Givaudan

ENGAGING
THE
SENSES

Annual Report 2013

Introduction and contents

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%.

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.

Overview

Strategy

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Inspired by nature

Nature provides many magical moments for us to experience, from the joy of tasting a juicy mango to smelling the comforting essence of jasmine in our homes.

Givaudan has a long tradition of discovering flowers, fruits and other natural raw materials all over the world. Our perfumers and flavourists are inspired by their beautiful essences in creating new fragrances and flavours, and our scientists and technologists are dedicated to preserving their authentic scents and tastes.

We are at the forefront of offering a broad portfolio of natural products and are proud of our research and technologies in using natural ingredients. Continuous investment is aimed at discovering how best to use limited and precious natural resources in our creative processes, and to meet increased consumer interest in natural ingredients and Health and Wellness products.

Givaudan has a strong commitment to sourcing raw materials in a sustainable way. This means ensuring traceability and consistent product quality, creating partnerships with – and supporting – the communities that supply us, and protecting naturals and the environment.

For Givaudan, nature and technology are natural partners in bringing the memory of nature's smells and tastes to people around the world.

Continued execution of our growth strategy...

By executing our five-pillar growth strategy, we are delivering on our 2015 mid-term targets: sales and market share gains by outperforming the underlying market growth, achieving industry-leading EBITDA margins, generating an annual free cash flow (FCF) of 14–16% of sales and returning over 60% of FCF to shareholders[1].

Ambitious 2015 targets

- 4.5 to 5.5% organic sales growth per annum[2]
- Best-in-class EBITDA
- 14 to 16% free cash flow as % of sales by 2015
- Above 60% free cash flow return to shareholders[1]

Driven by our five-pillar growth strategy

Five-pillar growth strategy

Developing markets

For more detail
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Health and Wellness

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Targeted customers and segments

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Sustainable sourcing of raw materials

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1) Above 60% return to shareholders whilst maintaining a leverage ratio of no more than 25%.
2) Sales growth assumes a market growth of 2-3%.

results in another year of strong performance.

CHF 4.4 billion
Sales up 5.5% LFL*

45 % of sales
in developing markets

CHF 970 million
EBITDA

22.2 %
EBITDA margin

CHF 490 million
Net income, up 19.5% year on year

CHF 662 million
Free cash flow

CHF 6.2 billion
Total assets

CHF 2.8 billion
Total liabilities

CHF 3.4 billion
Total equity

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

Key figures

In millions of Swiss francs, except per share and employee data	2013	2012[b]
Group sales	**4,369**	4,257
Fragrance sales	2,083	2,021
Flavour sales	2,286	2,236
Gross profit	**1,954**	1,806
as % of sales	44.7%	42.4%
EBITDA[a]	**970**	889
as % of sales	22.2%	20.9%
Operating income	**693**	626
as % of sales	15.9%	14.7%
Income attributable to equity holders of the parent	**490**	410
as % of sales	11.2%	9.6%
Earnings per share – basic (CHF)	**53.43**	45.04
Earnings per share – diluted (CHF)	**52.83**	44.74
Operating cash flow	**888**	781
as % of sales	20.3%	18.3%
Free cash flow	**662**	512
as % of sales	15.2%	12.0%
Number of employees	**9,331**	9,124

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 on joint ventures.

b) Previous year figures have been restated as a result of changes to accounting policies and presentation (see Note 2.1.1 in our Financial report).

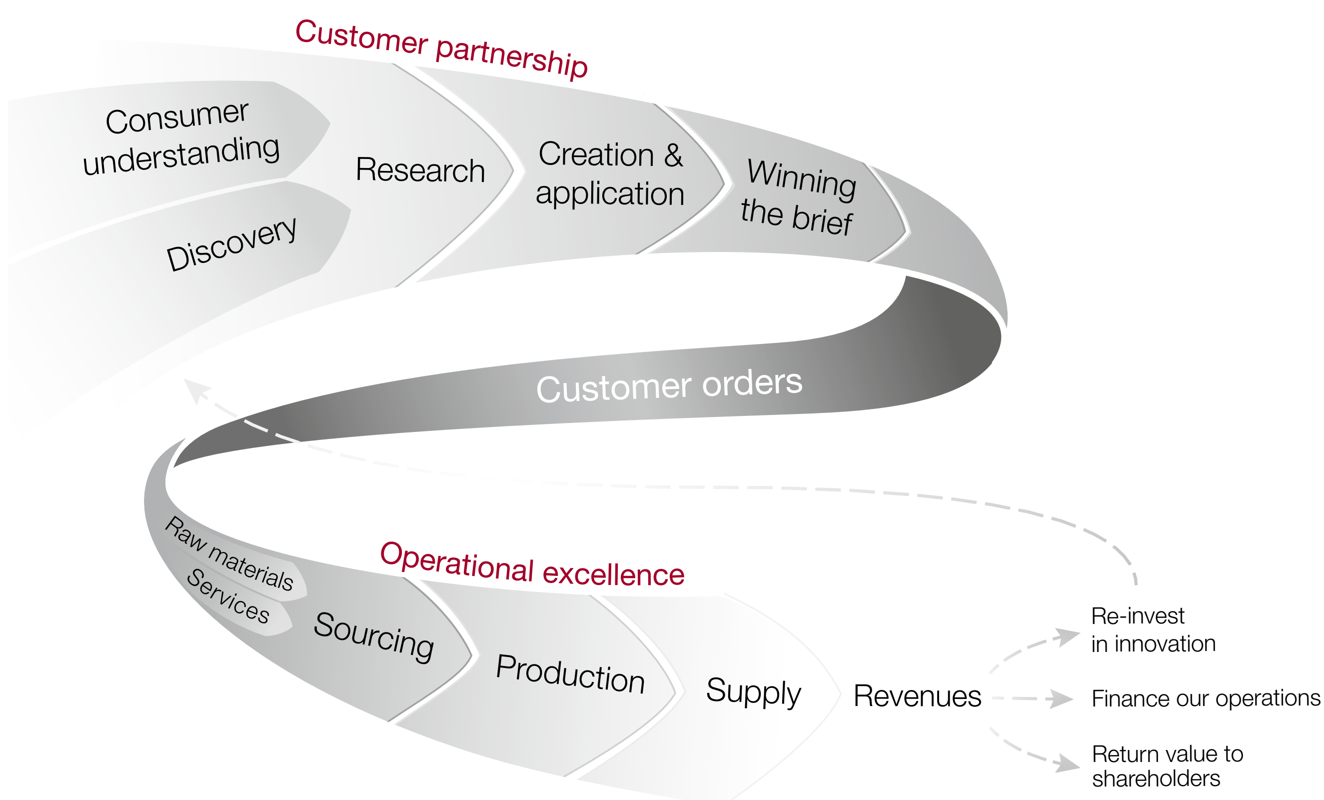
Our robust business model...

