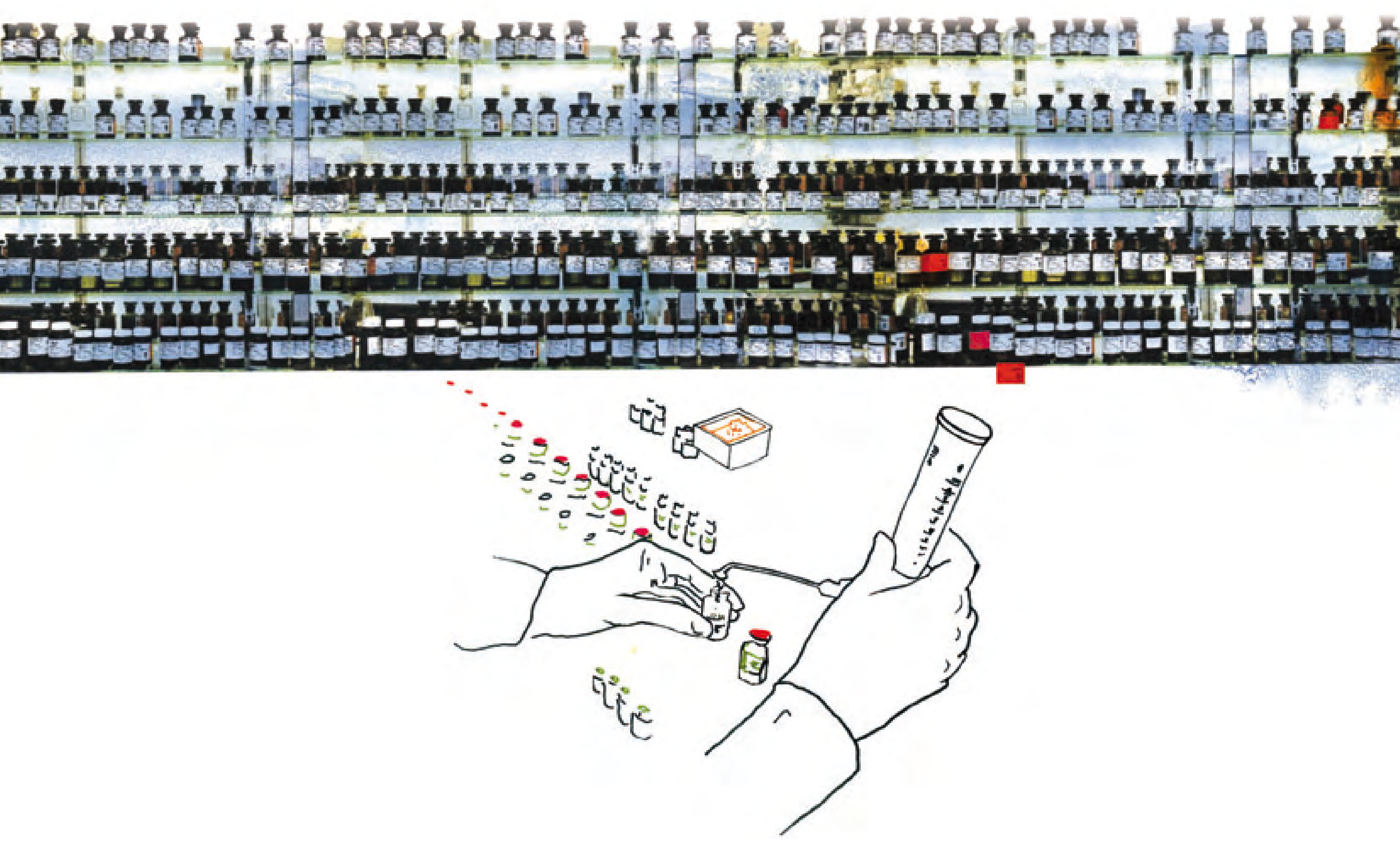
- The shares held individually by each member of the Executive Committee as per 31 December 2011.
- The RSUs that were granted in 2009–2011 and were still owned by members of the Executive Committee as per 31 December 2011.
- The share options/option rights that were granted during the corresponding periods and were still owned by the members of the Executive Committee as per 31 December 2011.

Two persons closely connected to members of the Executive Committee owned Givaudan securities as per 31 December 2011:

- One person owned 3,000 option rights maturing in 2015 and 56 RSUs.
- One person owned 98 shares.

The Company is not aware of any other ownership of shares, share options/option rights or RSUs as per 31 December 2011 by persons closely connected to members of the Executive Committee.

2011 in numbers	Shares	RSUs	Share options/Option rights Maturity 2012	Maturity 2013	Maturity 2014	Maturity 2015	Maturity 2016
Gilles Andrier, CEO		1,132				60,000	
Matthias Währen		1,680				20,000	
Mauricio Graber	116	377				40,000	20,000
Michael Carlos		754	40,000	40,000		40,000	
Joe Fabbri	117	283				30,000	15,000
Adrien Gonckel	20	283				30,000	15,000
Total Executive Committee	**253**	**4,509**	**40,000**	**40,000**	**0**	**220,000**	**50,000**



Financial report

Sales up by
5.2%
in local currencies

3,915m
Sales (CHF)

790m
EBITDA (CHF)

20.2%
EBITDA as % of sales

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Financial review

in millions of Swiss francs, except for per share data	2011	2010
Sales	**3,915**	**4,239**
Gross profit	**1,666**	**1,956**
as % of sales	42.6%	46.1%
EBITDA at comparable basis [a, b]	**790**	**963**
as % of sales	20.2%	22.7%
EBITDA [a]	**758**	**887**
as % of sales	19.4%	20.9%
Operating income at comparable basis [b]	**480**	**655**
as % of sales	12.3%	15.5%
Operating income	**443**	**556**
as % of sales	11.3%	13.1%
Income attributable to equity holders of the parent	**252**	**340**
as % of sales	6.4%	8.0%
Earnings per share – basic (CHF)	**27.71**	**37.87**
Earnings per share – diluted (CHF)	**27.55**	**37.63**
Operating cash flow	**456**	**730**
as % of sales	11.6%	17.2%
Free cash flow	**117**	**437**
as % of sales	3.0%	10.3%

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.

in millions of Swiss francs, except for employee data	31 December 2011	31 December 2010
Total assets	6,716	6,923
Total liabilities	3,221	3,477
Total equity	3,495	3,446
Number of employees	8,913	8,618

Foreign exchange rates

Foreign currency to Swiss francs exchange rates	ISO code	Units	31 Dec 2011	Average 2011	31 Dec 2010	Average 2010	31 Dec 2009	Average 2009
Dollar	USD	1	0.94	0.88	0.93	1.04	1.04	1.08
Euro	EUR	1	1.22	1.23	1.25	1.38	1.48	1.51
Pound	GBP	1	1.46	1.42	1.46	1.61	1.67	1.69
Yen	JPY	100	1.22	1.11	1.15	1.19	1.11	1.16

Sales

In 2011, Givaudan Group sales totalled CHF 3,915 million, an increase of 5.2% in local currencies and a decline of 7.6% in Swiss francs compared to 2010. Sales of the Fragrance Division were CHF 1,833 million, an increase of 4.7% in local currencies and a decline of 7.8% in Swiss francs. Sales of the Flavour Division were CHF 2,082 million, an increase of 5.7% in local currencies and a decline of 7.5% in Swiss francs compared to 2010.

Operating performance

Gross margin

The gross profit margin decreased to 42.6% from 46.1% 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 of the year.

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

EBITDA declined to CHF 758 million in 2011 from CHF 887 million last year. On a comparable basis, excluding integration and restructuring expenses, EBITDA decreased to CHF 790 million from CHF 963 million reported last year. The continued strengthening of the Swiss franc against all currencies, and in particularly the USD, as well as the increase in raw materials, significantly impacted absolute levels of EBITDA. When measured in local currency terms, EBITDA on a comparable basis declined by 8.6%. The comparable EBITDA margin was 20.2% in 2011, compared to the 22.7% 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 EBITDA margins.

Operating income

Operating income declined to CHF 443 million from CHF 556 million last year. On a comparable basis, excluding CHF 37 million of integration and restructuring costs, operating income declined to CHF 480 million in 2011 from CHF 655 million in 2010. The operating margin on a comparable basis decreased to 12.3% in 2011 from 15.5% reported last year. When measured in local currency terms, operating income on a comparable basis decreased by 14.4%. The decline in operating income was greater than the decline in EBITDA as the amortisation of intangible assets was not impacted by currency movements.

Financial performance

Financing costs were CHF 91 million in 2011, down from CHF 93 million in 2010. Other financial expenses, net of income, were CHF 34 million in 2011, versus CHF 26 million in 2010, mainly driven by continued currency volatility.

The Group's income taxes as a percentage of income before taxes were 21% in 2011, versus 22% in 2010.

Net income

Net income decreased to CHF 252 million in 2011 from CHF 340 million in 2010, mainly as a result of the strengthening Swiss franc. This represents 6.4% of sales in 2011, versus 8.0% in 2010. Basic earnings per share decreased to CHF 27.71 in 2011 from CHF 37.87 in the previous year.

Cash flow

Givaudan delivered an operating cash flow of CHF 456 million, down from the CHF 730 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, mainly as a result of higher inventory levels and high accounts receivables at the end of the year, driven by the strong sales performance in the last quarter.

Total net investments in property, plant and equipment were CHF 176 million, up from the CHF 105 million incurred in 2010, mainly driven by the investment in the centralised flavours production facility in Hungary. Intangible asset additions were CHF 86 million in 2011, a significant portion of this investment being in the company's Enterprise Resource Planning (ERP) project based on SAP. Implementation was completed in North America and is on progress in Asia, with the project on track to be completed in June 2012. Operating cash flow after investments was CHF 194 million, down versus the CHF 553 million recorded in 2010. Free cash flow, defined as operating cash flow after investments and interest paid, was CHF 117 million in 2011, down from CHF 437 million in 2010, mainly driven by the lower EBITDA, working capital requirements and higher investments in 2011. Free cash flow as a percentage of sales was 3.0%, compared to 10.3% in 2010.

Financial position

Givaudan's financial position remained solid at the end of December 2011. Net debt at December 2011 was CHF 1,453 million, up from CHF 1,353 million at December 2010. At the end of December 2011 the leverage ratio (defined as net debt divided by net debt plus equity) was 29%, compared to 28% at the end of 2010.

Dividend proposal

The Board of Directors of Givaudan will propose to the Annual General Meeting, on 22 March 2012, a cash dividend of CHF 22.00 per share for the financial year 2011. This is the eleventh consecutive dividend increase following Givaudan's listing at the Swiss Stock Exchange in 2000. The total amount of this dividend distribution will be made out of reserves for additional paid-in capital which Givaudan shows in its balance sheet as per the end of 2011. Pursuant to Swiss tax legislation, this dividend payment will not be subject to Swiss withholding tax and it will also not be subject to income tax on the level of the individual shareholders who hold the shares as part of their private assets and are resident in Switzerland for tax purposes.

Board of directors

At the Annual General Meeting on 24th March 2011 Prof Henner Schierenbeck was re-elected for a term of one year. He will retire from the Board at the Annual General Meeting in 2012, as he will then have served for twelve years as a Board member and Chairman of the Audit Committee. In 2011, Ms Lilian Biner, a Swedish national, was elected as a new Board member for a term of three years.

Short-term outlook

During 2012, the company will continue to work in close collaboration with its customers to make the necessary adaption of its prices to reflect the recent sharp increase in input costs. As the company completes the roll out of SAP, it will continue to leverage on this investment through such initiatives as shared services, as well as ensuring that its supply chain is efficient and requires reduced working capital levels.

Mid-term guidance

Mid-term, the overall objective is to grow organically between 4.5% and 5.5% per annum, assuming 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 – developing markets, Health and Wellness, market share gains with targeted customers and segments, research and sustainable sourcing – 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.

Consolidated income statement

For the year ended 31 December

in millions of Swiss francs, except for per share data	Note	2011	2010
Sales	5	3,915	4,239
Cost of sales		(2,249)	(2,283)
Gross profit		**1,666**	**1,956**
as % of sales		42.6%	46.1%
Marketing and distribution expenses		(547)	(606)
Research and product development expenses		(294)	(336)
Administration expenses		(126)	(138)
Amortisation of intangible assets	22	(205)	(194)
Share of loss of jointly controlled entities	8	(1)	-
Other operating income	9	8	8
Other operating expense	10	(58)	(134)
Operating income		**443**	**556**
as % of sales		11.3%	13.1%
Financing costs	12	(91)	(93)
Other financial income (expense), net	13	(34)	(26)
Income before taxes		**318**	**437**
Income taxes	14	(66)	(97)
Income for the period		**252**	**340**
Attribution			
Income attributable to non-controlling interests	31		
Income attributable to equity holders of the parent		252	340
as % of sales		6.4%	8.0%
Earnings per share – basic (CHF)	15	**27.71**	**37.87**
Earnings per share – diluted (CHF)	15	**27.55**	**37.63**

The notes on pages 95 to 144 form an integral part of these financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December

in millions of Swiss francs	Note	2011	2010
Income for the period		**252**	**340**
Available-for-sale financial assets			
Movement in fair value for available-for-sale financial assets, net		(4)	8
Movement in deferred taxes on fair value adjustments	14	-	-
(Gain) loss on available-for-sale financial assets removed from equity and recognised in the consolidated income statement		(1)	(7)
Cash flow hedges			
Fair value adjustments in year		(11)	(7)
Removed from equity			
- and recognised in the consolidated income statement		(1)	5
Exchange differences arising on translation of foreign operations			
Change in currency translation		(30)	(276)
Other comprehensive income for the period		**(47)**	**(277)**
Total comprehensive income for the period		**205**	**63**
Attribution			
Total comprehensive income attributable to non-controlling interests	31		
Total comprehensive income attributable to equity holders of the parent		205	63

The notes on pages 95 to 144 form an integral part of these financial statements.

Consolidated statement of financial position

As at 31 December

in millions of Swiss francs	Note	2011	2010
Cash and cash equivalents	16	545	805
Derivative financial instruments	4	53	91
Derivatives on own equity instruments	25	10	26
Available-for-sale financial assets	4, 17	54	54
Accounts receivable – trade	4, 18	795	717
Inventories	19	839	735
Current income tax assets	14	36	44
Assets held for sale	20	7	10
Other current assets	4	130	127
Current assets		**2,469**	**2,609**
Property, plant and equipment	21	1,366	1,312
Intangible assets	22	2,563	2,705
Deferred income tax assets	14	98	91
Assets for post-employment benefits	6	129	98
Financial assets at fair value through income statement	4	24	24
Jointly controlled entities	8	2	3
Other long-term assets	17	65	81
Non-current assets		**4,247**	**4,314**
Total assets		**6,716**	**6,923**
Short-term debt	23	437	314
Derivative financial instruments	4	61	40
Accounts payable – trade and others	4	351	344
Accrued payroll & payroll taxes		88	121
Current income tax liabilities	14	69	83
Financial liability: own equity instruments	25	4	30
Provisions	24	33	35
Other current liabilities		149	140
Current liabilities		**1,192**	**1,107**
Derivative financial instruments	4	59	55
Long-term debt	23	1,561	1,844
Provisions	24	59	90
Liabilities for post-employment benefits	6	104	120
Deferred income tax liabilities	14	193	202
Other non-current liabilities		53	59
Non-current liabilities		**2,029**	**2,370**
Total liabilities		**3,221**	**3,477**
Share capital	26	92	92
Retained earnings and reserves	26	4,688	4,632
Hedging reserve	26	(59)	(47)
Own equity instruments	25, 26	(72)	(112)
Fair value reserve for available-for-sale financial assets		4	9
Cumulative translation differences		(1,158)	(1,128)
Equity attributable to equity holders of the parent		**3,495**	**3,446**
Non-controlling interests	31		
Total equity		**3,495**	**3,446**
Total liabilities and equity		**6,716**	**6,923**

The notes on pages 95 to 144 form an integral part of these financial statements.

Consolidated statement of changes in equity

For the year ended 31 December

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
Note		26	26	25, 26					31	
Balance as at 1 January		**92**	**4,632**	**(112)**	**(47)**	**9**	**(1,128)**	**3,446**		**3,446**
Income for the period			252					252		252
Available-for-sale financial assets	4, 17					(5)		(5)		(5)
Cash flow hedges					(12)			(12)		(12)
Exchange differences arising on translation of foreign operations							(30)	(30)		(30)
Other comprehensive income for the period					**(12)**	**(5)**	**(30)**	**(47)**		**(47)**
Total comprehensive income for the period			**252**		**(12)**	**(5)**	**(30)**	**205**		**205**
Dividends paid	26		(196)					(196)		(196)
Movement on own equity instruments, net				40				40		40
Net change in other equity items			**(196)**	**40**				**(156)**		**(156)**
Balance as at 31 December		**92**	**4,688**	**(72)**	**(59)**	**4**	**(1,158)**	**3,495**		**3,495**

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
Note		26	26	25, 26					31	
Balance as at 1 January		**85**	**3,741**	**(132)**	**(45)**	**8**	**(852)**	**2,805**	**7**	**2,812**
Income for the period			340					340		340
Available-for-sale financial assets	4, 17					1		1		1
Cash flow hedges					(2)			(2)		(2)
Exchange differences arising on translation of foreign operations							(276)	(276)		(276)
Other comprehensive income for the period					**(2)**	**1**	**(276)**	**(277)**		**(277)**
Total comprehensive income for the period			**340**		**(2)**	**1**	**(276)**	**63**		**63**
Issuance of shares	26	7	734					741		741
Dividends paid	26		(187)					(187)	(1)	(188)
Changes in non-controlling interests			4					4	(6)	(2)
Movement on own equity instruments, net				20				20		20
Net change in other equity items		**7**	**551**	**20**				**578**	**(7)**	**571**
Balance as at 31 December		**92**	**4,632**	**(112)**	**(47)**	**9**	**(1,128)**	**3,446**		**3,446**

The notes on pages 95 to 144 form an integral part of these financial statements.