Throughout our value chain, we are committed to anticipating market trends and enhancing our competitiveness. We continuously invest into consumer understanding, innovation and in expanding our global market presence.

To satisfy locally relevant consumer preferences, we put a close collaboration with our customers at the heart of creating innovative fragrances and flavours.

Operational excellence is driving our sourcing, production and supply chain to continuously deliver consistent high-quality products.

We care about operating a sustainable business model, creating value for shareholders and employees, and being able to re-invest in the future growth of our business.



is underpinned by distinct capabilities...

We are proud of our capabilities in creation, innovation and operational excellence, seeking creativity for commercial success and driving performance to satisfy customers.

Creation

The heart of our business

- **Passionate** perfumers and flavourists
- **Unique** product palettes and ingredients
- **Customer intimacy** and consumer understanding

Innovation

The bedrock for continued commercial success

- **Pioneering** R&D teams
- **Focus** on the science of taste and smell
- **Broad product offering** for diverse client portfolio

Operational excellence

A culture of driving performance

- **Global spread of operations**, with local presence
- **Supply chain excellence**, addressing customers' unmet needs
- **Sustainable sourcing** of raw materials

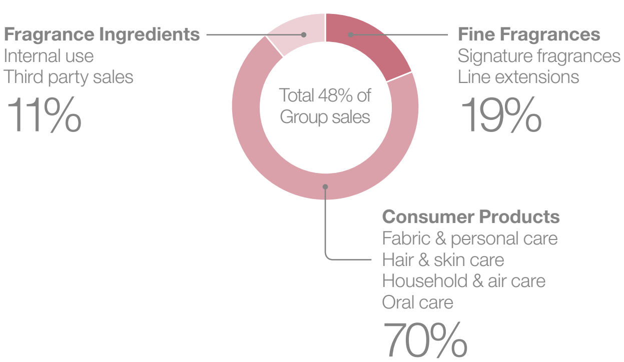
...and operations that span the globe.

What we do

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.

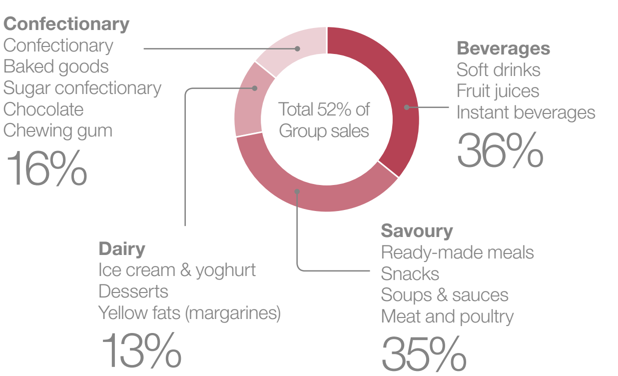
Fragrance Division sales



Flavour Division

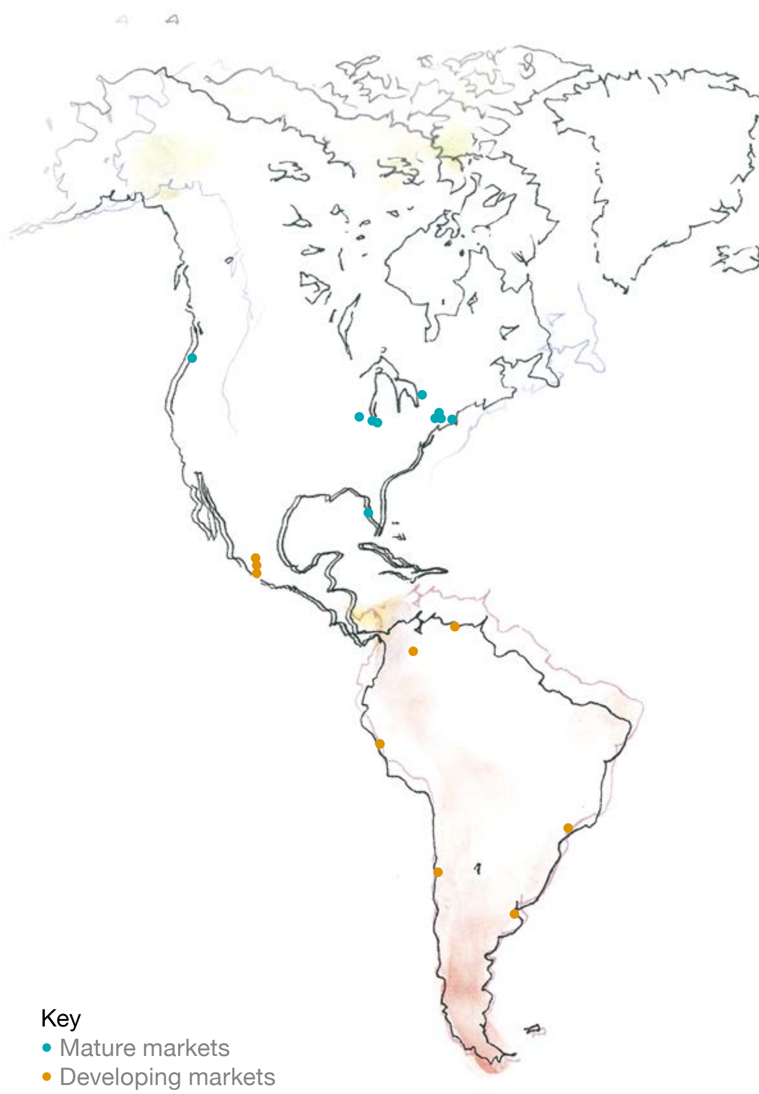
We work with food and beverage manufacturers to develop flavours and tastes for market-leading products across all continents. We are a trusted partner to the world's leading food and beverage companies, combining our global expertise in sensory understanding, analysis and consumer-led innovation in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

Flavour Division sales



Who we do it for

Our customers are global, regional and local. They serve end consumer markets with fragrances for personal, home and laundry care brands, as well as prestige perfumes. In flavours, our customers are in beverages, savoury, snacks, sweet goods and dairy products. We have a network of more than 40 subsidiaries working in close partnership with customers around the world.