Consolidated statement of cash flows

For the year ended 31 December

in millions of Swiss francs	Note	2011	2010
Income for the period		252	340
Income tax expense	14	66	97
Interest expense	12	75	82
Non-operating income and expense		50	37
Operating income		**443**	**556**
Depreciation of property, plant and equipment	21	105	115
Amortisation of intangible assets	22	205	194
Impairment of long-lived assets and joint ventures	21, 22	5	22
Other non-cash items			
- share-based payments		13	10
- additional and unused provisions, net		42	105
- other non-cash items		51	14
Adjustments for non-cash items		**421**	**460**
(Increase) decrease in inventories		(117)	(152)
(Increase) decrease in accounts receivable		(92)	(37)
(Increase) decrease in other current assets		(7)	(48)
Increase (decrease) in accounts payable		14	53
Increase (decrease) in other current liabilities		(11)	71
(Increase) decrease in working capital		**(213)**	**(113)**
Income taxes paid		**(73)**	**(59)**
Other operating cash flows, net[a]		**(122)**	**(114)**
Cash flows from (for) operating activities		**456**	**730**
Increase in long-term debt		839	99
(Decrease) in long-term debt			(198)
Increase in short-term debt		131	1
(Decrease) in short-term debt		(1,132)	(34)
Interest paid		(77)	(116)
Dividends paid	26	(196)	(188)
Purchase and sale of own equity instruments, net			9
Others, net		(6)	13
Cash flows from (for) financing activities		**(441)**	**(414)**
Acquisition of property, plant and equipment	21	(187)	(120)
Acquisition of intangible assets	22	(86)	(72)
Increase in share capital of jointly controlled entities		(1)	
Proceeds from the disposal of property, plant and equipment	21	11	15
Interest received		2	3
Purchase and sale of available-for-sale financial assets, net		1	1
Purchase and sale of financial assets at fair value through income statement, net			(29)
Purchase and sale of derivative financial instruments, net		29	11
Others, net		(35)	(35)
Cash flows from (for) investing activities		**(266)**	**(226)**
Net increase (decrease) in cash and cash equivalents		**(251)**	**90**
Net effect of currency translation on cash and cash equivalents		(9)	(110)
Cash and cash equivalents at the beginning of the period		805	825
Cash and cash equivalents at the end of the period		**545**	**805**

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

The notes on pages 95 to 144 form an integral part of these financial statements.

Notes to the consolidated financial statements

1. Group organisation

Givaudan SA and its subsidiaries (hereafter 'the Group') operate under the name Givaudan. Givaudan SA is a limited liability company incorporated and domiciled in Switzerland. The Group is headquartered in Vernier, near Geneva, Switzerland.

Givaudan is a leading supplier of creative fragrance and flavour products to the consumer goods industry. It operates in over 100 countries and has subsidiaries and branches in more than 40 countries. Worldwide, it employs 8,913 people. A list of the principal Group companies is shown in Note 31 to the consolidated financial statements.

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

2. Summary of significant accounting policies

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

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the IASB and with Swiss law. They are prepared under the historical cost convention as modified by the revaluation of available-for-sale financial assets, of financial assets and financial liabilities at fair value through the income statement, and of own equity instruments classified as derivatives.

Givaudan SA's Board of Directors approved these consolidated financial statements on 15 February 2012.

2.1.1 Changes in accounting policy and disclosures

Standards, amendments and interpretations effective in 2011

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, with the exception of the adoption as of 1 January 2011 of the standards and interpretations described below:

- IAS 24 Related Party Disclosures (revised)
- Amendments to IAS 32: Financial Instrument – Presentation: Classification of Rights Issues
- Amendment to IFRS 1: Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters
- Improvements to IFRSs: (May 2010)
- Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

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 issues 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 as existing IFRS preparers who were granted relief from presenting comparative information for the new disclosure requirements. As the Group is not a first-time adopter of IFRS, this 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.

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

a) Issued and effective for 2012

- Amendments to IFRS 7 Disclosures: Transfers of Financial Assets
- Amendments to IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
- Amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets

Amendments to IFRS 7 Disclosures: Transfers of Financial Assets require disclosures to help users of financial statements evaluate the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position. The Group will apply prospectively these amendments for any transfers of Financial Assets.

Amendments to IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters provide relief from having to reconstruct transactions that occurred before the date of transition to IFRSs. As the Group is not a first-time adopter of IFRS, these amendments are not relevant.

Amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model. As the Group has no investment property transactions, these amendments are not relevant.

b) Issued and effective for 2013 and after

- Amendments to IAS 19: Employee Benefits

These new amendments require the immediate recognition of the actuarial gains and losses arising from defined benefits plans in the statement of other comprehensive income, the recognition of service and finance cost in the income statement, and enhanced disclosures. These amendments will have a significant impact on the consolidated financial statements of the Group by increasing its liabilities for post-employment benefits and financial income (expense), and decreasing its other comprehensive income and decreasing equity.

- IFRS 9 Financial Instruments
- IAS 27 Separate Financial Statements
- IAS 28 Investments in associates and joint ventures
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosures of Interests in Other Entities
- IFRS 13 Fair Value Measurement

- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine
- Amendments to IAS 1: Presentation of Items of Other Comprehensive Income
- Amendments to IFRS 9 and IFRS 7: Mandatory Effective Date and Transition Disclosures
- Amendments to IFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities
- Amendments to IAS 32: Offsetting Financial Assets and Financial Liabilities

The Group has not yet evaluated the impact of the revised standards and amendments on its consolidated financial statements.

2.2 Consolidation

The subsidiaries that are consolidated are those companies controlled, directly or indirectly, by Givaudan SA, 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. Thus, control is normally evidenced when the Group owns, either directly or indirectly, more than 50% of the voting rights of a company's share capital. Companies acquired during the year are consolidated from the date on which operating control is transferred to the Group, and subsidiaries to be divested are included up to the date on which control passes to the acquirer.

The acquisition method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets acquired, shares issued and liabilities undertaken or assumed at the date of acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed are measured initially at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale (see Note 2.17). The Group recognised any non-controlling interest in the acquiree on an acquisition- by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquirees' identifiable net assets. Acquisition-related costs are expensed as incurred. The excess of the cost of acquisition over the fair value of the Group's share of net assets of the subsidiary acquired is recognised as goodwill. If the cost of acquisition is less than the fair value of the net assets of the acquired subsidiary, a reassessment of the net identifiable assets and the measurement of the cost is made, and then any excess remaining after the reassessment is recognised immediately in the consolidated income statement.

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

Balances and income and expenses resulting from inter-company transactions are eliminated.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains and losses on disposals to non-controlling interests are also recorded in equity.

When the Group loses control of a subsidiary, a gain or loss is recognised in the income statement and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to income statement or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

2.3 Interest in a joint venture

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control, which exists when the strategic, financial and operating decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control.

Where the Group has an interest in a joint venture which is a jointly controlled entity, the Group recognises its interest using the equity method of consolidation until the date on which the Group ceases to have joint control over the joint venture. Adjustments are made where necessary to bring the accounting policies in line with those adopted by the Group. Unrealised gains and losses on transactions between the Group and a jointly controlled entity are eliminated to the extent of the Group's interest in the joint venture.

2.4 Foreign currency valuation

Functional and presentation currency

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

Transactions and balances

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

- Exchange differences deferred in equity as qualifying cash flow hedges on certain foreign currency risks and qualifying net investment hedges
- Exchange differences on monetary items to a foreign operation for which settlement is neither planned nor likely to occur, therefore forming part of the net investment in the foreign operation, which are recognised initially in other comprehensive income and reclassified from equity to the income statement on disposal of the net investment or on partial disposal when there is a loss of control of subsidiary or a loss of joint control over the a jointly controlled entity.
- Exchange differences on foreign currency borrowings relating to assets under construction which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings

Non-monetary items that are measured in terms of historical cost in foreign currencies are not retranslated. Translation differences on non-monetary financial assets carried at fair value such as equity securities classified as available-for-sale are included in the available-for-sale reserve in equity, and reclassified upon settlement in the income statement as part of the fair value gain or loss.

Group companies

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

On the disposal of a foreign operation (i.e. loss of control), all of the cumulative currency translation differences in respect of that foreign operation are reclassified to the income statement as part of the gain or loss on divestment. In the case of a partial disposal (i.e. no loss of control) of a foreign operation, the proportionate share of cumulative currency translation differences relating to that foreign operation are re-attributed to non-controlling interests and are not recognised in the income statement.

2.5 Segment reporting

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

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

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

Information about geographical areas are determined based on the Group's operations; Switzerland, Europe, Africa & Middle-East, North America, Latin America, and Asia Pacific. Revenues from external customers are shown by destination. Non-current assets consist of property, plant and equipment, intangible assets and investments in jointly controlled entities.

Information regarding the Group's Reportable Segments is presented in Note 5.

2.6 Sales

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

2.7 Research and product development costs

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

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

Internal developments or developments obtained through agreements on formulas, technologies and products costs are capitalised as intangible assets only when there is an identifiable asset that will generate probable economic benefits and when the cost can be measured reliably. When the conditions for recognition of an intangible asset are not met, development expenditure is recognised in the income statement in the period in which it is incurred. Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life is reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

2.8 Employee benefit costs

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

Pension obligations

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, principally dependent on an employee's years of service and remuneration at retirement. Plans are usually funded by payments from the Group and employees to financially independent trusts. The liability recognised in the statement of financial position is the aggregate of the present value of the defined benefits obligation at the statement of financial position date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains and losses, and past service costs not yet recognised. If the aggregate is negative, the asset is measured at the lower of such aggregate or the aggregate of cumulative unrecognised net actuarial losses and past service costs and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan. The present value of the defined benefits obligation and the related current service cost are calculated annually by independent actuaries using the projected unit credit method. This reflects the discounted expected future payment required to settle the obligation resulting from employee service in the current and prior periods. The future cash outflows incorporate actuarial assumptions primarily regarding the projected rates of remuneration growth, long-term expected rates of return on plan assets, and long-term indexation rates. Discount rates, used to determine the present value of the defined benefit obligation, are based on the market yields of high-quality corporate bonds in the country concerned. A portion, representing 10% of the greater of the present value of the defined benefit obligation and the fair value of plan assets, of the differences between assumptions and actual experiences, as well as the effects of changes in actuarial assumptions are recognised over the estimated average remaining working lives of employees.

Where a plan is unfunded, a liability is recognised in the statement of financial position. A portion, representing 10% of the present value of the defined benefit obligation, of the differences between assumptions and actual experiences, as well as the effects of changes in actuarial assumptions are recognised over the estimated average remaining working lives of employees. Past service costs are amortised over the average period until the benefits become vested. Pension assets and liabilities in different defined benefit schemes are not offset unless the Group has a legally enforceable right to use the surplus in one plan to settle obligations in the other plan.

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

Other post-retirement obligations

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

2.9 Share-based payments

The Group has established share option plans and a performance share plan to align the long-term interests of key executives and members of the Board of Directors with the interests of the shareholders. Key executives are awarded a portion of their performance-related compensation either in equity-settled or cash-settled share-based payment transactions. The costs are recorded in each relevant functions part of the employees' remuneration as personnel expenses with a corresponding entry in equity in own equity instruments for equity-settled share-based payment transactions and in the statement of financial position as accrued payroll & payroll taxes for the cash-settled share-based payment transactions. The different share-based payments are described in the below table:

Share-based payment transactions		Equity-settled	Cash-settled
Share options plans	Call options	A	C
	Restricted shares	B	D
Performance share plan	Shares	E	n/a

Share Options Plans

The *equity-settled share-based payment transactions* are established with call options, which have Givaudan registered shares as underlying securities, or with restricted shares. At the time of grant, key executives can select the portion, with no influence on the total economic value granted, of call options or restricted shares of the plan to be received.

A. Call options are set generally with a vesting period of two years, during which the options cannot be exercised or transferred. The Group has at its disposal either treasury shares or conditional share capital when the options are exercised. The cost of these equity-settled instruments to be expensed, together with a corresponding increase in equity, over the vesting period, is determined by reference to the market value of the options granted at the date of the grant. Service conditions are included in the assumptions about the number of options that are expected to become exercisable. No performance conditions were included. At each statement of financial position date, the Group revises its estimates of the number of options that are expected to become exercisable. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation.

B. Restricted shares are set generally with a vesting period of three years, during which the restricted shares cannot be settled or transferred. The Group has at its disposal treasury shares for the delivery of the restricted shares. The cost of these equity-settled instruments to be expensed, together with a corresponding increase in equity, over the vesting period, is determined by reference to the fair value of the restricted shares granted at the date of the grant. The fair value is determined as the market price at grant date reduced by the present value of dividends expected to be paid during the vesting period, as participants are not entitled to receive dividends during the vesting period. Services conditions are included in the assumptions about the number of restricted shares that are expected to become deliverable. No performance conditions were included. At each statement of financial position date, the Group revises its estimates of the number of restricted shares that are expected to be delivered. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation.

The *cash-settled share-based payment transactions* are established with options right units which provide a right to an executive to participate in the value development of Givaudan call options or in the value development of Givaudan shares. At the time of grant, key executives can select the portion, with no influence on the total economic value granted, of call options or restricted shares of the plan to be received in equivalent of cash.

C. Options right units related to call options, which can only be settled in cash, are set generally with a vesting period of two years, during which the right cannot be exercised or transferred. The liability of the cash-settled instruments, together with a corresponding adjustment in expenses is measured during the vesting period using market values. The market value is based on market prices of similar observable instruments available on the financial market, as a rule the market price of the equity-settled instruments with identical terms and conditions upon which those equity instruments were granted.

D. Options right units related to restricted shares, which can only be settled in cash, are set generally with a vesting period of three years, during which the right cannot be exercised or transferred. The liability of the cash-settled instruments, together with a corresponding adjustment in expenses is measured during the vesting period using market values. The market value is the closing share price as quoted on the market the last day of the period.

Performance share plan

With the performance share plan, key executives are awarded a portion of their performance-related compensation in *equity-settled share-based payment transactions*.

E. The performance share plan is established with Givaudan registered shares and a vesting period of five years. The Group has at its disposal either treasury shares or conditional share capital. The cost of equity-settled instruments is expensed over the vesting period, together with a corresponding increase in equity, and is determined by reference to the fair value of the shares expected to be delivered at the date of vesting. Performance conditions are included in the assumptions in which the number of shares varies. No market conditions are involved. The fair value is determined as the market price at grant date reduced by the present value of dividends expected to be paid during the vesting period, as participants are not entitled to receive dividends during the vesting period. At each statement of financial position date, the Group revises its estimates of the number of shares that are expected to be delivered. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation.

2.10 Taxation

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

Deferred income taxes are provided based on the full liability method, under which deferred tax consequences are recognised for temporary differences between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting nor the taxable income. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and interests in jointly controlled entities, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available.

Current tax assets and liabilities are offset and deferred income tax assets and liabilities are offset when the income taxes are levied by the same taxation authority and when there is a legally enforceable right to offset them. Current and deferred tax are recognised as an expense or income in the income statement, except when they relate to items that are recognised outside the income statement, in which case the tax is also recognised outside the income statement.

2.11 Cash and cash equivalents

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

2.12 Financial assets

Financial assets are classified as financial assets at fair value through the income statement, loans and receivables, held-to maturity investments, or available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at inception. All regular way purchases and sales of financial assets are recognised at the settlement date i.e. the date that the asset is delivered to or by the Group. Financial assets are classified as current assets, unless they are expected to be realised beyond twelve months of the statement of financial position date. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Information on financial risk management of the Group is described in the Note 4.2. Detailed disclosures can be found in Note 17 to the consolidated financial statements.

Dividends and interest earned are included in the line other financial income (expense), net.

a) Financial assets at fair value through the income statement
Financial assets at fair value through income statement are financial assets held for trading. A financial asset is classified in this category if acquired for the purpose of selling in the near term or when the classification provides more relevant information. Derivatives are classified as held for trading unless they are designated as effective hedging instruments. When initially recognised, they are measured at fair value, and transaction costs are expensed in the income statement. Gains or losses on held for trading investments are recognised in the income statement.

b) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest method. Gains or losses on loans and receivables are recognised in the income statement when derecognised, impaired, or through the amortisation process. Loans and receivables are classified as other current assets and accounts receivable – trade (see Note 2.14) in the statement of financial position.

c) Held-to-maturity investments
Debt securities with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. These investments are measured at amortised cost using the effective interest method, less any impairment losses. Gains or losses on held-to-maturity investments are recognised in the income statement when derecognised, impaired, or through the amortisation process.

d) Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets that are designated as such or not classified in any of the other categories. They are initially measured at fair value, including directly attributable transaction costs. At the end of each period, the book value is adjusted to the fair value with a corresponding entry in a separate component of equity until the investment is derecognised or determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the income statement. When denominated in a foreign currency, any monetary item is adjusted for the effect of any change in exchange rates with the unrealised gain or loss recognised in the income statement.

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

In management's opinion an available-for-sale instrument is impaired when there is objective evidence that the estimated future recoverable amount is less than the carrying amount or when its market value is 20% or more below its original cost for a six-month period. When an impairment loss has previously been recognised, further declines in value are recognised as an impairment loss in the income statement. The charge is recognised in other financial income (expense), net. Impairment losses recognised on equity instruments are not reversed in the income statement. Impairment losses recognised on debt instruments are reversed through the income statement if the increase of the fair value of available-for-sale debt instrument objectively relates to an event occurring after the impairment charge.

2.13 Derivative financial instruments and hedging activities

Most derivative instruments are entered into to provide economic hedges. They are initially recognised at fair value on the date a derivative contract is entered into and are subsequently measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either hedges of the fair value of recognised items (fair value hedge), or hedges of a particular risk associated with highly probable forecast transactions (cash flow hedge).

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, as to whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Information on financial risk management within the Group is described in Note 4.2. Movements on the hedging reserve in shareholders' equity are shown in the statement of changes in equity. These derivatives are presented as current or non-current on the basis of their settlement dates.

a) Fair value hedge
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

For fair value hedges relating to items carried at amortised cost, for which the effective interest method is used, the adjustment to carrying value is amortised to the income statement over the time to maturity.

The Group discontinues fair value hedge accounting if the hedging instrument expires, is sold, terminated, exercised, no longer meets the criteria for hedge accounting, or designation is revoked.

b) Cash flow hedge
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity, while the gain or loss relating to the ineffective portion is immediately recognised in other financial income (expense), net in the income statement.

Amounts taken to equity are transferred to the income statement when the hedged transaction affects income, such as when hedged financial income (expense), net is recognised or when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

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

c) Net investment hedge
Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated under the heading "cumulative translation differences". The gain or loss relating to the ineffective portion is recognised immediately in income statement, and is included in the line item "other financial (income) expense, net".

Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated in the line item "cumulative translation differences" are reclassified to income statement on the disposal of the foreign operation or on partial disposal when there is a loss of control of subsidiary.

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

e) Embedded derivatives
Derivatives embedded in other financial instruments are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and when the host contract is not carried at fair value through the income statement. Changes in the fair value of separable embedded derivatives are immediately recognised in the income statement.

2.14 Accounts receivable – trade

Trade receivables are carried at amortised cost less provisions for impairment. A provision for impairment is made for potentially impaired receivables during the year in which they are identified based on a periodic review of all outstanding amounts. Any charges for impairment are recognised within marketing and distribution expenses of the income statement. Accounts receivable - trade are deemed as impaired when there is an indication of significant financial difficulties of the debtor (delinquency in or default on payments occurs, probability of bankruptcy or need for financial reorganisation).

2.15 Inventories

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

2.16 Property, plant and equipment

Property, plant and equipment are initially recognised at cost of purchase or construction and subsequently less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment includes expenditure that is attributable to the purchase or construction. It includes, for qualifying assets, borrowing costs in accordance with the Group's accounting policy (see Note 2.21), and cost of its dismantlement, removal or restoration, related to the obligation for which an entity incurs as a consequence of installing the asset.