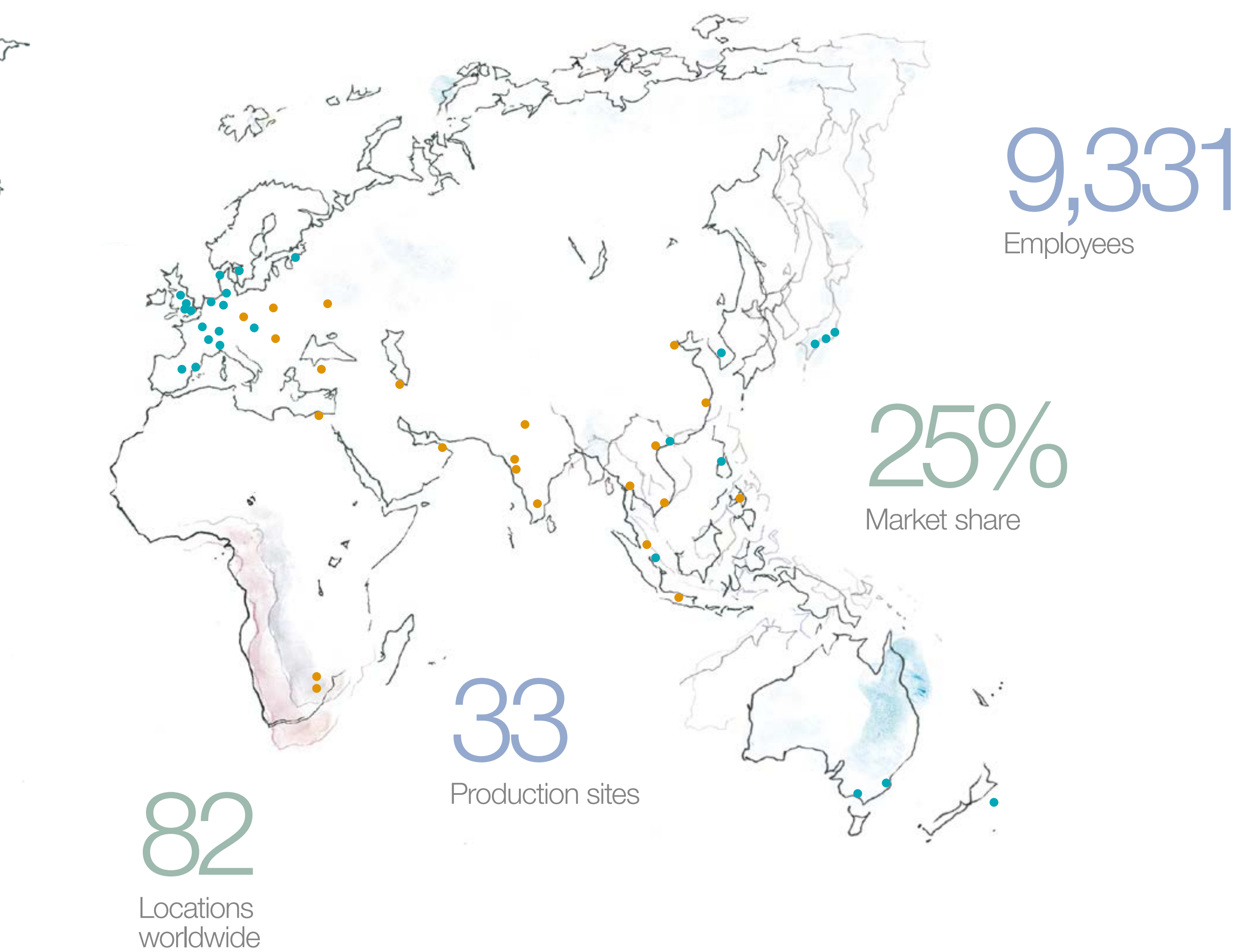
Where we do it

Mature markets
55% of Group sales

Representing 55% of the annual sales, mature markets such as North America, Western Europe and Japan are expected to grow slower 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
45% of Group sales

Asia Pacific, Latin America and Eastern Europe, already account for 45% 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.



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A year of action

TasteTrek™ Mango

Following a successful TasteTrek™ focusing on varieties of mango, a large customer event was held in Mexico, one of the largest producers of mango in the world. Our Trek discoveries allowed us to expand our knowledge of the fruit and enabled the creation of authentic mango flavours.

Culture of Mindset of Best

Senior Givaudan leaders gathered for a two-day meeting in Belgium where they heard Gilles Andrier say: "I am proud to manage a great team. Every day we are 'Engaging the Senses' of a billion people. Our mission is to bring a 'Mindset of Best' culture to all operations to make consumers smile and the world smell and taste better."

Global perfumery meeting

Fragrances held a global perfumery meeting. 'Creating our Future' offered a chance for the entire perfumery team to share key business strategies and strengthen their global network. The two-day event in Rome was built around two themes: 'Best Palette' and 'Community of Excellence'.

New savoury plant in China

A ground-breaking ceremony was held for a new flavours manufacturing facility in Nantong, China that will substantially increase our savoury production capacity in the country. The new facility, which represents an investment of over CHF 50 million, should be fully operational in 2015 and employ over 100 people.

Ashford half century

Ashford site in the UK opened its doors for an employee and family open-day to celebrate the 50th anniversary of the start of fragrance and oral care flavour production. Oral Care, operations, sales and the new Sensory Research Centre welcomed visitors, including families, colleagues, retired and ex-employees, to demonstrate the work in their departments.

Sustainability recognised

Givaudan's commitment to sustainability, particularly ethical sourcing and farming partnerships, was recognised with an award accepted by Gilles Andrier at the prestigious annual Night of Stars event in New York, organised by Fashion Group International.

Salt reduction system

An innovative new salt reduction system for the processed meat industry in Europe, the Middle East and Africa was launched in collaboration with AkzoNobel. The product, which uses TasteSolutions™ Salt, is marketed and distributed by AkzoNobel as part of its product portfolio as a one-to-one salt replacer which looks, tastes, flows, blends and dissolves in the same way as regular salt.

Employees' views

What do employees think of working for Givaudan? The first all-employee engagement survey was launched in October, asking a range of questions on topics such as leadership, careers, learning and development, and their working environment. Results and follow-up actions will be communicated to employees in the first quarter of 2014.

Fragrances expand in Singapore

In Singapore, a ground-breaking ceremony was held as the building of a new fragrance creation and production centre commenced in South East Asia and is scheduled to open at the end of 2014. A branch of the Givaudan Perfumery School will be hosted at the Singapore Centre to train perfumers in the region.

Powdered Juice Drinks

Flavours in Asia Pacific took a significant step on its journey to build strength in Powdered Juice Drinks (PJDs) in the region with the opening of a new multi-stage dryer in Singapore.

Vetiver in Haiti

A new partnership was announced that will strengthen supply channels for vetiver from Haiti. The agreement involves 260 growers forming a cooperative to produce an organic and fair trade vetiver quality for Givaudan perfumers.

Cincinnati century

Close to 250 employees along with members of the Executive Committee celebrated the 100th anniversary of business in Cincinnati, Ohio. At our Carthage Flavours site, Gilles Andrier spoke about the illustrious heritage of the Company and how it exists today because of the entrepreneurial spirit of those who came before us with innovative, creative ideas and a passion to succeed.

Profitable growth, continued value creation

Chairman's introduction

In 2013, Givaudan continued its financial performance by generating sales of CHF 4.4 billion and an industry-leading margin. We have reached a key milestone by delivering on our 2015 financial targets.

In a market environment characterised by mixed developments varying by region, Givaudan's strong topline growth and firm management of our cost structure enabled us to generate a free cash flow of CHF 662 million. Based on this strong performance and the Company's solid financial position, the Board of Directors will propose to the Annual General Meeting, on 20 March 2014, a cash distribution of CHF 47.00 per share, which will be paid out of reserves for additional paid-in capital. This cash return will be the thirteenth dividend increase in succession since our listing on the Swiss stock exchange.

Over recent years, the acquisition of Quest, continued investment in infrastructure and capabilities in key growth markets, the consolidation of production centres and the Company-wide roll-out of SAP have marked the transformation of Givaudan and provided a strong foundation for future growth and shareholder value creation.

Although the global economy in 2014 is likely to again send highly conflicting signals, I expect consumer demand for fragranced products and flavoured food and beverages to continue to grow. Flexible adaptation to changing market requirements and a high capacity to innovate will be fundamental to our continued success.

We have seen increasing regulation for food and fragranced products in mature markets in recent years. Such regulation is also starting to gain importance in many of the developing markets. As an advocate for the fragrance and flavour industry, we support regulatory developments that are science based and are in the best interest of consumers. Givaudan will continue to invest in research on safety and market-leading regulatory expertise to deliver products of the highest safety and quality. In particular, the EU fragrance allergens regulation, expected to be introduced in 2014 and affecting mainly natural oils, will be a key focus for our regulatory teams.

In our industry, Givaudan deploys the highest amount of resources in sensory creation, science and technology. Our perfumery school enjoys a worldwide reputation. Our investment in innovation remains the bedrock of our continued commercial success. Increasingly, we work with scientific partners at research institutions and start-up companies, for example in the field of targeted bio-synthesis to discover and leverage new technologies for novel molecules and improved processes with reduced impact of our operations on the environment. This is coupled with our endeavours to source natural ingredients in Africa, Latin America and Asia through partnerships we have established with the local population.

We continued to expand our ethical raw material sourcing programme in 2013. Based on long-term partnerships, we have started to establish collection networks and farming partnerships in several communities. We established such an initiative in Haiti around the supply of vetiver, for example – details of which you can find in this Annual Report. As the world's largest buyer of raw materials in the fragrance and flavour industry, we need to ensure the sustainability of our supply chain. At the same time, we want our purchasing decisions to safeguard the environment and stimulate the development and well-being of the communities from which we source.

Givaudan operates a structured and continuous process of identifying, assessing and deciding on responses to key risks at all levels. In 2013, the Board updated the Givaudan Enterprise Risk Management Charter. The charter describes the Givaudan Enterprise Risk Management's principles, framework and process, which ensure that material risks are identified, managed and reported.

As part of the Company compliance programme, we introduced a global compliance helpline 'Ethics at Work', building on existing helplines in the USA, Australia and New Zealand. This helpline will ensure that all Givaudan employees will have access, by phone or via internet, to a tool for reporting unethical behaviour confidentially.

The Compensation Committee conducted a review of the compensation policy. To simplify and further align the executive and manager long-term incentive arrangements with the business objectives, a new Performance Share Plan was implemented for annual grants as of 2013. In addition, under the Givaudan share ownership guidelines, we introduced from 2013 onwards minimum shareholding requirements for senior management to further ensure alignment of the Executive Committee with the long-term interests of the Company.

Dr Jürg Witmer
Chairman

"The Company's transformation over recent years and its stringent management have resulted in profitable growth, a solid financial position and continued value creation for shareholders."

The acceptance of the 'Minder Initiative' in Switzerland in March 2013 and the entry into force on 1 January 2014 of the Ordinance against Excessive Compensation with respect to Listed Stock Corporations, which will bring further changes to our compensation system, articles of incorporation and corporate governance. We will propose all necessary changes to the articles to implement the requirements of the ordinance, to the extent possible, at the next Annual General Meeting in March 2014. The compensation report for 2013, and the new annual compensation in 2014 for the Board of Directors and the Executive Committee, will be submitted to the shareholders for a consultative vote.

Also at the Annual General Meeting in March 2014, Irina du Bois will leave the Board of Directors after having served for four years. On behalf of the Board of Directors and the management, I would like to thank her for her dedicated work, great expertise and wisdom she brought to the Board, especially on matters of food regulation. To succeed Irina du Bois and to facilitate the long- and medium-term succession for the members of the Board of Directors, we will propose at the meeting in 2014 two new candidates for Board members: Professor Dr Werner Bauer, former Head of Innovation, Technology, Research and Development at Nestlé SA and Calvin Grieder, currently CEO of Bühler, Uzwil. Both candidates will add important additional expertise in areas where Givaudan is active.

On behalf of the Board of Directors, I want to express our appreciation and gratitude for the work of our management team and all employees. Their dedication and commitment have once again enabled us to bring increased value to shareholders, customers and consumers. By leveraging our continued investments in innovation, growth markets and long-term planning, we are confident that Givaudan is in a strong position to continue its successful growth in the future.

Dr Jürg Witmer Chairman

Delivering on our 2015 financial targets

Chief Executive Officer's review

Dear Shareholder,

Perseverance and excellence in the execution of our five-pillar growth strategy have resulted in another year of strong performance. In 2013, we continued our solid sales growth across all businesses and regions, and we generated a significant increase in profitability and free cash flow.

Alongside this financial success, we implemented numerous programmes to foster an environment where people can grow their careers and the business best flourish.