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

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

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

The carrying values of plant and equipment are written down to their recoverable amount when the carrying value is greater than their estimated recoverable amount (see Note 2.20).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount with gains being recognised within other operating income and losses being recognised within other operating expense within the income statement.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Subsequent costs such as repairs and maintenance are recognised as expenses as incurred.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

2.17 Non-current assets held for sale

Non-current assets may be a component of an entity, a disposal group or an individual non-current asset. They are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This situation is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale are measured at the lower of carrying amount and fair value less costs to sell.

2.18 Leases

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

When substantially all the risks and rewards of ownership of leased assets are transferred to the Group, the leases of assets are classified as finance leases. They are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as debt. Assets purchased under finance lease are depreciated over the lower of the lease period or useful life of the asset. The interest charge is recognised over the lease term in the line financing costs in the income statement. The Group has no significant finance leases.

2.19 Intangible assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions is recognised in the statement of financial position as an intangible asset. Goodwill is tested annually for impairment or more frequently when there are indications of impairment, and carried at cost less accumulated impairment losses. Any goodwill or fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are recognised in the local currency at the effective date of the transaction and translated at year-end exchange rates. For the purpose of impairment testing, goodwill is allocated to the cash-generating unit being the Group's reportable operating segments; Fragrance Division and Flavour Division.

Internally generated intangible assets that are directly associated with the development of identifiable software products and systems controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Costs include system licences, external consultancies, and employee costs incurred as a result of developing software as well as overhead expenditure directly attributable to preparing the asset for use. Such intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is on a straight-line basis over the estimated economic useful life of the asset. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in the income statement in the period in which it is incurred. Development costs previously recognised as an expense are not recognised as an asset in subsequent periods.

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. Such intangible assets are recognised at cost, being their fair value at the acquisition date, and are classified as intangible assets with finite useful lives. They are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is on a straight-line basis over the estimated economic useful life of the asset.

Other intangible assets such as intellectual property rights (consisting predominantly of know-how being inseparable processes, formulas and recipes) and process-oriented technology are initially recognised at cost and classified as intangible assets with finite useful lives. They are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is on a straight-line basis over the estimated economic useful life of the asset. Internally generated intangible assets, other than those related to software products and systems, are not capitalised. Estimated useful lives of major classes of amortisable assets are as follows:

- Software/ERP system 3-7 years
- Intellectual property rights 5-20 years
- Process-oriented technology 5-15 years
- Client relationships 15 years

An impairment charge against intangible assets is recognised when the current carrying amount is higher than its recoverable amount, being the higher of the value in use and fair value less costs to sell. An impairment charge against intangible assets is reversed when the current carrying amount is lower than its recoverable amount. Impairment charges on goodwill are not reversed. Gains or losses arising on the disposal of intangible assets are measured as the difference between the net disposal proceeds and the carrying amount with gains being recognised within other operating income and losses being recognised in other operating expense within the income statement.

2.20 Impairment of long-lived assets

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

Intangible assets with indefinite useful lives are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

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

2.21 Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

2.22 Accounts payable – trade and others

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

2.23 Debt

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

The Mandatory Convertible Securities (MCS) instrument issued by the Group was a contract settled by way of a variable number of the Group's own equity instruments and that met the recognition criteria of a financial liability. The debt discount arising from the difference between the net proceeds and the par value was recognised using the effective interest method over the life of the MCS. Both the charge equivalent to the market interest rate and the mandatory conversion feature of the coupon were recognised as separate components in financing costs (see Note 12) in the consolidated income statement. In March 2010 the MCS matured and Givaudan shares were delivered to holders of this instrument (see Note 23).

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

2.24 Provisions

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

Restructuring provisions comprise lease termination penalties, employee termination payments and 'make good' provisions. They are recognised in the period in which the Group becomes legally or constructively committed to payment. Costs related to the ongoing activities of the Group are not provided for in advance.

2.25 Own equity instruments

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

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

The settlement and the contract for derivatives on own shares determine the categorisation of each instrument. When the contract assumes the settlement is made by exchanging a fixed amount of cash for a fixed number of treasury shares, the contract is recognised in equity except for a forward contract to buy and write puts which is recognised as a financial liability. When the contract assumes the settlement either net in cash or net in treasury shares or in the case of option of settlement, the contract is recognised as a derivative. Instruments recognised in equity are recognised at acquisition cost including transaction costs. Instruments recognised as financial liabilities are recognised at the net present value of the strike price of the derivative on own shares with the interest charge recognised over the life of the derivative in the line finance costs of the income statement. They are derecognised when the Group has lost control of the contractual rights of the derivative, with the realised gain or loss recognised in equity. At each statement of financial position date, instruments recognised as derivatives used to hedge the cash-settled share option plans are revalued at fair value based on quoted market prices, with any unrealised gain or loss recognised in each relevant line of the operating expenses. They are derecognised when the Group has lost control of the contractual rights of the derivatives, with any realised gain or loss recognised in each relevant line of the operating expenses. Similar treatment is applied to instruments recognised as derivatives that are not used to hedge the cash-settled share option plans apart from the unrealised and realised gain or loss which are recognised in the line other financial income (expense), net in the income statement.

More detailed information is provided in Note 25 of the consolidated financial statements.

2.26 Share capital

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

2.27 Dividend distributions

Dividend distributions are recognised in the period in which they are approved by the Group's shareholders.

3. Critical accounting estimates and judgments

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

3.1 Critical accounting estimates and assumptions

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

1) The impairment of goodwill requiring estimations of the value in use of the cash-generating units to which goodwill is allocated (see Note 22)
2) The impairment of property, plant and equipment requiring estimations to measure the recoverable amount of an asset or group of assets (see Note 21)
3) The calculation of the present value of defined benefit obligations requiring financial and demographic assumptions (see Note 6)
4) The determination and provision for income taxes requiring estimated calculations for which the ultimate tax determination is uncertain (see Note 14)
5) The provisions requiring assumptions to determine reliable best estimates (see Note 24)
6) The contingent liabilities assessment (see Note 28)

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

3.2 Critical judgment in applying the entity's accounting policies

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

- *Computer software and Enterprise Resource Planning:* Computer software is internally developed programmes or modifications that results in new or in substantial improvements of existing IT systems and applications. Enterprise Resource Planning relates to the implementation of an ERP system that is changing the way the business is done in the areas of Finance, Supply Chain and Compliance. The Group has determined that the development phase of internally developed software and the ERP business transformations will provide future economic benefits to the Group and meet the criterion of intangible assets (see Note 22).
- *Internal developments on formulas, technologies and products:* The outcome of these developments depends on their final assemblage and application, which varies to meet customer needs, and consequently the future economic benefits of these developments are not certain. Thus the criteria for the recognition as an asset of the internal developments on formulas, technologies and products are generally not met. The expenditures on these activities are recognised as expense in the period in which they have incurred.
- *Available-for-sale financial assets:* In addition to the duration and extent (see accounting policy in Note 2.12) to which the fair value of an investment is less than its cost, the Group evaluates the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance. This judgment may result in impairment charges (see Note 2.20).
- 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 financial position 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). The reclassification of these loans occurred on 1 June 2011.

4. Financial risk management

4.1 Capital risk management

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

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

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

The Group has entered into several private placements which contain various covenants with externally imposed capital requirements. The Group was in compliance with these requirements as at 31 December 2011.

The leverage ratio as at 31 December was as follows:

in millions of Swiss francs	Note	2011	2010
Short-term debt	23	437	314
Long-term debt	23	1,561	1,844
Less: cash and cash equivalents	16	(545)	(805)
Net Debt		**1,453**	**1,353**
Total equity attributable to equity holders of the parent		3,495	3,446
Non-controlling interests	31		
Equity		**3,495**	**3,446**
Net Debt and Equity		**4,948**	**4,799**
Leverage ratio		**29%**	**28%**

The leverage ratio increased to 29% in 2011 from 28% in 2010. The increase in the ratio was driven by a lower free cash flow, as a result of the increased input costs, temporarily higher working capital requirements and a strong Swiss franc. In addition, the strong Swiss franc also resulted in a reduction in equity. Net debt at December 2011 was CHF 1,453 million, up from CHF 1,353 million at December 2010. The Group maintains its medium term leverage ratio target at 25%.

4.2 Financial risk management

The Group's Treasury function monitors and manages financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risk. These risks include market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. To manage the interest rate and currency risk arising from the Group's operations and its sources of finance, the Group enters into derivative transactions, primarily interest rate swaps, forward currency contracts and options.

Risk management is carried out by Group Treasury under the risk management policies approved by the Board of Directors. The Board of Directors provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity. The Group generally enters into financial derivative transactions to hedge underlying business related exposures.

Categories of financial instruments

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

2011

in millions of Swiss francs	Note	Loans and receivables	At fair value through the income statement	Derivatives used for hedge accounting	Available-for-sale	Other financial liabilities	Total
Current assets							
Available-for-sale financial assets	17				54		54
Accounts receivable – trade	18	795					795
Derivative financial instruments	4.3		53				53
Cash and cash equivalents	16	545					545
Other current assets [a]		54					54
Non-current assets							
Available-for-sale financial assets	17				35		35
Financial assets at fair value through income statement			24				24
Total assets as at 31 December		**1,394**	**77**		**89**		**1,560**
Current liabilities							
Short-term debt	23					437	437
Derivative financial instruments	4.3		50	11			61
Accounts payable		299					299
Non-current liabilities							
Long-term debt	23					1,561	1,561
Derivative financial instruments [b]	4.3		45	14			59
Total liabilities as at 31 December		**299**	**95**	**25**		**1,998**	**2,417**

a) Other current assets consist of other receivables non trade.

b) Derivatives qualified as hedge accounting on non-current transactions are classified and presented as non-current assets or liabilities (see Note 2.13).

2010

in millions of Swiss francs	Note	Loans and receivables	At fair value through the income statement	Derivatives used for hedge accounting	Available-for-sale	Other financial liabilities	Total
Current assets							
Available-for-sale financial assets	17				54		54
Accounts receivable – trade	18	717					717
Derivative financial instruments	4.3		91				91
Cash and cash equivalents	16	805					805
Other current assets [a]		57					57
Non-current assets							
Available-for-sale financial assets	17				40		40
Financial assets at fair value through income statement			24				24
Total assets as at 31 December		**1,579**	**115**		**94**		**1,788**
Current liabilities							
Short-term debt	23					314	314
Derivative financial instruments	4.3		40				40
Accounts payable		309					309
Non-current liabilities							
Long-term debt	23					1,844	1,844
Derivative financial instruments [b]	4.3		1	54			55
Total liabilities as at 31 December		**309**	**41**	**54**		**2,158**	**2,562**

a) Other current assets consist of other receivables non trade.

b) Derivatives qualified as hedge accounting on non-current transactions are classified and presented as non-current assets or liabilities (see Note 2.13).

Except where mentioned in the relevant notes, the carrying amount of each class of financial assets and liabilities disclosed in the above tables approximates the fair value. The fair value of each class of financial assets and liabilities, except loans and receivables, are determined by reference to published price quotations and are estimated based on valuation techniques using the quoted market prices. Given the nature of the Group's accounts receivable trade items, the carrying value is considered as equivalent to the fair value.

4.2.1 Market risk

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

- Currency derivatives including forward foreign exchange contracts and options to hedge the exchange rate risk
- Forward foreign exchange contracts to hedge the exchange rate risk arising on translation of the Group's investment in US subsidiaries, which have US dollar as functional currency.
- Interest rate swaps to mitigate the risk of interest rate increases

4.2.1.1 Foreign exchange risk

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

The following table summarises the quantitative data about the Group's exposure to the foreign currency risk in the currency pairs the Group has significant exposure at the statement of financial position date:

Currency exposure 2011 CCY1/CCY2[a]

in millions of Swiss francs	EUR/CHF	USD/CHF	GBP/EUR	GBP/CHF	GBP/USD	EUR/USD
Currency exposure without hedge[b]	+186	+69	-88	+19	-15	-124
Hedged amount	-168	-26	+95	-24	+3	+119
Currency exposure including hedge	+18	+43	+7	-5	-12	-5

Currency exposure 2010 CCY1/CCY2[a]

in millions of Swiss francs	EUR/CHF	USD/CHF	GBP/EUR	GBP/CHF	GBP/USD	EUR/USD
Currency exposure without hedge[b]	+222	+94	-31	+122	-3	-37
Hedged amount	-242	-112	+26	-137	+5	+39
Currency exposure including hedge	-20	-18	-5	-15	+2	+2

a) CCY = currency

b) + long position; – short position

In the exposure calculations the intra Group positions, except those related to net investments in foreign operations, are included.

The following table summarises the Group's sensitivity to transactional currency exposures of the main currencies at 31 December. The sensitivity analysis is disclosed for each currency pair to which the Group entities have significant exposure:

Currency risks 2011 in CCY1/CCY2[a]

in millions of Swiss francs	EUR/CHF	USD/CHF	GBP/EUR	GBP/CHF	GBP/USD	EUR/USD
Reasonable shift	18%	20%	12%	20%	15%	15%
Impact on income statement if CCY1 strengthens against CCY2	3	9	1	(1)	(2)	(1)
Impact on income statement if CCY1 weakens against CCY2	(3)	(9)	(1)	1	2	1

Currency risks 2010 in CCY1/CCY2[a]

in millions of Swiss francs	EUR/CHF	USD/CHF	GBP/EUR	GBP/CHF	GBP/USD	EUR/USD
Reasonable shift	15%	20%	18%	20%	20%	20%
Impact on income statement if CCY1 strengthens against CCY2	(3)	(4)	(1)	(3)	0	0
Impact on income statement if CCY1 weakens against CCY2	3	4	1	3	0	0

a) CCY = currency

The sensitivity is based on the Group's exposure at the statement of financial position date based on assumptions deemed reasonable by management, showing the impact on income before tax. The management uses historical volatilities to determine the reasonable change.

Group Treasury monitors the exposures on a regular basis and takes appropriate actions. The Group has set currency limits for the current exposure of each individual affiliate and has set limits for the forecasted transactions in each foreign currency. In addition, Group Treasury regularly calculates the risk sensitivities per currency by applying a 5% movement or increments thereof.

It is the Group's policy to enter into derivative transactions to hedge current and forecasted foreign currency transactions. While these are hedges related to underlying business transactions, the Group generally does not apply hedge accounting to foreign currency transactions.

The Group has certain investments in foreign operations, including inter-company loans considered as part of their net investments, whose net assets are exposed to foreign currency translation. In 2011, the Group entered into CHF/USD forward contracts totalling USD 158 million with one year duration to hedge the foreign exchange translation risk associated with the movements in the spot rate relating to the investment in the US subsidiaries, with a US dollar functional currency, and the consolidated financial statements, with a Swiss franc presentation currency. As at 30 November 2011, a loss of CHF 3 million has been recognised in the other comprehensive income in the line item "exchange differences arising on translation of foreign operations". There is no ineffectiveness for the period ended 31 December 2011.

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

4.2.1.2 Interest rate risk

The Group is exposed to fair value and cash flow interest rate risks. The Group is exposed to cash flow interest rate risk where the Group invests or borrows funds with floating rates. In addition, the Group is exposed to fair value interest rate risks where the Group invests or borrows with fixed rates. For the hedges related to interest rate risk please refer to Note 23.

The following tables shows the sensitivity of the Group to variable rate loans and to interest rate derivatives to interest rate changes:

As at 31 December 2011 in millions of Swiss francs	**CHF interest rate** 150 basis points increase	**CHF interest rate** 50 basis points decrease
Impact on income statement	33	(12)
Impact on equity	15	(5)

As at 31 December 2010 in millions of Swiss francs	**CHF interest rate** 150 basis points increase	**CHF interest rate** 50 basis points decrease
Impact on income statement	3	(1)
Impact on equity	46	(16)

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

The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings, through the use of interest rate swap contracts and forward interest rate contracts. Hedging activities are regularly evaluated to align interest rate views and defined risk limits. Hedging strategies are applied, by either positioning the statement of financial position or protecting interest expense through different interest cycles. In addition, Group Treasury regularly calculates the sensitivity to a 1% change in interest rates.

In order to hedge the series of interest payments resulting from the 5-year syndicated loan related to the financing of the acquisition of the Quest International business, Givaudan SA entered into a 5-year interest rate swap transaction, changing the LIBOR 6-month floating rate into a fixed rate. In July 2011 the Group entirely reimbursed the outstanding balance of CHF 826 million of the syndicated loan and refinanced it by entering into a 5-year CHF 500 million revolving bank facility, with an initial withdraw of CHF 250 million. This was done in line with the primary hedging strategy on long-term debt intended by the management. The Group adjusted the hedging amount by closing CHF 550 million interest rate swap resulting in a charge of CHF 14 million to the consolidated income statement. The total amount of the hedged transaction as at 31 December 2011 is CHF 250 million (2010: CHF 800 million). The Group has designated the above transaction as a cash flow hedge. The cash flow hedge was effective during the year.

In December 2007, the Group entered into a basis swap deal, changing the LIBOR 6-month floating rate into a LIBOR 1-month floating rate for a nominal value of CHF 1,100 million (2010: CHF 1,100 million). The Group received an upfront of CHF 2.8 million for this transaction. As a result of this transaction Givaudan SA has changed the basis of syndicated loan borrowing from 6-month to 1-month. The economic result of these transactions is that Givaudan SA pays an average fixed rate of 2.82% (2010: 2.82%) until the full reimbursement of the syndicated loan (2010: CHF 800 million). In 2011, the loan was fully reimbursed.

In June 2011, the Group issued a 2.5% 7 year public bond (maturity 15 June 2018) with a nominal value of CHF 300 million. 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 Finance costs over the next 5 years.

In December 2011, the Group issued a debt with a dual tranche transaction of CHF 150 million each, totalling CHF 300 million, respectively of 1.250% for 5 years and of 2.125% for 10 years. Hence, hedge positions of CHF 300 million related to highly probable issuance of the bond have been closed. The amortisation of the realised loss of CHF 28 million and CHF 4 million will be recognised in Finance costs over the next five years and three years respectively.

With the aim of protecting against future increases of the current CHF interest rates and to fix the interest rates of highly probable future debt issuances, in 2011 the Group has entered into several forward starting interest rate swaps commencing in 2013, CHF 100 million with an average of rate 2.33% with five-year maturity and in 2014, CHF 100 million with a rate of 2.44% with five-year maturity. The Group has designated these transactions as cash flow hedges. The cash flow hedges were effective during the year.

4.2.1.3 Price risk

Other price risk arises on financial instruments because of changes in equity prices or on raw material purchase prices because of changes in commodity prices.

The Group is exposed to equity securities price risk due to investments held by the Group and classified on the consolidated statement of financial position as available-for-sale. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is in accordance with the limits approved by the Board of Directors. The Group measures the aggregate sensitivity of the Group's financial instruments to pre-defined stock market scenarios. After having calculated the price (shares) exposure of each equity-related position, the revaluation effect of a sudden movement of stock markets of +/-10% for each product is calculated.