Group sales totalled CHF 4,369 million, an increase of 5.5% on a like-for-like basis compared to 2012. Sales in the Fragrance Division were CHF 2,083 million, an increase of 5.1% on a like-for-like basis, and sales in the Flavour Division totalled CHF 2,286 million, an increase of 5.8% on a like-for-like basis. Through increased operational efficiency and stringent cost management we increased the EBITDA margin from 20.9% in 2012 to 22.2% in 2013, generating a free cash flow of CHF 662 million, representing 15.2% of our sales.

Four years after announcing our ambitious 2015 financial targets, I am pleased to see that we are delivering on them. At the same time, I confirm that we maintain these targets and aim to continue to outperform the underlying market growth by increasing our sales organically between 4.5% and 5.5% per annum. Our sales in developing markets now represent 45%, taking us closer to the 50% target we set for 2015. We will continue to manage our operational costs very efficiently to achieve an industry-leading EBITDA margin and to generate an annual free cash flow between 14% and 16% of sales.

Let me share some key projects we implemented in 2013, illustrating how we execute our strategy.

In Developing Markets, we made significant investments in new infrastructure throughout the year to expand our capabilities and footprint, especially in Asia. In Singapore, we invested in building a new fragrance hub which will open in 2014. This hub will host a creative centre, a fragrance compounding site, as well as a branch of our well-known Paris-based perfumery school. In Flavours, we expanded our savoury production site in Jakarta, Indonesia. We also invested in the construction of a new savoury plant in Nantong, China, which we plan to open in 2015, as well as the inauguration of a new spray-drying facility in Singapore to meet the rising demand for powdered juice drinks in Asia. These sites will enhance our creative, development and production capabilities in Asia. Combining the enhanced footprint with our strong consumer understanding of local market preferences will allow us to bring further increased value to customers.

In addition, we conducted a detailed review of our future growth strategy for developing markets and prioritised new growth markets in which we will invest over the coming years, opening new offices in Central Asia, Africa and the Middle East as well as further expanding our existing commercial and operational footprint in the fast growing markets of Asia Pacific.

Innovation is the lifeblood of our Company ensuring we continuously strengthen our competitive edge in creating consumer-relevant solutions. Our commitment to innovation is demonstrated by an industry-leading investment of CHF 406 million in R&D.

For the past years, consumer demand for healthier food solutions as well as products increasing people's well-being has been steadily rising – a trend we see in mature as well as developing markets. Givaudan has a market-leading position in this area and we focus a significant part of our research and development programmes on Health and Wellness products.

In Fragrances, we are making significant progress in identifying scent characters that have the propensity to improve sleep quality. Our scientists are also striving to understand olfactive adaptation to design fragrance ingredients which diminish the effects of habituation in order to lengthen the time that fragrances can be enjoyed. In addition, our research made progress in identifying gender-specific malodour components. This knowledge will help us in designing gender-specific fragrance ingredients to address malodour formation.

In Flavours, we continued our focus on developing further enhanced taste solutions which provide customers ways to further reduce salt, fat and sugar in their food and beverage offerings. In 2013, we developed a portfolio of 'rich flavours' that provide the tasty complexity and authenticity inherent to home-cooked food. The newly patented technology will be further developed and fully rolled-out in 2014. In addition,

Gilles Andrier
Chief Executive Officer

"A clear growth strategy, its focused execution and a Company culture aspiring a 'Mindset of Best' – these are the key success factors in delivering a strong financial performance and in reaching our ambitious 2015 targets."

we are looking at ways of leveraging ingredient collections to replace certain natural flavours which are often scarce in supply or varying in quality due to bad weather conditions impacting harvests. Replacing these through ingredient collections secures product quality, as well as sustainable and cost-efficient supplies.

Sustainable sourcing of raw materials remains a central pillar of our growth strategy, our business model and the value we bring to our customers. As the world's population is growing, there is increasing pressure on resources such as land, water and energy. Givaudan is committed to preserving the environment and stimulating the development and well-being of communities in countries where we source raw materials. In 2013, in line with this approach, we expanded our ethical sourcing programme by establishing a dedicated origination team within our Procurement organisation. This team aims to secure the most strategic and vulnerable naturals by setting up collection networks and farming partnerships in countries where we source. As an example, we established a partnership in Haiti with local vetiver oil producers that will improve the traceability and quality of vetiver, one of perfumery's most appreciated ingredients. Growers in several villages are forming a cooperative to produce a fair trade vetiver for our perfumers, benefitting from a guaranteed minimum price and regular technical support from our local teams to improve their harvesting and distilling processes. Beyond that, we fund programmes which are mutually beneficial to both parties, such as village road repairs. We are implementing these partnerships for other key naturals such as patchouli, vanilla and benzoin in other regions of the world.

Givaudan recognises the responsibility that businesses have concerning the global challenge of climate change. We are dedicated to preserving precious resources and to continuously improve our greenhouse gas governance and energy performance. In 2010, we set eco-efficiency targets for 2020 to reduce the energy consumption, carbon emissions, water use and waste per unit of production associated with the manufacture and distribution of our products. I am proud to say that The Carbon Disclosure Project's 350 Climate Change 2013 Report recognised Givaudan as a top 'A-band' performer, acknowledging our significant progress in reducing carbon emissions and providing transparent disclosure. Performance against this and other eco-efficiency targets is published each year in a separate Sustainability Report. For the 2013 report, published in March 2014, we strive again for a GRI level B+ certification.