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

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks at the reporting date.

The Group's equity portfolio is composed primarily of Swiss, European and US shares. The benchmark for the reasonable change is the SMI (20% for the last three years), the STOXX Europe 600 index historical volatility (25% for the last year) and an average of historical volatility of US indexes (25% for the last three years). If equity prices had been respectively 20%, 25% and 25% higher/lower, the total value would have increased or decreased by CHF 4 million (2010: CHF 13 million applying 20% change for Swiss and for USA shares, no European shares), with this movement being recognised in equity.

4.2.2 Credit risk

Credit risk is managed by the Group's affiliates and controlled on a Group basis. Credit risk arises from the possibility that the counterparty to a transaction may be unable or unwilling to meet its obligations, causing a financial loss to the Group. Trade receivables are subject to a policy of active risk management which focuses on the assessment of country risk, credit limits, ongoing credit evaluation and account monitoring procedures.

Generally, there is no significant concentration of trade receivables or commercial counter-party credit risk, due to the large number of customers that the Group deals with and their wide geographical spread with the exception of one single external customer that generates revenues, mainly attributable to the Fragrance Division, of approximately CHF 397 million (2010: CHF 437 million). Country and credit risk limits and exposures are continuously monitored.

Except as detailed in the following table, the carrying amount of financial assets recognised in the financial statements which is net of impairment losses, represents the Group's maximum exposure to credit risk.

The Group is exposed to credit risk on liquid funds, derivatives and monetary available-for-sale financial assets. Most of the credit exposures of the above positions are against financial institutions with high credit-ratings.

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

	2011			2010		
	Total in Mio CHF	Max. with any individual bank in Mio CHF	Number of banks	Total in Mio CHF	Max. with any individual bank in Mio CHF	Number of banks
AA – range	254	90	4	207	79	3
A – range	205	62	7	639	143	6

4.2.3 Liquidity risk

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

Group Treasury monitors and manages cash at the Group level and defines the maximum cash level at affiliate level. If necessary, inter-company loans within the Group provide for short-term cash needs; excess local cash is repatriated in the most appropriate manner.

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

2011

in millions of Swiss francs	Up to 6 months	6 – 12 months	1 – 5 years	Over 5 years	Total
Short-term debt (excluding bank overdraft)	(427)				(427)
Accounts payable	(299)				(299)
Net settled derivative financial instruments	(14)	(5)	(47)	(4)	(70)
Gross settled derivative financial instruments – outflows	(1,427)	(172)			(1,599)
Gross settled derivative financial instruments – inflows	1,440	162			1,602
Long-term debt	(30)	(16)	(1,208)	(531)	(1,785)
Balance as at 31 December	**(757)**	**(31)**	**(1,255)**	**(535)**	**(2,578)**

2010

in millions of Swiss francs	Up to 6 months	6 – 12 months	1 – 5 years	Over 5 years	Total
Short-term debt (excluding bank overdraft)	(34)	(284)			(318)
Accounts payable	(309)				(309)
Net settled derivative financial instruments	(11)	(8)	(35)	(2)	(56)
Gross settled derivative financial instruments – outflows	(866)	(110)			(976)
Gross settled derivative financial instruments – inflows	913	115			1,028
Long-term debt	(30)	(15)	(1,890)	(53)	(1,988)
Balance as at 31 December	**(337)**	**(302)**	**(1,925)**	**(55)**	**(2,619)**

4.3 Fair value measurements recognised in the statement of financial position

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

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

2011

in millions of Swiss francs	Note	Level 1	Level 2	Level 3	Total
Financial assets at fair value through income statement					
Forward foreign exchange contracts			53		53
Corporate owned life insurance			24		24
Available-for-sale financial assets					
Equity securities	17	39	14		53
Debt securities	17	15	21		36
Total assets		**54**	**112**		**166**
Financial liabilities at fair value through income statement					
Forward foreign exchange contracts			50		50
Swaps (hedge accounting)			17		17
Swaps (no hedge accounting incl. Basis swap)			53		53
Total liabilities			**120**		**120**

2010

in millions of Swiss francs	Note	Level 1	Level 2	Level 3	Total
Financial assets at fair value through income statement					
Forward foreign exchange contracts			91		91
Corporate owned life insurance			24		24
Available-for-sale financial assets					
Equity securities	17	42	17		59
Debt securities	17	12	23		35
Total assets		**54**	**155**		**209**
Financial liabilities at fair value through income statement					
Forward foreign exchange contracts			40		40
Swaps (hedge accounting)			54		54
Basis swap			1		1
Total liabilities			**95**		**95**

There was no transfer between Level 1 and 2 in the period. The Group did not carry out any transactions on level 3 type assets during 2011 and 2010, nor did it have any assets in this category at 31 December 2011 and 2010.

5. Segment information

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

Fragrances

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

Flavours

Manufacture and sale of flavours into four business units: Beverages, Dairy, Savoury and Sweet Goods.

The performance of the operating segments is based on a measure of the operating income at comparable basis. This measure is computed as the operating income adjusted for non-recurring items.

Business segments

		Fragrances		Flavours		Group	
in millions of Swiss francs	Note	2011	2010	2011	2010	2011	2010
Segment sales		1,834	1,989	2,087	2,253	3,921	4,242
Less inter segment sales [a]		(1)	(1)	(5)	(2)	(6)	(3)
Segment sales to third parties	2.6	**1,833**	**1,988**	**2,082**	**2,251**	**3,915**	**4,239**
Operating income at comparable basis		**212**	**297**	**268**	**358**	**480**	**655**
as % of sales		11.6%	14.9%	12.9%	15.9%	12.3%	15.5%
Depreciation	21	(50)	(56)	(55)	(59)	(105)	(115)
Amortisation	22	(97)	(92)	(108)	(102)	(205)	(194)
Impairment of long-lived assets and joint ventures	21	-	(11)	(5)	(11)	(5)	(22)
Acquisition of property, plant and equipment	21	63	47	124	73	187	120
Acquisition of intangible assets	22	40	35	46	37	86	72
Capital expenditures		**103**	**82**	**170**	**110**	**273**	**192**

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

Reconciliation table to Group's operating income

	Fragrances		Flavours		Group	
in millions of Swiss francs	2011	2010	2011	2010	2011	2010
Operating income at comparable basis	**212**	**297**	**268**	**358**	**480**	**655**
Integration and restructuring costs	(8)	(47)	(24)	(30)	(32)	(77)
Impairment of long-lived assets and joint ventures	-	(11)	(5)	(11)	(5)	(22)
Operating income	**204**	**239**	**239**	**317**	**443**	**556**
as % of sales	11.1%	12.0%	11.5%	14.1%	11.3%	13.1%
Financing costs					(91)	(93)
Other financial income (expense), net					(34)	(26)
Income before taxes					**318**	**437**
as % of sales					8.1%	10.3%

Entity-wide disclosures

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

in millions of Swiss francs	2011	2010
Fragrance Division		
Fragrance Compounds	1,587	1,719
Fragrance Ingredients	246	269
Flavour Division		
Flavour Compounds	2,082	2,251
Total revenues	**3,915**	**4,239**

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

	Segment sales[a]		Non-current assets[b]	
in millions of Swiss francs	2011	2010	2011	2010
Switzerland	44	51	912	935
Europe	1,196	1,313	1,444	1,481
Africa, Middle-East	313	315	79	88
North America	870	999	931	947
Latin America	481	515	161	169
Asia Pacific	1,011	1,046	404	400
Total geographical segments	**3,915**	**4,239**	**3,931**	**4,020**

a) Segment sales are revenues from external customers and are shown by destination.

b) Non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets. They consist of property, plant and equipment, intangible assets and investments in jointly controlled entities.

Revenues of approximately CHF 397 million (2010: CHF 437 million) are derived from a single external customer. These revenues are mainly attributable to the Fragrance Division.

6. Employee benefits

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

in millions of Swiss francs	2011	2010
Wages and salaries	672	786
Social security costs	83	95
Post-employment benefits: defined benefit plans	31	45
Post-employment benefits: defined contribution plans	12	12
Equity-settled instruments	12	9
Cash-settled instruments	(4)	20
Change in fair value on own equity instruments	11	(6)
Other employee benefits	73	55
Total employees' remuneration	**890**	**1,016**

Defined benefits plans

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

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

in millions of Swiss francs	Pension Plans	Non-pension Plans	2011 Total	Pension Plans	Non-pension Plans	2010 Total
Current service cost	38	2	40	39	3	42
Interest cost	64	3	67	69	4	73
Expected return on plan assets	(78)		(78)	(80)		(80)
Effect of settlement / curtailment				(5)		(5)
Effect on amount not recognised as an asset				-		-
Termination benefits				5		5
Recognition of past service cost		(11)	(11)	1		1
Net actuarial (gains) losses recognised	13		13	9		9
Total included in employees' remuneration	**37**	**(6)**	**31**	**38**	**7**	**45**
Of which arising from:						
Funded obligations	32	(6)	26	32	1	33
Unfunded obligations	5	-	5	6	6	12

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

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

in millions of Swiss francs	Pension Plans	Non-pension Plans	2011 Total	Pension Plans	Non-pension Plans	2010 Total
Funded obligations						
Present value of funded obligations	(1,780)	(68)	(1,848)	(1,622)	(8)	(1,630)
Fair value of plan assets	1,389	1	1,390	1,391	1	1,392
Net present value of funded obligations	**(391)**	**(67)**	**(458)**	**(231)**	**(7)**	**(238)**
Amount not recognised as an asset				-		-
Unrecognised actuarial (gains) losses	507	18	525	305		305
Recognised asset (liability) for funded obligations, net	**116**	**(49)**	**67**	**74**	**(7)**	**67**
Unfunded obligations						
Present value of unfunded obligations	(56)	(6)	(62)	(47)	(66)	(113)
Unrecognised actuarial (gains) losses	16	(1)	15	12	7	19
Recognised (liability) for unfunded obligations	**(40)**	**(7)**	**(47)**	**(35)**	**(59)**	**(94)**
Total defined benefit asset (liability)	**76**	**(56)**	**20**	**39**	**(66)**	**(27)**
Deficit recognised as liabilities for post-employment benefits	(53)	(56)	(109)	(59)	(66)	(125)
Surplus recognised as part of other long-term assets	129		129	98		98
Total net asset (liability) recognised	**76**	**(56)**	**20**	**39**	**(66)**	**(27)**

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

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

in millions of Swiss francs	Pension Plans	Non-pension Plans	2011 Total	Pension Plans	Non-pension Plans	2010 Total
Balance as at 1 January	**1,669**	**74**	**1,743**	**1,588**	**77**	**1,665**
Net current service cost	38	2	40	39	3	42
Interest cost	64	3	67	69	4	73
Employee contributions	9	1	10	9	1	10
Benefit payment	(65)	(4)	(69)	(69)	(4)	(73)
Effect of settlement / curtailment				(7)		(7)
Termination benefits				5		5
Actuarial (gains) losses	120	4	124	148	2	150
Past service cost		(9)	(9)	1		1
Currency translation effects	1	3	4	(114)	(9)	(123)
Balance as at 31 December	**1,836**	**74**	**1,910**	**1,669**	**74**	**1,743**

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

in millions of Swiss francs	Pension Plans	Non-pension Plans	2011 Total	Pension Plans	Non-pension Plans	2010 Total
Balance as at 1 January	**1,391**	**1**	**1,392**	**1,382**	**1**	**1,383**
Expected return on plan assets	78		78	80		80
Actuarial gains (losses)	(91)		(91)	11	-	11
Actual return on plan assets	**(13)**		**(13)**	**91**	**-**	**91**
Employer contributions	72	3	75	72	3	75
Employee contributions	9	1	10	9	1	10
Benefits payment	(65)	(4)	(69)	(69)	(4)	(73)
Effect of settlement				-		-
Termination benefits						
Currency translation effects	(5)	-	(5)	(94)		(94)
Balance as at 31 December	**1,389**	**1**	**1,390**	**1,391**	**1**	**1,392**

Plan assets are comprised as follows:

in millions of Swiss francs		2011		2010
Debt	500	36%	503	36%
Equity	527	38%	537	39%
Property	187	13%	179	13%
Other	176	13%	173	12%
Total	**1,390**	**100%**	**1,392**	**100%**

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

The expected return on plan assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the statement of financial position date. Expected returns on equity and property investments reflect long-term real rates of return experienced in the respective markets.

Expected contributions to post-employment benefit plans for the year ending 31 December 2012 are CHF 67 million.

As at 31 December in millions of Swiss francs	2011	2010	2009	2008	2007[a]
Present value of defined benefit obligation	1,910	1,743	1,665	1,508	1,639
Fair value of plan asset	1,390	1,392	1,383	1,160	1,439
Deficit / (surplus)	**520**	**351**	**282**	**348**	**200**
Experience adjustments on plan liabilities	-	7	1	22	2
Experience adjustments on plan assets	(91)	11	105	(269)	(12)

a) The final valuation of the Quest related intangible assets occurred within the 12 months of the date of acquisition resulting in adjustments to the 2007 financial results.

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

Weighted percentage	2011	2010
Discount rates	3.7%	4.0%
Projected rates of remuneration growth	2.8%	2.9%
Expected rates of return on plan assets	5.8%	5.7%
Healthcare cost trend rate	5.4%	4.9%

The overall discount rate and the overall projected rates of remuneration growth are calculated by weighting the individual rates in accordance with the defined benefit obligation of the plans. The expected rates of return on individual categories of plan assets are determined by reference to relevant indices published by the respective stock exchange of each country where assets are managed. The overall expected rate of return is calculated by weighting the individual rates in accordance with the assets allocation of the plans.

Sensitivity analysis

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

The effect of a 0.5% movement in the discount rate is as follows:

in millions of Swiss francs	Increase	Decrease
Effect on the aggregate of the current service cost and interest cost	6	11
Effect on the defined benefit obligation	(144)	158

The effect of a 0.5% movement in the expected rate of return is as follows:

in millions of Swiss francs	Increase	Decrease
Effect on amount recognised in the income statement	(7)	7

The effect of a 1.0% movement in the assumed medical cost trend rate is as follows:

in millions of Swiss francs	Increase	Decrease
Effect on the aggregate of the current service cost and interest cost	-	-
Effect on the defined benefit obligation	4	(4)

Information by countries

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

As at 31 December 2011 in millions of Swiss francs	Switzerland	United States of America	United Kingdom	Netherlands	Other countries	Total
Present value of defined benefit obligation	852	350	286	227	65	1,780
Fair value of plan asset	674	236	210	226	43	1,389
Deficit / (surplus)	**178**	**114**	**76**	**1**	**22**	**391**
In percentage	79.1%	67.4%	73.4%	99.6%	66.2%	78.0%

As at 31 December 2010 in millions of Swiss francs	Switzerland	United States of America	United Kingdom	Netherlands	Other countries	Total
Present value of defined benefit obligation	831	290	234	206	61	1,622
Fair value of plan asset	717	222	206	202	44	1,391
Deficit / (surplus)	**114**	**68**	**28**	**4**	**17**	**231**
In percentage	86.3%	76.6%	88.0%	98.1%	72.1%	85.8%

Key assumptions

2011 in percentage	Switzerland	United States of America	United Kingdom	Netherlands
Discount rate	2.50	4.70	4.75	4.50
Expected return on plan assets	5.00	8.25	6.95	4.50
Future salary increases	2.00	4.00	4.00	2.50
Future pension increases	0.25	n/a	3.50	1.00

2010 in percentage	Switzerland	United States of America	United Kingdom	Netherlands
Discount rate	2.75	5.44	5.50	4.75
Expected return on plan assets	5.00	8.25	6.96	5.00
Future salary increases	2.00	4.00	4.00	2.50
Future pension increases	0.25	n/a	3.50	2.00

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

(i) Switzerland: EVK2000

(ii) United States of America: RP2000

(iii) United Kingdom: PA2000

(iv) Netherlands: GB2010G

Allowance for future improvements in mortality have been allowed for as appropriate in each country. In Switzerland a provision of 5% of the computed pension liabilities has been included. In the United States of America the published rates have been projected in accordance with the AA scale as required by local funding rules. In the United Kingdom the base rates have been projected in accordance with the long cohort with a 1% minimum underpin. In the Netherlands the generational rates have been employed.

7. Share-based payments

Performance share plan

Performance shares shown in the table below have been granted in 2008. No further plan was granted after 2008. These performance shares are converted into tradable and transferable shares of Givaudan S.A. after the vesting period, subject to performance conditions. The performance metric is the comparison of the business plan to the actual cumulative cash flow. Participation in this plan is mandatory.

Year of grant	Commencing date	Vesting date	Number of shares expected to be delivered at vesting date 31 Dec 2011	Weighted average fair value (CHF)	Number of shares expected to be delivered at vesting date 31 Dec 2010	Weighted average fair value (CHF)
2008	1 Jan 2008	31 Dec 2012	13,800	889.3	13,850	889.3

The cost of the equity-settled instruments of CHF 2 million (2010: CHF 1 million) has been expensed in the consolidated income statement.

Equity-settled instruments related to share options

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

Share options outstanding at the end of the year have the following terms:

Year of grant	Maturity date	Vesting date	Strike price[a] (CHF)	Ratio[a] (option: share)	Option value at grant date (CHF)	Number of options 2011	Number of options 2010
2006	7 Mar 2011	6 Mar 2008	1,007.6	9.6:1	12.07		114,050
2007	5 Mar 2012	5 Mar 2009	1,199.5	9.6:1	14.18	284,950	357,250
2008	4 Mar 2013	4 Mar 2010	1,113.6	12.5:1	14.23	235,300	389,100
2009	3 Mar 2014	3 Mar 2011	700.5	8.6:1	14.98	146,700	427,400
2010	3 Mar 2015	3 Mar 2012	925.0	9.5:1	15.16	426,800	429,800
2011	25 Feb 2016	25 Feb 2013	975.0	8.5:1	15.57	245,500	

a) Strike price and ratios of options have been adjusted consecutively to the approval by the shareholders, at the Annual General Meetings held on 27 April 2005, to distribute extraordinary dividends, and in 2009, subsequent to the share capital increase related to the rights issue.

The cost of these equity-settled instruments of CHF 5 million (2010: CHF 6 million) has been expensed in the consolidated income statement.

Movements in the number of share options outstanding, expressed in equivalent shares, are as follows:

Number of options expressed in equivalent shares	2011	Weighted average exercised price (CHF)	2010	Weighted average exercised price (CHF)
As at 1 January	**175,033**	**974.3**	**199,768**	**1,019.1**
Effect of the change in ratios subsequent to the share capital increase related to the rights issue				
Granted	30,539	966.2	45,416	924.2
Sold	(53,087)	892.8	(70,006)	1,069.8
Lapsed/cancelled	(13,135)	1,006.1	(145)	700.5
As at 31 December	**139,350**	**1,001.0**	**175,033**	**974.3**

Of the 139,350 outstanding options expressed in equivalent shares (2010: 175,033), 65,542 options (2010: 80,303) were exercisable. For these plans, the Group has at its disposal either treasury shares or conditional share capital up to an amount of CHF 1,618,200, representing 161,820 registered shares with a par value of CHF 10 per share. When held or sold, an option does not give rights to receive a dividend nor to vote.

Equity-settled instruments related to restricted shares

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

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

Year of grant	Maturity date	Vesting date	Restricted share at grant date (CHF)	Number of restricted share 2011	Number of restricted share 2010
2009	3 Mar 2014	3 Mar 2012	595.0	6,051	6,148
2010	3 Mar 2015	3 Mar 2013	806.2	3,987	3,942
2011	25 Feb 2016	25 Feb 2014	866.3	10,276	

Of the 20,314 outstanding restricted shares (2010: 10,090), no share (2010: none) were deliverable. The cost of these equity-settled instruments of CHF 5 million (2010: CHF 2 million) has been expensed in the consolidated income statement.

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

Number of restricted shares	2011	2010
As at 1 January	**10,090**	**6,232**
Granted	10,418	3,942
Sold		
Lapsed/cancelled	(194)	(84)
As at 31 December	**20,314**	**10,090**

For this plan, the Group has at its disposal treasury shares.

Cash-settled instruments related to shares options

Options rights shown in the table below have been granted on a yearly basis. These rights are not tradable and transferable after the vesting period. Participation in these plans is mandatory.

Year of grant	Maturity date	Vesting date	Strike price[a] (CHF)	Ratio[a] (option: share)	Option value at grant date (CHF)	Number of options 2011	Number of options 2010
2006	7 Mar 2011	6 Mar 2008	1,007.6	9.6:1	12.07		70,500
2007	5 Mar 2012	5 Mar 2009	1,199.5	9.6:1	14.18	330,400	358,400
2008	4 Mar 2013	4 Mar 2010	1,113.6	12.5:1	14.23	264,400	438,900
2009	3 Mar 2014	3 Mar 2011	700.5	8.6:1	14.98	97,450	424,100
2010	3 Mar 2015	3 Mar 2012	925.0	9.5:1	15.16	507,850	493,350
2011	25 Feb 2016	25 Feb 2013	975.0	8.5:1	15.57	208,000	

a) Strike price and ratios of options have been adjusted consecutively to the approval by the shareholders, at the Annual General Meetings held on 27 April 2005, to distribute extraordinary dividends, and in 2009, subsequent to the share capital increase related to the rights issue.

The change of the fair value and the executions of these cash-settled instruments resulted to a credit of CHF 6 million (2010: charge of CHF 18 million) in the consolidated income statement. The liability element of the cash-settled instruments of CHF 8 million (2010: CHF 21 million) has been recognised in the statement of financial position.

Movements in the number of options rights outstanding, expressed in equivalent shares, are as follows:

Number of options expressed in equivalent shares	2011	Weighted average exercised price (CHF)	2010	Weighted average exercised price (CHF)
As at 1 January	**180,914**	**976.3**	**217,268**	**1,021.2**
Granted	26,681	970.4	53,021	921.2
Exercised	(54,670)	863.1	(86,118)	1,060.5
Lapsed/cancelled	(8,088)	998.7	(3,257)	900.8
As at 31 December	**144,837**	**1,016.6**	**180,914**	**976.3**

Of the 144,837 outstanding options expressed in equivalent shares (2010: 180,914), 66,908 options (2010: 79,877) were exercisable. The Group has at its disposal treasury shares to finance these plans. When held or sold, an option right does not give rights to receive a dividend nor to vote.

Cash-settled instruments related to restricted shares

Options rights shown in the table below have been granted on a yearly basis. These rights are not tradable and transferable after the vesting period. Participation in these plans is mandatory.

Year of grant	Maturity date	Vesting date	Option value at grant date (CHF)	Number of options 2011	Number of options 2010
2009	3 Mar 2014	3 Mar 2012	595.0	3,153	3,277
2010	3 Mar 2015	3 Mar 2013	806.2	1,780	1,965
2011	25 Feb 2016	25 Feb 2014	866.3	4,525	

The change of the fair value and the executions of these cash-settled instruments resulted to a charge of CHF 2 million (2010: charge of CHF 2 million) in the consolidated income statement. The liability element of these cash-settled instruments of CHF 5 million (2010: CHF 3 million) has been recognised in the statement of financial position.

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

Number of restricted shares	2011	2010
As at 1 January	**5,242**	**3,348**
Granted	4,525	1,965
Exercised		
Lapsed/cancelled	(309)	(71)
As at 31 December	**9,458**	**5,242**

The Group has at its disposal treasury shares to finance this plan. When held or sold, an option right does not give rights to receive a dividend nor to vote.

8. Jointly controlled entities

Name of joint venture	Principal activity	Country of incorporation	Ownership interest	Joint venture with
TecnoScent	Olfactory receptor research	Belgium	50%	ChemCom
Pacific Aid	Flavour compounds	United States of America	50%	Myron Root & Company

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

As at 31 December in millions of Swiss francs	2011	2010
Current assets	6	7
Non-current assets	2	2
Current liabilities	(3)	(3)
Non-current liabilities	-	-
Total net assets of joint venture	**5**	**6**

in millions of Swiss francs	2011	2010
Income	(10)	(10)
Expenses	11	19

In 2010, as the substantial part of the loss in the joint venture results from an impairment of the assets, the Group has reflected this in impairment of assets (see note 10).

During 2011, the Group contributed to a jointly share-capital increase in TecnoScent for an amount EUR 0.5 million. In addition, the Group entered into joint agreements with TecnoScent for the development of novel fragrance enhancers. The Group is committed to paying a total amount of EUR 2 million over the next two years.

9. Other operating income

in millions of Swiss francs	2011	2010
Gains on fixed assets disposal	1	1
Interest on accounts receivable-trade		1
Royalty income		-
Other income	7	6
Total other operating income	**8**	**8**

10. Other operating expense

in millions of Swiss francs	2011	2010
Impairment of long-lived assets and joint ventures	5	22
Losses on fixed assets disposals	2	2
Business related information management project costs	6	7
Integration related expenses and restructuring related expenses	32	77
Other business taxes	12	9
Other expenses	1	17
Total other operating expense	**58**	**134**

In the year ended 31 December 2011, the Group continued the restructurings and reorganisations announced in 2010, incurring restructuring charges of CHF 32 million (2010: CHF 27 million) and asset impairments of CHF 3 million (2010: CHF 10 million). Refer also to Note 21 on property, plant and equipment and Note 24 on provisions.

In the year ended 31 December 2010, the Group incurred significant expenses in connection with the combination with Quest International. Integration related charges of CHF 50 million and asset impairments of CHF 8 million have been recognised in the other operating expense. No expenses were incurred in 2011. In 2010, the Group also re-evaluated its joint venture investment in TecnoScent, incurring an impairment of CHF 4 million. No impairment was recognised in 2011.

11. Expenses by nature

in millions of Swiss francs	Note	2011	2010
Raw materials and consumables used		1,522	1,536
Employee benefit expense	6	890	1,016
Depreciation, amortisation and impairment charges	20, 21, 22	315	331
Transportation expenses		48	59
Freight expenses		101	103
Consulting and service expenses		118	113
Other expenses		478	525
Total operating expenses by nature		**3,472**	**3,683**

12. Financing costs

in millions of Swiss francs	2011	2010
Interest expense	75	82
Derivative interest (gains) losses	14	5
Mandatory conversion feature of the Mandatory Convertible Securities		4
Amortisation of debt discounts	2	2
Total financing costs	**91**	**93**

13. Other financial (income) expense, net

in millions of Swiss francs	2011	2010
Fair value and realised (gains) losses from derivatives instruments, net (at fair value through income statement)	-	(75)
Exchange (gains) losses, net	22	96
Gains from available-for-sale financial assets	-	(1)
Realised gains from available-for-sale financial assets removed from equity	(1)	(7)
Realised losses from available-for-sale financial assets removed from equity		-
Unrealised (gains) from fair value through income statement financial instruments	-	(3)
Unrealised losses from fair value through income statement financial instruments	-	4
Interest income	(2)	(3)
Capital taxes and other non business taxes	10	8
Other (income) expense, net	5	7
Total other financial (income) expense, net	**34**	**26**

14. Income taxes

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

in millions of Swiss francs	2011	2010
Current income taxes	90	116
Adjustments of current tax of prior years	(5)	10
Deferred income taxes		
- origination and reversal of temporary differences	(17)	(29)
- changes in tax rates	(2)	-
- reclassified from equity to income statement	-	-
Total income tax expense	**66**	**97**

Since the Group operates globally, it is liable for income taxes in many different tax jurisdictions. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Differences between the final tax outcome and the amounts that were initially recorded impact the current and deferred taxes in the period in which such determinations are made.

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

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

	2011	2010
Group's average applicable tax rate	**20%**	**21%**
Tax effect of		
Income not taxable	(1)%	(2)%
Expenses not deductible	2%	2%
Other adjustments of income taxes of prior years	0%	1%
Other differences	-	-
Group's effective tax rate	**21%**	**22%**

The variation in the Group's average applicable tax rate is caused by changes in volumes, product mix and profitability of the Group's subsidiaries in the various jurisdictions, as well as changes in local statutory tax rates.

Income tax assets and liabilities

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

As at 31 December in millions of Swiss francs	2011	2010
Current income tax assets	36	44
Current income tax liabilities	(69)	(83)
Total net current income tax asset (liability)	**(33)**	**(39)**

As at 31 December in millions of Swiss francs	2011	2010
Deferred income tax assets	98	91
Deferred income tax liabilities	(193)	(202)
Total net deferred income tax asset (liability)	**(95)**	**(111)**

Amounts recognised in the statement of financial position for deferred taxes are reported as non-current assets and non-current liabilities, a portion of which are current and will be charged or credited to the consolidated income statement during 2012.

Deferred income tax assets are recognised for tax loss carry forwards only to the extent that the realisation of the related tax benefit is probable. Of the deferred income tax assets of CHF 98 million, deferred tax assets of CHF 12 million have been recognised on loss carry forwards (2010: CHF 8 million). To the extent that the utilisation of these deferred tax assets is dependent on future taxable profits in excess of the reversal of existing temporary differences, management considers it is probable that these tax losses can be used against additional future taxable profits based on its business projections for these entities. The Group has no material unrecognised tax losses.

Deferred income tax liabilities have not been established for withholding tax and other taxes that would be payable on the unremitted earnings of certain foreign subsidiaries, as such amounts are currently regarded as permanently reinvested. The related temporary differences amount to CHF 206 million at 31 December 2011 (2010: CHF 240 million).

Deferred income tax assets and liabilities and the related deferred income tax charges are attributable to the following items:

2011 in millions of Swiss francs	Property, plant & equipment	Intangible assets	Pension plans	Tax loss carry forward	Other temporary differences	Total
Net deferred income tax asset (liability) as at 1 January	**(94)**	**(91)**	**16**	**8**	**50**	**(111)**
(Credited) charged to consolidated income statement	(2)	21	(16)	4	12	19
(Credited) debited to other comprehensive income					-	-
Currency translation effects	1	-	(1)	-	(3)	(3)
Net deferred income tax asset (liability) as at 31 December	**(95)**	**(70)**	**(1)**	**12**	**59**	**(95)**

2010 in millions of Swiss francs	Property, plant & equipment	Intangible assets	Pension plans	Tax loss carry forward	Other temporary differences	Total
Net deferred income tax asset (liability) as at 1 January	**(102)**	**(107)**	**39**	**8**	**23**	**(139)**
Reclassification			(14)		14	
(Credited) charged to consolidated income statement	(1)	13	(6)	1	22	29
(Credited) debited to other comprehensive income					-	-
Currency translation effects	9	3	(3)	(1)	(9)	(1)
Net deferred income tax asset (liability) as at 31 December	**(94)**	**(91)**	**16**	**8**	**50**	**(111)**

15. Earnings per share

Basic earnings per share

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

	2011	2010
Income attributable to equity holder of the parent (CHF million)	**252**	**340**
Weighted average number of shares outstanding		
Ordinary shares	9,233,586	9,120,545
Treasury shares	(140,992)	(143,324)
Net weighted average number of shares outstanding	**9,092,594**	**8,977,221**
Basic earnings per share (CHF)	**27.71**	**37.87**

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 holder of the parent (CHF million)	**252**	**340**
Weighted average number of shares outstanding for diluted earnings per share of 53,389 (2010: 57,133)	**9,145,983**	**9,034,354**
Diluted earnings per share (CHF)	**27.55**	**37.63**

16. Cash and cash equivalents

in millions of Swiss francs	2011	2010
Cash on hand and balances with banks	441	361
Short-term investments	104	444
Balance as at 31 December	**545**	**805**

17. Available-for-sale financial assets

in millions of Swiss francs	2011	2010
Equity securities [a]	53	59
Bonds and debentures	36	35
Balance as at 31 December	**89**	**94**
Current assets	54	54
Non-current assets [b]	35	40
Balance as at 31 December	**89**	**94**

a) In 2011 and 2010 no equity securities were restricted for sale.

b) Available-for-sale financial assets are included in Other long-term assets in the Statement of Financial Position.

18. Accounts receivable – trade

in millions of Swiss francs	2011	2010
Accounts receivable	797	713
Notes receivable	7	11
Less: provision for impairment	(9)	(7)
Balance as at 31 December	**795**	**717**

Ageing list:

in millions of Swiss francs	2011	2010
Neither past due nor impaired	717	646
Less than 30 days	58	51
30 – 60 days	15	11
60 – 90 days	6	8
Above 90 days	8	8
Less: provision for impairment	(9)	(7)
Balance as at 31 December	**795**	**717**

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

in millions of Swiss francs	2011	2010
Balance as at 1 January	**(7)**	**(17)**
Increase in provision for impairment recognised in consolidated income statement	(5)	(2)
Amounts written off as uncollectible	1	7
Reversal of provision for impairment	2	4
Currency translation effects	-	1
Balance as at 31 December	**(9)**	**(7)**

No significant impairment charge has been recognised in the consolidated income statement in 2011 or 2010. Past due and impaired receivables are still considered recoverable. The carrying amount of accounts receivable trade is considered to correspond to the fair value.

19. Inventories

in millions of Swiss francs	2011	2010
Raw materials and supplies	397	388
Work in process	19	28
Finished goods	453	347
Less: allowance for slow moving and obsolete inventories	(30)	(28)
Balance as at 31 December	**839**	**735**

In 2011, the amount of write-down of inventories was CHF 40 million (2010: CHF 33 million). At 31 December 2011 and 2010 no significant inventory was valued at net realisable value.

20. Assets held for sale

As a result of the Quest acquisition, the Group has a number of unused facilities, principally in the United States of America which it intends to sell. Facilities were reclassified as assets held for sale during 2009. Sales of these assets (only property, plant and equipment for an amount of CHF 10 million) which were expected to take place during 2010 were postponed due to unfavourable market conditions; the sales took place during 2011. An impairment loss of CHF 2 million was recognised in 2011 (2010: CHF 1 million).

In 2011, unused facilities in the United States of America, were reclassified as assets held for sale. Sales of assets (only property, plant and equipment for an amount of CHF 7 million) are expected to take place during 2012, subject to market conditions.

21. Property, plant and equipment

2011 in millions of Swiss francs	Land	Buildings and land improvements	Machinery, equipment and vehicles	Construction in progress	Total
Net book value					
Balance as at 1 January	**105**	**603**	**518**	**86**	**1,312**
Additions	4	1	9	173	187
Disposals		(1)	(1)		(2)
Transfers		11	54	(65)	
Impairment		(1)	(2)		(3)
Depreciation		(25)	(80)		(105)
Reclassified as assets held for sale	(3)	(4)			(7)
Currency translation effects	(1)	(4)	(7)	(4)	(16)
Balance as at 31 December	**105**	**580**	**491**	**190**	**1,366**
Cost	105	972	1,510	190	2,777
Accumulated depreciation		(369)	(1,008)		(1,377)
Accumulated impairment		(23)	(11)		(34)
Balance as at 31 December	**105**	**580**	**491**	**190**	**1,366**

2010 in millions of Swiss francs	Land	Buildings and land improvements	Machinery, equipment and vehicles	Construction in progress	Total
Net book value					
Balance as at 1 January	**116**	**675**	**594**	**52**	**1,437**
Additions	2	3	30	85	120
Disposals		(4)	(2)		(6)
Transfers		15	32	(47)	
Impairment		(7)	(10)		(17)
Depreciation		(28)	(87)		(115)
Currency translation effects	(13)	(51)	(39)	(4)	(107)
Balance as at 31 December	**105**	**603**	**518**	**86**	**1,312**
Cost	105	973	1,490	86	2,654
Accumulated depreciation		(348)	(958)		(1,306)
Accumulated impairment		(22)	(14)		(36)
Balance as at 31 December	**105**	**603**	**518**	**86**	**1,312**

In 2011, the Group continued the plans to streamline its savoury manufacturing in the United Kingdom and Switzerland, incurring additional impairment losses of CHF 3 million. In 2010, The Group recognised impairment losses of CHF 10 million on the assets held in the United Kingdom and Switzerland, the recoverable amount of impacted assets has been determined based on value in use calculations. The discount rate used to discount the estimated future cash flows was on average 11%.

In 2010, the Group completed the integration of Quest International business activities by concentrating resources and locations. The recoverable amount of Quest International impacted assets has been determined based on value in use calculations. The discount rate used to discount the estimated future cash flows of the assets held in the various locations is on average 13%. These actions resulted in various asset impairment losses of CHF 7 million in 2010 (2011: nil).

New qualifying assets related to the investment in Hungary for which borrowing costs were directly attributable to its acquisition or construction were recognised. At 31 December 2011 the capitalised borrowing costs amounted to CHF 1 million (2010: not significant).

Fire insurance value of property, plant and equipment amounted to CHF 4,169 million in 2011 (2010: CHF 4,012 million).

22. Intangible assets

2011 in millions of Swiss francs	Goodwill	Intellectual property rights	Process-oriented technology and other	Software/ ERP system	Clients relationships	Total
Net book value						
Balance as at 1 January	**1,744**	**192**	**287**	**242**	**240**	**2,705**
Additions			1	85		86
Disposals						
Impairment						
Amortisation		(17)	(124)	(43)	(21)	(205)
Reclassified from other long assets			6			6
Currency translation effects	(28)				(1)	(29)
Balance as at 31 December	**1,716**	**175**	**170**	**284**	**218**	**2,563**
Cost	1,716	339	775	372	322	3,524
Accumulated amortisation		(164)	(605)	(88)	(104)	(961)
Balance as at 31 December	**1,716**	**175**	**170**	**284**	**218**	**2,563**

2010 in millions of Swiss francs	Goodwill	Intellectual property rights	Process-oriented technology and other	Software/ ERP system	Clients relationships	Total
Net book value						
Balance as at 1 January	**1,931**	**209**	**411**	**202**	**261**	**3,014**
Additions				72		72
Disposals						
Impairment						
Amortisation		(17)	(124)	(32)	(21)	(194)
Currency translation effects	(187)					(187)
Balance as at 31 December	**1,744**	**192**	**287**	**242**	**240**	**2,705**
Cost	1,744	339	766	287	322	3,458
Accumulated amortisation		(147)	(479)	(45)	(82)	(753)
Balance as at 31 December	**1,744**	**192**	**287**	**242**	**240**	**2,705**

Impairment test for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) which are defined as the Fragrance Division and the Flavour Division. Goodwill allocated to these two CGUs was CHF 470 million (2010: CHF 480 million) to the Fragrance Division and CHF 1,246 million (2010: CHF 1,264 million) to the Flavour Division.