Beyond our focus on financial performance and sustainability, the Executive Committee has put significant emphasis on strengthening a Company culture and environment that nurtures creativity, teamwork and entrepreneurship, and fosters an open dialogue throughout the organisation. During the year, the Executive Committee members hosted a series of internal meetings inspiring teams to bring a 'Mindset of Best' to daily work – anticipating market trends, enhancing close collaboration, being curious, delivering highest quality and increased value to our customers.

In 2013, Givaudan strongly enhanced its career development programmes in order to offer employees an environment in which they can realise their career aspirations and in which the business can benefit from their expertise and knowledge. In addition to the launch of a new integrated talent management approach, we began executing our three-year learning and development strategy with a focus on key priority areas such as leadership and functional skills. Learning programmes and initiatives which build on these priorities will be further developed in 2014.

The Executive Committee aspires to making Givaudan a 'Great Place to Work' and recognises that it is a critical success factor to engage employees in this process. In October, we conducted a global employee engagement survey, and 70% of employees provided their views on the working environment. Initial results showed that employees are proud to work for Givaudan and are committed to its success. In early 2014, the Executive Committee will analyse the detailed results to define global follow-up actions in areas which require improvement.

Givaudan has proven to be financially successful and resilient, even in recent challenging economic times. Our strategy for growth has been right, and our employees' expertise and dedication to excellence in executing our growth strategy is resulting year-on-year in strong progress. On behalf of the Executive Committee, I thank all employees for their passion, commitment and performance.

We are confident that we will continue to deliver on our 2015 financial targets and continue our growth path in the coming years.

The theme for this Annual Report is 'Inspired by Nature' and throughout it you will find examples of how we use natural ingredients at different stages of our value chain. They show how nature and technology are natural partners for us in bringing the memory of nature's smells and tastes to people around the world. I hope you enjoy reading about what inspires us in being the successful Company we are.

Gilles Andrier Chief Executive Officer

5.5%

Sales growth

On a like-for-like basis, compared to 2012.

22.2%

EBITDA margin

Strategy

We continue our commitment to outperform the underlying market growth and further expand our leadership position in the industry.

In this section:

Developing markets

Consumer demand continues to grow in the developing markets of the world, particularly for packaged food, beverages, household and personal care products. Our focus on maximising growth opportunities in these markets continues and in 2013 accounted for 45% of our turnover.

TasteTrek™ Coffee in Vietnam

In Vietnam, one of the biggest coffee producers in the world, we have used nature and consumer input to deliver coffee styles that excite local consumers.

Our latest in-depth study in coffee has focused on robusta beans and how the Vietnamese consumer drinks coffee. Through these studies we have been able to capture the authentic robusta taste and discover new opportunities in coffee drinks. All this was presented to customers at a two-day event in 2013 in Ho Chi Minh City, where they were introduced to our TasteTrek™ Coffee programme. Their imaginations were captured by our exploration of the coffee experience, from the farm to the cup, and the use of this knowledge to build authentic Vietnamese coffee flavours. The knowledge we gained will support our growth in Vietnam and other developing markets in Asia Pacific.

We aim to increase our total sales in developing markets to 50% by 2015. This growth target, which includes all categories, will be achieved through experienced local talent, capabilities and consumer understanding, supported by investments in new facilities which are taking place or which already started operations in 2013.

In Fragrances during the year, these investments included the expansion of our capabilities and footprint in Asia Pacific. At Yokohama in Japan and at Mumbai in India, facilities have been extended and upgraded to facilitate the development of fragrances that Asian consumers love. Fragrance creation and sensory research, combined with consumer insights and leading creativity are driving market success for our clients, who benefit from our global expertise and local knowledge. These investments follow the June ground breaking in Singapore that marked the start of the building of a new Creative Centre and Large Batch Plant to serve South East Asia.

The investment in Singapore is our largest in Fragrances in Asia so far and reaffirms our commitment to our customers. When the Singapore Creative Centre opens in 2014, it will set a new industry benchmark for the region. Together with Shanghai, these creative centres are home to our growing teams in Asia Pacific and provide a hub for us to join creative forces with consumers and our clients as well as to train new talent for the markets that continue to provide growth for our

The nature of perfume

Nature plays a large part in how women in Brazil connect with perfume, according to an on-going Fragrance and Emotions study by our teams that investigates how people around the world connect with perfume.