The recoverable amount of each CGU has been determined based on value in use calculations. These calculations use pre-tax cash flow projections based on financial business plans and budgets approved by management covering a five-year period, as well as a terminal value. The basis of the key assumptions is market growth adjusted for estimated market share gains. The discount rate used to discount the estimated future cash flows has a number of components which are derived from capital market information where the cost of equity corresponds to the return expected by the shareholders by benchmarking with comparable companies in the fragrance and flavour industry, and where the cost of debt is based on the conditions on which companies with similar credit rating can obtain financing.

A discount rate of 11.0% (2010: 12.0%) was applied to cash flow projections of the Fragrance Division and to cash flow projections of the Flavour Division. Cash flows of both divisions beyond the five-year period have not been extrapolated using a growth rate per annum. These discount rates are pre-tax.

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

Intellectual property rights

As part of the acquisition of Food Ingredients Specialties (FIS), the Group acquired intellectual property rights, predominantly consisting of know-how being inseparable processes, formulas and recipes.

Process-oriented technology and other

This consists mainly of process-oriented technology, formulas, molecules and delivery systems acquired when the Group purchased IBF and Quest International.

Software/ERP system

This consists of Group ERP system development costs and computer software costs.

Client relationships

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

The residual useful lives of the acquired intangible assets carried at cost, being their fair value at acquisition date, are determined in accordance with the principles set out in Note 2.19.

Remaining useful lives of major classes of amortisable intangible assets are as follows:

- Software/ERP system 4.5 years
- Process-oriented technology 10.2 years
- Client relationships 10.2 years
- Intellectual property rights 16.2 years

23. 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 facility		249		249		249
Bank overdrafts					17	17
Total floating rate debt		**249**		**249**	**17**	**266**
Fixed rate debt						
Bank borrowings					120	120
Straight bonds	299	148	443	890	300	1,190
Private placements	323	99		422		422
Total fixed rate debt	**622**	**247**	**443**	**1,312**	**420**	**1,732**
Balance as at 31 December	**622**	**496**	**443**	**1,561**	**437**	**1,998**

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**

On 28 May 2003, the Group entered into a private placement for a total amount of USD 220 million. The private placement was made by Givaudan United States, Inc. It is redeemable by instalments at various times beginning on May 2008 through May 2015 with annual interest rates ranging from 3.65% to 5.00%. There are various covenants contained in the transaction covering conditions on net worth, indebtedness and disposition of assets of Givaudan United States, Inc. Until now, Givaudan United States, Inc has been in full compliance with the covenants set. The total outstanding at 31 December 2011 is USD 160 million (equivalent to CHF 150 million).

On 9 July 2003, the Group entered into a private placement for a total amount of CHF 100 million. The private placement was made by Givaudan SA. It is redeemable in 2013 with an annual interest rate of 3.3%.

On 16 April 2004, the Group entered into a private placement for a total amount of USD 200 million. The private placement was made by Givaudan United States, Inc. It matures at various times in instalments beginning May 2009 through May 2016 with annual interest rates ranging from 4.16% to 5.49%. There are various covenants contained in the transaction covering conditions on net worth, indebtedness and disposition of assets of Givaudan United States, Inc. Until now, Givaudan United States, Inc has been in full compliance with the covenants set. Givaudan United States, Inc. redeemed USD 35 million of this placement in 2011, the total outstanding at 31 December 2011 being USD 130 million (equivalent to CHF 122 million).

On 11 May 2005, the Group issued a 2.25% straight bond 2005-2012 with a nominal value of CHF 300 million. The bond was issued by Givaudan Finance SA and is guaranteed by Givaudan SA.

The acquisition of Quest International was financed through a 5-year syndicated loan of CHF 1.9 billion granted to Givaudan SA, a Mandatory Convertible Securities (MCS) of CHF 750 million issued by Givaudan Nederland Finance BV; and cash received from the sale of shares previously purchased under a share buy back programme.

On 1 March 2007, Givaudan Nederland BV issued the MCS. The principal amount of the MCS was CHF 750 million and matured on 1 March 2010. The MCS was converted into 736,785 registered shares, with the shares being delivered to the holders of the securities.

On 2 March 2007, the Group entered into a syndicated loan agreement for a total amount of CHF 1.9 billion through its holding company, Givaudan SA. In July 2011 the Group entirely reimbursed the outstanding balance of CHF 826 million of the syndicated loan and refinanced it by entering into a 5-year CHF 500 million revolving bank facility, with an initial withdraw of CHF 250 million. The average interest rate is 3.5% at 31 December 2011.

On 23 May 2007, the Group entered into a private placement for a total amount of CHF 50 million with maturity 21 May 2014, with an annual interest rate of 3.125%. The private placement was made by Givaudan SA.

On 18 October 2007, the Group issued a 3.375% 4-year public bond (maturity 18 October 2011) with a nominal value of CHF 275 million. The bond was redeemed.

On 19 February 2009, the Group issued a 4.25% 5-year public bond (maturity 19 March 2014) with a nominal value of CHF 300 million. The bond was issued by Givaudan SA. The proceeds of CHF 297 million were mainly used to repay private placements at maturity for a total amount of CHF 90 million and to repay a portion of the syndicated loan for a total amount of CHF 174 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. The proceeds were mainly used to repay the 3.375% 4-year public bond redeemed on 18 October 2011.

On 7 December 2011, the Group issued a debt with a dual tranche transaction of CHF 150 million each, totalling CHF 300 million, respectively of 1.250% for 5 years and of 2.125% for 10 years. The bond was issued by Givaudan SA.

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

in millions of Swiss francs	2011	2010
Swiss Franc	1,708	1,848
US Dollars	272	306
Other currencies	18	4
Total debt as at 31 December	**1,998**	**2,158**

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

	2011	2010
Amounts due to banks and other financial institutions	2.6%	3.0%
Private placements	4.6%	4.5%
Straight bond	3.1%	3.3%

24. Provisions

2011 in millions of Swiss francs	Restructuring from Quest acquisition	Other restructuring	Claims and litigation	Environmental	Others	Total
Balance as at 1 January	**27**	**31**	**17**	**24**	**26**	**125**
Additional provisions	4	13	43	2	1	63
Unused amounts reversed	(5)	(1)	(1)	(2)	(2)	(11)
Utilised during the year	(18)	(5)	(46)	(6)	(6)	(81)
Currency translation effects	(1)	-	-	(1)	(2)	(4)
Balance as at 31 December	**7**	**38**	**13**	**17**	**17**	**92**
Current liabilities	7	20	2	4	-	33
Non-current liabilities	-	18	11	13	17	59
Balance as at 31 December	**7**	**38**	**13**	**17**	**17**	**92**

2010 in millions of Swiss francs	Restructuring from Quest acquisition	Other restructuring	Claims and litigation	Environmental	Others	Total
Balance as at 1 January	**33**	**11**	**27**	**19**	**29**	**119**
Additional provisions	33	25	11	13	-	82
Unused amounts reversed	(5)	-	(2)	(2)	(1)	(10)
Utilised during the year	(29)	(4)	(18)	(3)	(1)	(55)
Currency translation effects	(5)	(1)	(1)	(3)	(1)	(11)
Balance as at 31 December	**27**	**31**	**17**	**24**	**26**	**125**
Current liabilities	21	2	6	5	1	35
Non-current liabilities	6	29	11	19	25	90
Balance as at 31 December	**27**	**31**	**17**	**24**	**26**	**125**

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

Restructuring provisions from Quest International acquisition

Provisions for the Quest International acquisition have been recognised for compensating Quest International employees as a result of termination of their employment and closing Quest International facilities.

Other restructuring provisions

Other restructuring provisions correspond to former Quest International restructuring programmes, as well as Givaudan restructuring provisions which are not considered directly linked to the Quest International acquisition.

Claims and litigation

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

Environmental

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

Other provisions

These consist largely of provisions related to 'make good' on leased facilities and similar matters.

25. Own equity instruments

Details on own equity instruments are as follows:

2011 As at 31 December	Settlement	Category	Maturity	Strike price[a] (CHF)	in equivalent shares	Fair value in millions CHF
Registered shares		Equity			144,346	129
Written calls	Gross shares	Equity	2012 - 2016	700.5 - 1,199.5	473,672	35
Purchased calls	Net cash	Derivative	2012 - 2016	700.5 - 1,199.5	150,806	10
Purchased calls	Gross shares	Equity	2012	757.0	5,000	-
Written puts	Gross shares	Financial liability	2012	757.0	5,000	-

a) Strike price of options have been adjusted consecutively to the approval by the shareholders, at the Annual General Meetings held on 16 April 2004 and on 27 April 2005, to distribute extraordinary dividends, and in 2009, subsequent to the share capital increase related to the rights issue.

2010 As at 31 December	Settlement	Category	Maturity	Strike price[a] (CHF)	in equivalent shares	Fair value in millions CHF
Registered shares		Equity			139,136	140
Written calls	Gross shares	Equity	2011 - 2015	700.5 - 1,199.5	528,625	55
Purchased calls	Net cash	Derivative	2011 - 2015	700.5 - 1,199.5	191,380	26
Purchased calls	Gross shares	Equity	2011 - 2014	772.5 - 1,199.5	36,825	7
Written puts	Gross shares	Financial liability	2011	790.0 - 867.0	36,472	-

a) Strike price of options have been adjusted consecutively to the approval by the shareholders, at the Annual General Meetings held on 16 April 2004 and on 27 April 2005, to distribute extraordinary dividends.

26. Equity

Share capital

As at 31 December 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. Every share gives the right to one vote.

The Board of Directors has at its disposal conditional capital of a maximum aggregate amount of CHF 7,481,980 that may be issued through a maximum of 748,198 registered shares, of which a maximum of CHF 1,618,200 can be used for executive share option plans. At the Annual General Meeting on 25 March 2010, The Board of Directors was authorised until 26 March 2012 to increase the share capital by up to CHF 10,000,000 through the issuance of a maximum of 1,000,000 fully paid-in registered shares with a par value of CHF 10.00 per share.

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.

On 26 February 2010, the share capital was increased through the issuance of 736,785 fully paid-in registered shares from conditional capital with a nominal value of CHF 10.00 each. These shares were delivered to holders of the MCS in March 2010. This resulted in an increase of CHF 7,367,850 in share capital and an increase of CHF 733,859,745 in reserves.

Movements in own equity instruments are as follows:

2011	Number	Price in Swiss francs High	Average	Low	Total in millions of Swiss francs
Balance as at 1 January	**139,136**				**112**
Purchases at cost	5,210	850.0	850.0	850.0	4
Sales and transfers					
Issuance of shares					
(Gain) loss, net recognised in equity					(10)
Movement on derivatives on own shares, net					**(34)**
Balance as at 31 December	**144,346**				**72**

2010	Number	Price in Swiss francs High	Average	Low	Total in millions of Swiss francs
Balance as at 1 January	**158,245**				**132**
Purchases at cost					
Sales and transfers at cost	(19,109)	1,004.9	1,004.9	1,004.9	(19)
Issuance of shares					
(Gain) loss, net recognised in equity					4
Movement on derivatives on own shares, net					**(5)**
Balance as at 31 December	**139,136**				**112**

27. Commitments

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

in millions of Swiss francs	2011	2010
Within one year	26	26
Within two to five years	46	39
Thereafter	58	16
Total minimum payments	**130**	**81**

The 2011 charge in the consolidated income statement for all operating leases was CHF 39 million (2010: CHF 38 million).

The Group has capital commitments for the purchase or construction of property, plant and equipment totalling CHF 26 million (2010: CHF 83 million).

28. Contingent liabilities

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

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

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

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

29. Related parties

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

Compensation of key management personnel

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

in millions of Swiss francs	2011	2010
Salaries and other short-term benefits	8	9
Post-employment benefits	-	1
Other long-term benefits		
Share-based payments	3	7
Total compensation	**11**	**17**

No related party transactions have taken place during 2011 (2010: nil) between the Group and the key management personnel.

Reconciliation table to the Swiss code of obligations

	IFRS		Adjustments[a]		Swiss CO (Art. 663b^{bis})	
in millions of Swiss francs	2011	2010	2011	2010	2011	2010
Salaries and other short-term benefits	8	9	(2)	(1)	6	8
Post-employment benefits	-	1	1	-	1	1
Share-based payments	3	7	4	(1)	7	6
Total compensation	**11**	**17**	**3**	**(2)**	**14**	**15**

a) IFRS information is adjusted mainly by the underlying assumptions, accrual basis versus cash basis, and to the recognition of the share-base payments, IFRS 2 versus economic value at grant date. IFRS information also includes security costs.

In 2007, the Group entered into a joint venture agreement with ChemCom SA, a leader in the field of olfactory receptor technology. Givaudan invested CHF 10 million in this joint venture named TecnoScent.

In 2007, the Group acquired a joint venture named Pacific Aid through the Quest acquisition.

Refer also to Note 8 on jointly controlled entities.

There are no other significant related party transactions.

30. Board of Directors and Executive Committee compensation

Compensation of members of the Board of Directors

Compensation of Board members consists of Director Fees and Committee fees. These fees are paid shortly after the Annual General Meeting for year in office completed. In addition, each Board member is entitled to participate in the stock option plan of the company. As of 2011, Board members received only restricted shares and are no longer granted options. With the exception of the Chairman, each Board member receives an amount for out-of-pocket expenses. This amount of CHF 10,000 is paid for the coming year in office. The restricted shares are also granted for the same period.

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

in Swiss francs	Jürg Witmer Chairman	André Hoffmann	Lilian Biner [a]	Irina du Bois	Peter Kappeler	Thomas Rufer	Nabil Sakkab	Henner Schierenbeck	Total remuneration 2011	Total remuneration 2010
Director fees	320,000	80,000		80,000	80,000	80,000	80,000	80,000	800,000	800,000
Other cash compensation [b]							20,000		20,000	
Committee fees	30,000	50,000		20,000	40,000	20,000	20,000	40,000	220,000	220,000
Total cash	**350,000**	**130,000**		**100,000**	**120,000**	**100,000**	**120,000**	**120,000**	**1,040,000**	**1,020,000**
Number of options granted										46,900
Value at grant										711,004
Number of restricted shares [c]	505	126	126	126	126	126	126	126	1,387	402
Value at grant [d]	437,482	109,154	109,154	109,154	109,154	109,154	109,154	109,154	1,201,560	324,091
Total remuneration	**787,482**	**239,154**	**109,154**	**209,154**	**229,154**	**209,154**	**229,154**	**229,154**	**2,241,560**	**2,055,095**

a) Joined the Board of Directors on 24 March 2011.

b) Consulting fee for special assignment completed in 2011.

c) Restricted shares vest on 26 February 2014.

d) Economic value at grant according to IFRS methodology, with no discount applied for the vesting period.

Payment to Board members for out-of-pocket expenses amounted to CHF 70,000.

Other compensation, fees and loans to members or former members of the Board

No additional compensation or fees were paid to any member of the Board.

No Board member had any loan outstanding as at 31 December 2011.

Special compensation of members of the Board who left the company during the reporting period

No such compensation was incurred during the reporting period.

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

in Swiss francs	Gilles Andrier CEO	Executive Committee members (excl. CEO)[a]	Total remuneration 2011	Total remuneration 2010
Base salary	968,009	2,390,079	3,358,088	3,254,349
Annual incentive[b]	655,119	1,098,748	1,753,867	3,010,575
Total cash	**1,623,128**	**3,488,827**	**5,111,955**	**6,264,924**
Pension benefits[c]	119,455	430,023	549,478	503,589
Other benefits[d]	117,961	599,785	717,746	713,909
Number of options granted[e]		50,000	50,000	220,000
Value at grant[f]		778,500	778,500	3,335,200
Number of restricted shares granted[g]	1,132	2,451	3,583	400
Value at grant[h]	980,652	2,123,301	3,103,953	322,480
Number of performance shares granted[i]	3,000	6,900	9,900	9,900
Annualised value at grant[j]	533,580	1,227,234	1,760,814	1,760,814
Total remuneration	**3,374,776**	**8,647,670**	**12,022,446**	**12,900,916**

a) Represents full year compensation of five Executive Committee members.

b) 2011 Annual incentive accrued in the reporting period based on current year performance. 2010 Annual incentive paid based on 2010 performance.

c) Company contributions to broad-based pension and retirement savings plans and annualised expense accrued for supplementary executive retirement benefit.

d) Represents annualised value of health & welfare plans, international assignment benefits and other benefits in kind. Contributions to compulsory social security schemes are excluded.

e) Options vest on 26 February 2013.

f) Economic value at grant based on a Black & Scholes model, with no discount applied for the vesting period.

g) Restricted share vest on 26 February 2014.

h) Economic value at grant according to IFRS methodology, with no discount applied for the vesting period.

i) Performance shares are granted in March 2008 for the 5 year period 2008-2012 and vest on 1 March 2013.

j) Annualised value at grant calculated according to IFRS methodology, and assuming 100% achievement of performance target.

Other compensation, fees and loans to members or former members of the Executive Committee

No other compensation or fees were accrued for or paid to any member or former member of the Executive Committee during the reporting period.

No member or former member of the Executive Committee had any loan outstanding as at 31 December 2011.

Special compensation of members of the Executive Committee who left the company during the reporting period

No such compensation was incurred during the reporting period.

Ownership of shares

Details on the Givaudan share based payment plans are described in Note 7.

The following share options or option rights were granted during the corresponding periods and are still owned by the members of the Board of Directors, the CEO and members of the Executive Committee as at 31 December 2011:

2011						Share options / Option rights	
in number	Shares	Restricted Shares	Maturity 2012	Maturity 2013	Maturity 2014	Maturity 2015	Maturity 2016
Jürg Witmer, Chairman	1,400	505				26,800	
André Hoffmann [a]	86,929	126	6,700	6,700	6,700	6,700	
Lilian Biner		126					
Irina du Bois	39	260					
Peter Kappeler	10	281				3,350	
Thomas Rufer	58	281			3,350	3,350	
Nabil Sakkab		281		6,700	3,350	3,350	
Henner Schierenbeck	1,036	193	6,700	6,700	6,700	3,350	
Total Board of Directors	**89,472**	**2,053**	**13,400**	**20,100**	**20,100**	**46,900**	
Gilles Andrier, CEO		1,132				60,000	
Matthias Währen		1,680				20,000	
Mauricio Graber	116	377				40,000	20,000
Michael Carlos		754	40,000	40,000		40,000	
Joe Fabbri	117	283				30,000	15,000
Adrien Gonckel	20	283				30,000	15,000
Total Executive Committee	**253**	**4,509**	**40,000**	**40,000**		**220,000**	**50,000**

a) The following Givaudan derivatives were also held by Mr Hoffmann as at 31 December 2011:
- 30,000 call warrants UBS – Givaudan 20.08.2013 (ISIN value no. CH 011 659 55 10)

The company is not aware of any ownership of shares, share options, option rights or restricted shares as at 31 December 2011 by persons closely connected to the Board of Directors.

One person closely connected to a member of the Executive Committee owned 3,000 option rights maturing in 2015 and 56 restricted shares as at 31 December 2011.

One person closely connected to a member of the Executive Committee owned 98 shares as at 31 December 2011.

The company is not aware of any other ownership of shares, share options, option rights or restricted shares as at 31 December 2011 by persons closely connected to the Executive Committee.

There are no other significant related party transactions.

Ownership of share options

Givaudan's share options are fully tradable after vesting. Details on the Givaudan share-based payment plans are described in Note 7.

The following share options were granted to members of the Board during the corresponding periods and are still owned by them as at 31 December 2011:

Year of grant	Maturity date	Vesting date	Ticker	Strike price [a] (CHF)	Ratio [a] (option: share)	Option value at grant date (CHF)	Number of options held
2007	5 Mar 2012	5 Mar 2009	GIVCD	1,199.5	9.6:1	14.18	13,400
2008	4 Mar 2013	4 Mar 2010	GIVEF	1,113.6	12.5:1	14.23	20,100
2009	3 Mar 2014	3 Mar 2011	GIVLM	700.5	8.6:1	14.98	20,100
2010	3 Mar 2015	3 Mar 2012	GIVNT	925.0	9.5:1	15.16	46,900

a) Strike price and ratios of options have been adjusted consecutively to the approval by the shareholders, at the Annual General Meetings held on 16 April 2004 and on 27 April 2005, to distribute extraordinary dividends, and, in 2009, subsequent to the share capital increase related to the rights issue.

The following share options are owned by the CEO, the other members of the Executive Committee and by persons closely connected to them as at 31 December 2011:

Year of grant	Maturity date	Vesting date	Ticker	Strike price[a] (CHF)	Ratio[a] (option: share)	Option value at grant date (CHF)	Number of options held
2007	5 Mar 2012	5 Mar 2009	GIVCD	1,199.5	9.6:1	14.18	40,000
2008	4 Mar 2013	4 Mar 2010	GIVEF	1,113.6	12.5:1	14.23	40,000
2009	3 Mar 2014	3 Mar 2011	GIVLM	700.5	8.6:1	14.98	
2010	3 Mar 2015	3 Mar 2012	GIVNT	925.0	9.5:1	15.16	223,000
2011	25 Feb 2016	25 Feb 2013	GIVYX	975.0	8.5:1	15.57	50,000

a) Strike price and ratios of options have been adjusted consecutively to the approval by the shareholders, at the Annual General Meetings held on 16 April 2004 and on 27 April 2005, to distribute extraordinary dividends, and, in 2009, subsequent to the share capital increase related to the rights issue.

31. List of principal group companies

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

Switzerland	Givaudan SA	CHF	92,336
	Givaudan Suisse SA	CHF	4,000
	Givaudan Finance SA	CHF	300,000
	Givaudan International SA	CHF	100
	Givaudan Trading SA	CHF	100
Argentina	Givaudan Argentina SA	ARS	3,010
Australia	Givaudan Australia Pty Ltd	AUD	10
Austria	Givaudan Austria GmbH	EUR	40
Bermuda	FF Holdings (Bermuda) Ltd	USD	12
	Givaudan International Ltd	USD	12
	FF Insurance Ltd	USD	170
Brazil	Givaudan Do Brasil Ltda	BRL	133,512
Canada	Givaudan Canada Co	CAD	12,901
Chile	Givaudan Chile Ltda	CLP	5,000
China	Givaudan Fragrances (Shanghai) Ltd	USD	7,750
	Givaudan Flavors (Shanghai) Ltd	USD	10,783
	Givaudan Specialty Products (Shanghai) Ltd	USD	12,000
	Givaudan Hong Kong Ltd	HKD	7,374
Colombia	Givaudan Colombia SA	COP	6,965,925
Czech Republic	Givaudan CR, S.R.O.	CZK	200
Denmark	Givaudan Scandinavia A/S	DKK	1,000
Egypt	Givaudan Egypt SAE	USD	2,000
France	Givaudan Participation SAS	EUR	41,067
	Givaudan France Fragrances SAS	EUR	12,202
	Givaudan France Arômes SAS	EUR	2,028
Germany	Givaudan Deutschland GmbH	EUR	4,100
Hungary	Givaudan Hungary Kft	EUR	1.8
	Givaudan Finance Services	EUR	2
India	Givaudan (India) Private Ltd	INR	75,755
Indonesia	P.T. Givaudan Indonesia	IDR	2,608,000
Italy	Givaudan Italia SpA	EUR	520
Japan	Givaudan Japan K.K.	JPY	1,000,000
Korea	Givaudan Korea Ltd	KRW	550,020
Malaysia	Givaudan Malaysia Sdn.Bhd	MYR	200
Mexico	Givaudan de Mexico SA de CV	MXN	53,611
Netherlands	Givaudan Nederland B.V.	EUR	402
	Givaudan Nederland Services B.V.	EUR	18
	Givaudan Treasury International B.V.	EUR	18
New Zealand	Givaudan NZ Ltd	NZD	71

Peru	Givaudan Peru SAC	PEN	25
Poland	Givaudan Polska Sp. Z.o.o.	PLN	50
Russia	Givaudan Rus LLC	RUB	9,000
Singapore	Givaudan Singapore Pte Ltd	SGD	24,000
South Africa	Givaudan South Africa (Pty) Ltd	ZAR	140,002
Spain	Givaudan Iberica, SA	EUR	8,020
Sweden	Givaudan North Europe AB	SEK	120
Thailand	Givaudan (Thailand) Ltd	THB	107,900
Turkey	Givaudan Aroma Ve Esans Sanayi Ve Ticaret Limited Sirketi	TRY	34
United Kingdom	Givaudan UK Ltd	GBP	70
	Givaudan Holdings UK Ltd	GBP	317,348
	Givaudan Milton Keynes Ltd	GBP	0.002
United States of America	Givaudan United States, Inc.	USD	0.05
	Givaudan Flavors Corporation	USD	0.1
	Givaudan Fragrances Corporation	USD	0.1
	Givaudan Flavors and Fragrances, Inc.	USD	0.1
Venezuela	Givaudan Venezuela SA	VEF	4.5

In 2010, The Group has acquired the shares owned by external shareholders for Givaudan Thailand and liquidated Quest Venezuela. At 31 December 2011 and 2010, all companies are fully owned by the Group.

32. Disclosure of the process of risk assessment

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

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

The Givaudan Risk Management Charter, established by the Board of Directors, focuses on formalising the process of dealing with the most relevant risks which may affect the business. The charter details the objectives and principles of risk management and offers a framework for a pragmatic and effective risk management process.

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

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

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

The assessment continued to be performed through the collaboration of Internal Audit and the divisional management teams.

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

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

Report of the statutory auditors

On the consolidated financial statements

Deloitte.

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Report of the statutory auditor
to the General Meeting of
Givaudan SA, Vernier

Report on the consolidated financial statements
As statutory auditor, we have audited the accompanying consolidated financial statements of Givaudan SA presented on pages 90 to 144, which comprise the income statement, statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows, and notes for the year ended December 31, 2011.

Board of Directors' Responsibility
The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law, Swiss Auditing Standards and International Standards on Auditing (ISA). Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements for the year ended December 31, 2011 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with IFRS and comply with Swiss law.

Report on other legal requirements
We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

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

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

Deloitte SA

Thierry Aubertin Licensed Audit Expert Auditor in Charge	Annik Jaton Hüni Licensed Audit Expert

Geneva, February 15, 2012
THA/AJH/ahe

Audit. Fiscalité. Conseil. Corporate Finance.

Member of Deloitte Touche Tohmatsu

Income statement

For year ended 31 December

in millions of Swiss francs	Note	2011	2010
Income from investments in Group companies	8	630	90
Royalties from Group companies		573	562
Interest income from Group companies		6	25
Other income		118	224
Total income		**1,327**	**901**
Research and development expenses to Group companies		(182)	(195)
Interest expense to Group companies		(1)	(2)
Amortisation of intangible assets		(83)	(71)
Other financial expenses		(193)	(294)
Other expenses	8	(625)	(78)
Withholding taxes and capital taxes		(20)	(24)
Total expenses		**(1,104)**	**(664)**
Income before taxes		**223**	**237**
Income taxes		(8)	(9)
Net income		**215**	**228**

Statement of financial position

As at 31 December

in millions of Swiss francs	Note	2011	2010
Cash and cash equivalents	3	289	524
Marketable securities		119	115
Accounts receivable from Group companies		115	63
Other current assets		11	29
Current assets		**534**	**731**
Investments in Group companies	8	4,069	3,666
Loans to Group companies	8		351
Other long-term investments	9	-	1
Intangible assets		501	498
Other long-term assets		10	26
Non-current assets		**4,580**	**4,542**
Total assets		**5,114**	**5,273**
Short-term debt		120	275
Accounts payable to Group companies		57	119
Other payables and accrued liabilities		55	37
Current liabilities		**232**	**431**
Long-term debt	4	1,289	1,274
Loans from Group companies		260	237
Other non-current liabilities		94	111
Non-current liabilities		**1,643**	**1,622**
Total liabilities		**1,875**	**2,053**
Share capital	6, 7	92	92
General legal reserve - first attribution	6, 7	17	17
- additional paid-in capital	6, 7	1,827	2,023
Reserve for own equity instruments	6, 7	148	144
Free reserve	6, 7	697	698
Retained earnings			
Balance brought forward from previous year		243	18
Net profit for the year		215	228
Equity		**3,239**	**3,220**
Total liabilities and equity		**5,114**	**5,273**

Notes to the statutory financial statements

1. General

The financial statements of Givaudan SA, Vernier near Geneva in Switzerland, are prepared in accordance with the provisions of Swiss company law and accepted business principles.

2. Valuation methods and translation of foreign currencies

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

In the balance sheet, foreign currency assets and liabilities are re-measured at year-end exchange rates with the exception of investments in Group companies which are valued at historical exchange rates. Foreign currency gains and losses are recognised in the income statement except for unrealised foreign currency gains which are deferred in the balance sheet.

3. Cash and cash equivalents

Cash and cash equivalents information includes an amount of CHF 287 million (2010: CHF 492 million) related to the cash pooling agreements with a Group company.

4. Debt

On 9 July 2003, Givaudan SA entered into a private placement for a total amount of CHF 100 million. It is redeemable in 2013 with an annual interest rate of 3.3%.

On 2 March 2007, Givaudan SA entered into a syndicated loan agreement for a total amount of CHF 1.9 billion. In July 2011 the Givaudan SA entirely reimbursed the outstanding balance of CHF 826 million of the syndicated loan and refinanced it by entering into a 5-year CHF 500 million revolving bank facility, with an initial withdraw of CHF 250 million. The average interest rate is 3.5% at 31 December 2011.

On 23 May 2007, Givaudan SA entered into a private placement for a total amount of CHF 50 million with maturity 21 May 2014, with an annual interest rate of 3.125%.

On 18 October 2007, Givaudan SA issued a 3.375% 4-year public bond (maturity 18 October 2011) with a nominal value of CHF 275 million. The bond was redeemed.

On 19 February 2009, Givaudan SA issued a 4.25% 5-year public bond (maturity 19 March 2014) with a nominal value of CHF 300 million. The proceeds of CHF 297 million were mainly used to repay private placements at maturity for a total amount of CHF 90 million and to repay a portion of the syndicated loan for a total amount of CHF 174 million.

On 15 June 2011, Givaudan SA issued a 2.5% 7 year public bond (maturity 15 June 2018) with a nominal value of CHF 300 million. The proceeds were mainly used to repay the 3.375% 4-year public bond redeemed on 18 October 2011.

On 7 December 2011, Givaudan SA issued a debt with a dual tranche transaction of CHF 150 million each, totalling CHF 300 million, respectively of 1.250% for 5 years and of 2.125% for 10 years.

5. Guarantees

Guarantees issued in favour of Group companies amounted to CHF 300 million (2010: CHF 300 million).

6. Equity

As at 31 December 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. Every share gives the right to one vote.

The Board of Directors has at its disposal conditional capital of a maximum aggregate amount of CHF 7,481,980 that may be issued through a maximum of 748,198 registered shares, of which a maximum of CHF 1,618,200 can be used for executive share option plans. At the Annual General Meeting on 25 March 2010, The Board of Directors was authorised until 26 March 2012 to increase the share capital by up to CHF 10,000,000 through the issuance of a maximum of 1,000,000 fully paid-in registered shares with a par value of CHF 10.00 per share.

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.

On 26 February 2010, the share capital was increased through the issuance of 736,785 fully paid-in registered shares from conditional capital with a nominal value of CHF 10.00 each. These shares were delivered to holders of the MCS in March 2010. This resulted in an increase of CHF 7,367,850 in share capital and an increase of CHF 733,859,745 in reserves.

Movements in own shares are as follows:

2011		Price in Swiss francs			Total
	Number	High	Average	Low	in millions of Swiss francs
Balance as at 1 January	**139,136**				**144**
Purchases at cost	5,210	850.0	850.0	850.0	4
Sales and transfers at cost					
Issuance of shares					
Balance as at 31 December	**144,346**				**148**

2010		Price in Swiss francs			Total
	Number	High	Average	Low	in millions of Swiss francs
Balance as at 1 January	**158,245**				**160**
Purchases at cost					
Sales and transfers at cost	(19,109)	826.5	826.5	826.5	(16)
Issuance of shares					
Balance as at 31 December	**139,136**				**144**

As at 31 December 2011, there are no other companies controlled by Givaudan SA that held Givaudan SA shares.

On 31 December 2011, William H. Gates III, Nestlé SA, Nortrust Nominee Ltd and Chase Nominees Ltd were the only shareholders holding more than 5% of total voting rights.

7. Movements in equity

2011		General legal reserve		Reserve for			
in millions of Swiss francs	Share Capital	First attribution	Additional paid-in capital	own equity instruments	Free reserve	Retained earnings	Total
Balance as at 1 January	**92**	**17**	**2,023**	**144**	**698**	**246**	**3,220**
Registered shares							
Issuance of shares							
Appropriation of available earnings							
Transfer to the general legal reserve							
Dividend paid relating to 2010			(196)		3	(3)	(196)
Transfer to/from the reserve for own equity instruments				4	(4)		
Net profit for the year						215	215
Balance as at 31 December	**92**	**17**	**1,827**	**148**	**697**	**458**	**3,239**

2010		General legal reserve		Reserve for			
in millions of Swiss francs	Share Capital	First attribution	Additional paid-in capital	own equity instruments	Free reserve	Retained earnings	Total
Balance as at 1 January	**85**	**17**	**1,289**	**160**	**679**	**208**	**2,438**
Registered shares							
Issuance of shares	7		734				741
Appropriation of available earnings							
Transfer to the general legal reserve							
Dividend paid relating to 2009					3	(190)	(187)
Transfer to/from the reserve for own equity instruments				(16)	16		
Net profit for the year						228	228
Balance as at 31 December	**92**	**17**	**2,023**	**144**	**698**	**246**	**3,220**

Pursuant to the new Swiss tax legislation, reserves from additional paid-in capital are presented separately in equity. Any dividend payment made out of these reserves will not be subject to Swiss withholding tax, nor will they be subject to income tax on individual shareholders who are resident in Switzerland. This change in presentation has been included in the above tables. All distributions of reserves are subject to the requirements of the Swiss Code of Obligations.

8. List of principal direct subsidiaries

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

Switzerland	Givaudan Suisse SA Givaudan Finance SA Givaudan International SA Givaudan Trading SA
Argentina	Givaudan Argentina SA
Australia	Givaudan Australia Pty Ltd
Austria	Givaudan Austria GmbH
Brazil	Givaudan Do Brasil Ltda
Chile	Givaudan Chile Ltda
China	Givaudan Fragrances (Shanghai) Givaudan Ltd Givaudan Flavors (Shanghai) Ltd Givaudan Specialty Products (Shanghai) Ltd Givaudan Hong Kong Ltd

Colombia	Givaudan Colombia SA
Czech Republic	Givaudan CR, S.R.O.
Denmark	Givaudan Scandinavia A/S
Egypt	Givaudan Egypt SAE
France	Givaudan Participation SAS
Germany	Givaudan Deutschland GmbH
Hungary	Givaudan Hungary Kft
	Givaudan Finance Services
India	Givaudan (India) Private Ltd
Indonesia	P.T. Givaudan Flavours and Fragrances Indonesia
Italy	Givaudan Italia SpA
Japan	Givaudan Japan K.K.
Korea	Givaudan Korea Ltd
Malaysia	Givaudan Malaysia Sdn.Bhd
Mexico	Givaudan de Mexico SA de CV
Netherland	Givaudan Nederland Services B.V.
	Givaudan Treasury International B.V.
Peru	Givaudan Peru SAC
Poland	Givaudan Polska Sp. Z.o.o.
Russia	Givaudan Rus LLC
Singapore	Givaudan Singapore Pte Ltd
South Africa	Givaudan South Africa (Pty) Ltd
Spain	Givaudan Iberica, SA
Sweden	Givaudan North Europe AB
Thailand	Givaudan (Thailand) Ltd
Turkey	Givaudan Aroma Ve Esans Sanayi Ve Ticaret Limited Sirketi
United States of America	Givaudan United States, Inc.
Venezuela	Givaudan Venezuela SA

In 2011, Givaudan SA acquired 98% of Givaudan United States, Inc. from its affiliate Givaudan Finance SA, as part of this transaction loans to Group companies were transferred from Givaudan SA to Givaudan Finance SA.

A dividend of CHF 578 million was received from Givaudan Finance during the year; a subsequent impairment of the participation into Givaudan Finance was recognised for the same amount. At the end of 2011, Givaudan SA owned 100% of Givaudan United States, Inc.

9. Jointly controlled entities

Name of joint venture	Principal activity	Country of incorporation	Ownership interest
TecnoScent	Olfactory receptor research	Belgium	50%

During 2011, the Group contributed to a jointly share-capital increase in TecnoScent for an amount EUR 0.5 million. In addition, the Group entered into joint agreements with TecnoScent for the development of novel fragrance enhancers. The Group is committed to paying a total amount of EUR 2 million over the next two years.

10. Board of Directors and Executive Committee compensation

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

11. Disclosure of the process of risk assessment

Givaudan SA is fully integrated into the risk management framework of the Givaudan Group. This risk management framework also addresses the nature and scope of business activities and the specific risks of Givaudan SA (refer to Note 32 in the consolidated financial statements of this financial report).

Appropriation of available earnings of Givaudan SA

Proposal of the Board of Directors to the general meeting of shareholders

Available earnings

in Swiss francs	2011	2010
Net profit for the year	214,452,745	228,304,805
Balance brought forward from previous year	246,376,454	18,071,649
Total available earnings	**460,829,199**	**246,376,454**
Transfer to free reserve	200,000,000	
Total appropriation of available earnings	**200,000,000**	
Amount to be carried forward	**260,829,199**	**246,376,454**

General legal reserve – additional paid-in capital

in Swiss francs	2011	2010
Additional paid-in capital from issuance of shares		733,859,744
Balance brought forward from previous year	1,827,299,904	1,288,970,835
General legal reserve - additional paid-in capital	**1,827,299,904**	**2,022,830,579**
2010 distribution of CHF 21.50 gross per share [a]		198,522,099
Total appropriation of general legal reserve – additional paid-in capital		**198,522,099**
2011 distribution proposal of CHF 22.00 gross per share [a]	203,138,892	
Total appropriation of general legal reserve – additional paid-in capital	**203,138,892**	
Distribution not paid on treasury shares held by the Group		**2,991,424**
Amount to be carried forward	**1,624,161,012**	**1,827,299,904**

a) All distributions of reserves are subject to the requirements of the Swiss Code of Obligations.

Report of the statutory auditors

On the financial statements

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Report of the statutory auditor
to the General Meeting of
Givaudan SA, Vernier

Report on the financial statements
As statutory auditor, we have audited the accompanying financial statements of Givaudan SA, presented on pages 146 to 151, which comprise the income statement, the statement of financial position and the notes for the year ended December 31, 2011.

Board of Directors' Responsibility
The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements for the year ended December 31, 2011 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements
We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

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

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

Deloitte SA

Thierry Aubertin
Licensed Audit Expert
Auditor in Charge

Annik Jaton Hüni
Licensed Audit Expert

Geneva, February 15, 2012
THA/AJH/ahe

Audit. Fiscalité. Conseil. Corporate Finance.
Member of Deloitte Touche Tohmatsu

Givaudan worldwide

Country	Address	Legal Entity name	Fragrances	Flavours	Financing Services	Sales	Creation/ Application	Production
Argentina	San Lorenzo 4759, Esquina Ave Mitre, B 1605 EIO, Munro, Prov. Buenos Aires	Givaudan Argentina SA		■		■	■	■
	Ruta 9 Panamericana, Km 36.5, B1667KOV, Partido Malvinas Argentinas, Buenos Aires	Givaudan Argentina SA	■			■	■	■
Australia	12 Britton Street, Smithfield, Sydney NSW 2164	Givaudan Australia Pty Ltd		■				■
	Unit 36, 5 Inglewood Place, Baulkham Hills Sydney, NSW 2153	Givaudan Australia Pty Ltd	■	■		■	■	
	14 Woodruff Street, Port Melbourne, Melbourne VIC, 3217	Givaudan Australia Pty Ltd		■		■		
Austria	Twin Tower Vienna, Wienerbergstrasse 11, A-1109 Vienna	Givaudan Austria GmbH		■		■	■	
Bermuda	Hamilton	Givaudan International Ltd			■			
		FF Holdings (Bermuda) Ltd			■			
		FF Insurance Ltd			■			
Brazil	Avenida Engenheiro Billings 2185, São Paulo, SP - CEP 05321-010	Givaudan do Brasil Ltda	■	■		■	■	■
	Avenida Engenheiro Billings 1653 & 1729, Edifício 31, 1° andar, Condominio Empresarial Roche, Jaguaré, São Paulo, SP - CEP 05321-010	Givaudan do Brasil Ltda	■			■	■	
Canada	2400 Matheson Blvd., East Mississauga ON, L4W 5G9	Givaudan Canada Co.		■		■		
Chile	Avda Del Valle 869, oficina 202-203, Ciudad Empresarial, Huechuraba	Givaudan Chile Ltda		■		■	■	
China	15F Tower 2, Kun Sha Center, No. 16 Xin Yuan Li Road, Chao Yang District, 100027 Beijing	Givaudan Fragrances (Shanghai) Ltd Beijing Branch	■			■		
	298 Li Shi Zhen Road, Zhangjiang High-Tech Park, Pudong New Area, 201203 Shanghai	Givaudan Fragrances (Shanghai) Ltd	■			■	■	■
	Unit 6-7, 15F Shuion Center, No 374-2 Beijing Road, Yue Xiu District, 510030 Guangzhou	Givaudan Fragrances (Shanghai) Ltd Guangzhou Branch	■			■		
	222, Jiang Tian East Road, Songjiang Development Zone Shanghai, 201600	Givaudan Specialty Products (Shanghai) Ltd	■	■				■
	15F, Tower 2, Kun Sha Center, No. 16 Xin Yuan Li Road, Chao Yang District, 100027 Beijing	Givaudan Flavors (Shanghai) Ltd Beijing Branch		■		■	●	
	Unit 5, 15F Shuion Center, No 374-2 Beijing Road, Yue Xiu District, 510030 Guangzhou	Givaudan Flavors (Shanghai) Ltd Guangzhou Branch		■		■	●	
	668 Jing Ye Road, Jin Qiao Export Area, Pu Dong New Area, 201201 Shanghai	Givaudan Flavors (Shanghai) Ltd		■		■	■	■
	298 Li Shi Zhen Road, Zhangjiang High-Tech Park, Pudong New Area, 201203 Shanghai	Givaudan Management Consulting (Shanghai) Ltd			■			
Colombia	Carrera 98 No. 25 G – 40, Bogotá D.C.	Givaudan Colombia SA	■	■		■	■	
Czech Republic	Klimentská 10, Praha, 110 00	Givaudan CR, s.r.o.		■		■		
Denmark	Gøngehusvej 280, 2970 Hørsholm	Givaudan Scandinavia A/S		■		■		
Egypt	P.O. Box 95, Piece 37, Industriel Zone 3, 6th of October City	Givaudan Egypt SAE		■		■	■	■
Finland	Svinhufvudinkatu 23A, 15110 Lahti	Givaudan Suisse SA Branch in Finland		■		■		
France	46, avenue Kléber, 75116 Paris	Givaudan France Fragrances SAS	■			■	■	
	55 Rue de la Voie des Bans, BP 24, 95102 Argenteuil Cedex	Givaudan France Fragrances SAS	■			■	■	
	19-23 Rue de la Voie des Bans, BP 24, 95102 Argenteuil Cedex	Givaudan France Arômes SAS		■		■	■	
Germany	Giselherstrasse 11, 44319 Dortmund	Givaudan Deutschland GmbH		■		■	■	■
	Lehmweg 17, 20251 Hamburg	Givaudan Deutschland GmbH	■			■		
Hong Kong	17A, Lippo Leighton Tower, 103-109 Leighton Road, Causeway Bay	Givaudan Hong Kong Ltd	■	■		■		
Hungary	Seregély köz 11., 1037 Budapest	Givaudan Schweiz AG Hungary Commercial Representative Office		■		■		
	Királyhegyesi út 14, 6900 Makó,	Givaudan Hungary Kft		■		■	■	
	Teréz körút 55-57, Eiffel Offices, Building C, 1062 Budapest	Givaudan Finance Services Kft (GFS)			■			
India	Plot No. 30, Survey No. 168, Dabhel Industrial Estate, Daman 396210	Givaudan (India) Pvt Ltd		■				■
	Plot No. 26, 2nd Cross Jigani Industrial Area, Anekal Taluk, Jigani, Bangalore 560 105, Karnataka	Givaudan (India) Pvt Ltd	■					■
	401 Akruti Centre Point, 4th Floor, MIDC Central Road, MIDC, Andheri (East), Mumbai 400093	Givaudan (India) Pvt Ltd	■	■		■	■	
	Block B – Vatika Atrium, DLF Golf Course Road, Sector 53, Gurgaon, Haryana 122002	Givaudan (India) Pvt Ltd	■	■		■		

● Application only ▲ Flavour ingredients

Country	Address	Legal Entity name	Fragrances	Flavours	Financing Services	Sales	Creation/ Application	Production
Indonesia	Jl. Raya Jakarta-Bogor Km 35, Cimanggis Depok, West Java 16951	PT. Givaudan Indonesia	■	■			■	■
	Menara Anugrah 7th - 9th Floor, Kantor Taman E3.3, Jl. Mega Kuningan Lot 8.6 - 8.7, Kawasan Mega Kuningan, Jakarta 12950	PT. Givaudan Indonesia	■	■		■	■	
Iran	P.O. Box 15175/534 - No.202 – 204, Gol Bld., Gol Alley, After Park Saei, Vali Asr, Tehran	Givaudan Suisse SA (Iran Branch)	■	■		■		
Italy	Via XI Febbraio 99, 20090 Vimodrone, Milano	Givaudan Italia SpA	■	■		■	●	
Japan	3014-1 Shinohara-cho, Kohoku-ku, Yokohama-shi, Kanagawa 222-0026	Givaudan Japan K.K.	■			■	■	
	3056 Kuno, Fukuroi-shi, Shizuoka 437-0061	Givaudan Japan K.K.		■				■
	3-23, Shimomeguro 2-chome, Meguro-ku, Tokyo 153-0064	Givaudan Japan K.K.		■		■	■	
Malaysia	A-901 Menara 1, Kelana Brem Towers, Jalan SS 7/15 (Jalan Stadium), 47301 Petaling Jaya, Selangor, Darul Ehsan	Givaudan Malaysia Sdn Bhd	■	■		■	●	
Mexico	Camino a Quintanares Km. 1.5, 76700 Pedro Escobedo, Queretaro	Givaudan de México SA de CV	■			■		■
	Av. Eje Norte-Sur No. 11 Civac, 62578 Jiutepec, Morelos	Givaudan de México SA de CV		■		■	■	■
	Av. Paseo de la Reforma #2620, piso 12 Edificio Reforma Plus, Col. Lomas Altas, 11950 Mexico, D.F	Givaudan México SA de CV		■		■		
	Av. Paseo de la Reforma #2620, piso 9 Edificio Reforma Plus, Col. Lomas Altas, 11950 Mexico, D.F	Givaudan México SA de CV	■			■	■	
Netherlands	Huizerstraatweg 28, 1411 GP Naarden	Givaudan Nederland BV		■		■	■	▲
	Huizerstraatweg 28, 1411 GP Naarden	Givaudan Nederland Services BV			■			
	Huizerstraatweg 28, 1411 GP Naarden	Givaudan Nederland Finance BV			■			
	Huizerstraatweg 28, 1411 GP Naarden	Givaudan Treasury International BV			■			
	Nijverheidsweg 60, 3771 ME Barneveld	Givaudan Nederland BV		■				▲
New Zealand	2 Birmingham Road, East Tamaki, Auckland	Givaudan NZ Ltd		■		■		
Peru	Av. Victor Andrés Belaúnde 147, Centro Empresarial Real, Torre Real 1 Piso 11, San Isidro, Lima 27	Givaudan Peru SAC	■	■		■	●	
Philippines	37/F Robinsons Equitable Tower, ADB Avenue corner Poveda Street, Ortigas Center, Pasig City 1605	Givaudan Singapore Pte Ltd, Philippines Regional Headquarters	■			■	●	
	37/F Robinsons Equitable Tower, ADB Avenue corner Poveda Street, Ortigas Center, Pasig City 1605	Givaudan Singapore Pte Ltd, Philippines Regional Headquarters		■		■	●	
Poland	ul. Podchorazych 83, 00-722 Warszawa	Givaudan Polska Sp. z o.o.		■		■		
Russian Federation	Riverside Towers Business Centre, Kosmodamianskaya Naberezhnaya 52/1, 115054 Moscow	Givaudan Rus LLC		■		■	■	
	Delovoy dom B-5, floor 9, Botanicheskiy pereulok 5, 129090 Moscow	Givaudan Rus LLC	■			■	■	
Singapore	1 Woodlands Avenue 8, Singapore 738972	Givaudan Singapore Pte Ltd	■	■		■	■	■
South Africa	9-11 Brunel Road, Tulisa Park, Johannesburg, 2197	Givaudan South Africa (Pty) Ltd		■		■	■	■
	51A Galaxy Avenue, Linbro Business Park Frankenwald, Sandton, 2065	Givaudan South Africa (Pty) Ltd	■			■	●	
South Korea	11/F Trust Tower Bldg, 275-7 Yangjae-Dong, Seocho-Gu, Seoul 137-739	Givaudan Korea Ltd	■			■	●	
	12/F Trust Tower Bldg, 275-7 Yangjae-Dong Seocho-Gu, Seoul 137-739	Givaudan Korea Ltd		■		■	●	
Spain	Colquide, 6 Edificio Prisma, 2a Planta, 28231 Las Rozas, Madrid	Givaudan Ibérica, SA		■		■		
	Pla d'en Batllé s/n, 8470 Sant Celoni, Barcelona	Givaudan Ibérica, SA		■		■	■	■
	Edificio Géminis, Bloque B 1° 2ª, Parque de Negocios Mas Blau, 8820 El Prat de Llobregat, Barcelona	Givaudan Ibérica, SA	■			■		
Sweden	Råbyholms Allé 4, 22355 Lund	Givaudan North Europe AB		■		■		
Switzerland	**Corporate Headquarters**							
	Chemin de la Parfumerie 5, 1214 Vernier	Givaudan SA			■			
	Chemin de la Parfumerie 5, 1214 Vernier	Givaudan International SA			■			
	Chemin de la Parfumerie 5, 1214 Vernier	Givaudan Finance SA			■			
	Überlandstrasse 138, 8600 Dübendorf	Givaudan Schweiz AG	■	■		■	■	■
	8310 Kemptthal	Givaudan Schweiz AG		■			■	■
	Chemin de la Parfumerie 5, 1214 Vernier	Givaudan Suisse SA	■			■	■	■
Taiwan, Republic of China	7/F, No 303, Hsin Yi Road, Sec 4, Taipei 106	Givaudan Singapore Pte Ltd, Taiwan Branch	■	■		■	●	

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Country	Address	Legal Entity name	Fragrances	Flavours	Financing Services	Sales	Creation/ Application	Production
Thailand	719 KPN Tower, 16 & 25 Floor, Rama 9 Road, Bangkapi Huaykwang, Bangkok 10310	Givaudan (Thailand) Ltd	■	■	■		●	
Turkey	Ebulula Cad. Lale Sok., Park Maya Sitesi Barclay 19A Daire 6-7, Akatlar, Besiktas / Istanbul 34335	Givaudan Aroma ve Esans Sanayi ve Ticaret Ltd. Sirketi	■			■		
	Büyükdere Cad. Telpa Plaza, No:195 K:3 Levent, Istanbul 34394	Givaudan Aroma ve Esans Sanayi ve Ticaret Ltd. Sirketi		■		■		
UAE	Gulf Tower 901-902, P.O. Box 33170, Dubai	Givaudan Suisse SA (Representative Office)		■		■	■	
	Concord Tower Floor 21, Offices 2109 – 2114, P.O. Box No. 33170, Media City, Dubai	Givaudan Suisse SA (Dubai Branch)	■			■	■	
United Kingdom	Magna House, 76-80 Church Street, Staines, Middx., TW18 4XR	Givaudan UK Ltd	■			■		
	Chippenham Drive, Kingston, Milton Keynes, MK10 OAE	Givaudan UK Ltd		■		■	■	
	Kennington Road, Ashford, Kent, TN24 0LT	Givaudan UK Ltd	■			■	■	■
	Bromborough Port, Wirral, Merseyside, CH62 4SU	Givaudan UK Ltd		■		■	■	■
Ukraine	Pimonenko Str. 13 6B/18, Kiev 04050	Givaudan Suisse SA Representative Office in Kiev		■		■		
United States of America	880 West Thorndale Avenue, Itasca IL, 60143	Givaudan Flavors Corporation		■				■
	580 Tollgate Road, Suite A, Elgin IL, 60123	Givaudan Flavors Corporation		■		■	■	
	1199 Edison Drive, Cincinnati OH, 45216	Givaudan Flavors Corporation		■		■	■	
	245 Merry Lane, East Hanover NJ, 07936	Givaudan Flavors Corporation		■		■	■	■
	9500 Sam Neace Drive, Florence KY, 41042	Givaudan Flavors Corporation		■				■
	4705 U.S. Highway 92 East, Lakeland FL, 33801-9584	Givaudan Flavors Corporation		■		■		■
	100 East 69th Street, Cincinnati OH, 45216	Givaudan Flavors Corporation		■				■
	International Trade Center, 300 Waterloo Valley Road, Mount Olive NJ, 7828	Givaudan Fragrances Corporation	■					■
	40 West 57th St. 11th floor, New York NY, 10019	Givaudan Fragrances Corporation	■			■	■	
	717 Ridgedale Avenue, East Hanover NJ, 7936	Givaudan Fragrances Corporation	■			■	■	
	1702 Eska Way, Silverton OR, 97381	Pacific Pure-Aid Company		■		■	■	■
Venezuela	Calle Veracruz con calle Cali Torre, ABA Piso 8, Ofic 8ª, Las Mercedes, Caracas, CP 1060	Givaudan Venezuela SA	■	■		■	●	
Vietnam	Giay Viet Plaza 5th Fl., 180-182 Ly Chinh Thang Street, District 3, Ho Chi Minh City	Givaudan Singapore Pte Ltd, Vietnam Representative Office	■	■		■	●	

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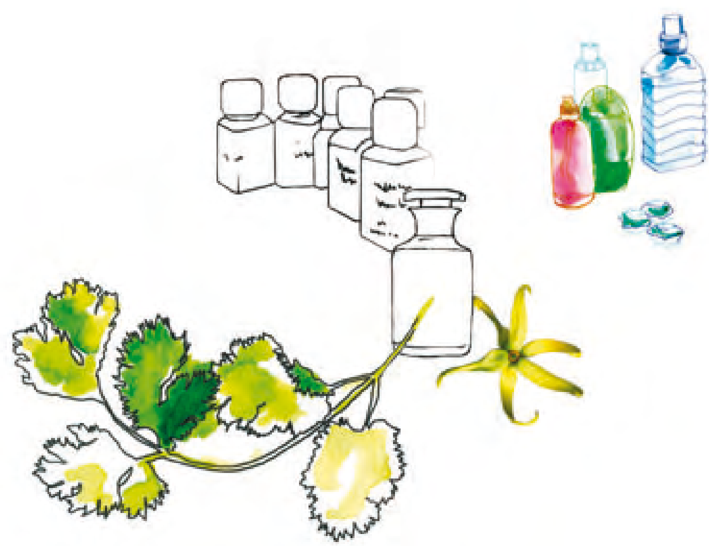

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