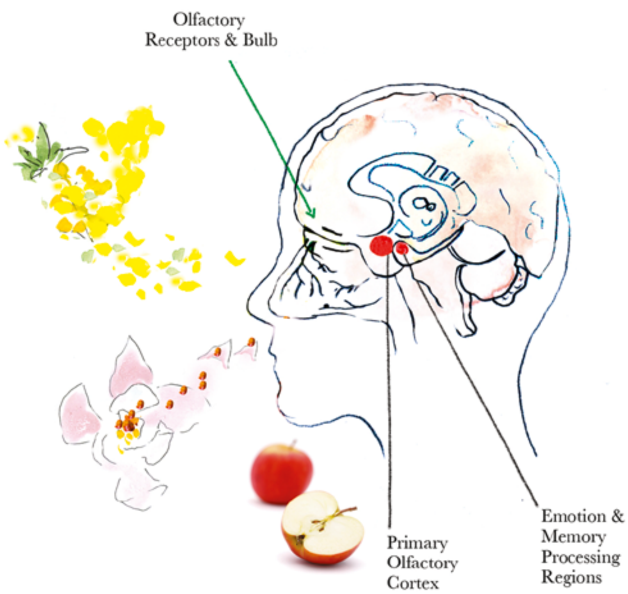
Perfume is an integral part of everyday life for women in Brazil. In crowded, busy, urban lifestyles there is nostalgia for memories of less stressful times. Fragrance fulfils a longing to reconnect with the sensorial and emotional pleasures of nature; the comfort and happiness of 'pure' nature childhood experiences, such as the earthy green scent of a walk in the countryside after rain, or the revitalising power of nature that is epitomised by the smell of the ocean, or the sheer lush delight of juicy colourful fruits such as pineapple, passion fruit, lemon, orange or pitanga. These findings are among more than one million consumer words about smells and perfume that we have gathered from more than 500 hours of in-depth interviews with women in Brazil, France, Germany and the USA.

Fragrance business. In Brazil, the world's largest fine fragrance market, a combination of new wins and volume growth helped our Fine Fragrances business to grow. Consumers in Brazil are enthusiastic for natural fragrances, and a study in our Fragrance and Emotions programme in 2013 revealed the large part that nature plays in how Brazilian women connect with perfume (see story on this page). This study is an example of building local knowledge to exploit our global expertise. We plan to build capabilities and increase our presence in the increasingly important region of the Middle East and Africa.

In 2013, Flavours continued to grow sales in developing markets at more than twice the rate of those in mature markets. Flavour sales in developing markets accounted for 43% of overall sales. During the year a number of investments came on stream that will enable further growth in these markets. Our large savoury manufacturing site at Makó in Hungary, which opened in late 2012, started full operations during 2013. In Russia, we completed the installation of new laboratories and sampling capabilities. In India, a new Flavour Innovation Centre was opened in Mumbai, which means our sensory science, flavour science and food service expertise is available from within the country for the first time. We also strengthened our flavour delivery capabilities in the developing markets of Asia Pacific and Latin America. In April, a foundation stone ceremony was held in Nantong, China where we have started construction of a new flavours manufacturing facility that will substantially increase our capacity in that country.

Research and Development

The focus of our Research and Development (R&D) programmes in fragrances and flavours is on creating consumer-relevant solutions. Deploying innovative platforms enables us to develop more efficient processes.



Sense of smell

Our sense of smell – unique to each of us from birth and which can unleash powerful emotions – is an exciting and complex area of research for our fragrance scientists, who work to unlock its secrets and understand the way it works.

When we smell something, it triggers electrical signals in the brain – a process called transduction. Odorous molecules enter the nasal passages and activate receptors in the olfactory epithelium. This generates a complex signal pattern that begins in the olfactory bulb and continues in the primary olfactory cortex. Signals from here travel into the amygdala and hippocampus, part of the limbic system at the centre of the brain, where emotional and memory associations are elicited. It's not as simple as it sounds, of course, but it is what excites and motivates the study of the sense of smell by our fragrance teams.

Unique innovation platforms in both divisions are backed by an industry-leading R&D spend in 2013 of CHF 406 million, a talent pool comprising 25% of the world's best perfumers and 40% of the world's best flavourists and flavour food scientists, and active collaborations with external experts.

Fragrance Division

Our Fragrance Science and Technology (S&T) teams develop novel aroma molecules, technologies and sensory solutions that enable our perfumers and development teams to create high-performing, consumer-preferred fragrances that help bring our customers market success.

In 2012, the organisation of S&T activities was aligned more closely to the Company value chain. Centres of Excellence for three focus areas – Fragrance Ingredients, Fragrance Delivery and Sensory – are supported by five regional technology departments to bring conceptual research ideas into practical execution for the market place. The benefits of this new organisation are already being seen in our ability to drive superior and differentiated fragrances that help position Givaudan as the essential fragrance partner for customer brands worldwide.

Biocatalyst screening

One area where the new structure of our S&T organisation has brought early advantage is in catalysis, a key to efficient synthetic processes and experimental design that can help us develop much better processes in our factories. Traditional methods of finding a good catalyst can take considerable time, but new automation techniques are greatly accelerating the identification of performing catalysts. However, speed is not the only benefit of our investment in automated technologies. Catalysts can also help us produce fragrance ingredients at lower temperatures or shorten the production process dramatically.

Our scientists have also identified promising synthesis of high-impact, high-value materials through the screening of biocatalysts. In moving from traditional metal catalysts, we are finding natural catalysts such as protein enzymes that allow us greater selectivity and purity in the discovery process. When an enzyme acts as a catalyst it tends to be extremely selective, producing only a specific configuration and molecule. We want to be closer to the pure, natural qualities of some ingredients in our products, and through the success of our biocatalyst screening we are planning the commercialisation of such a material in 2015.

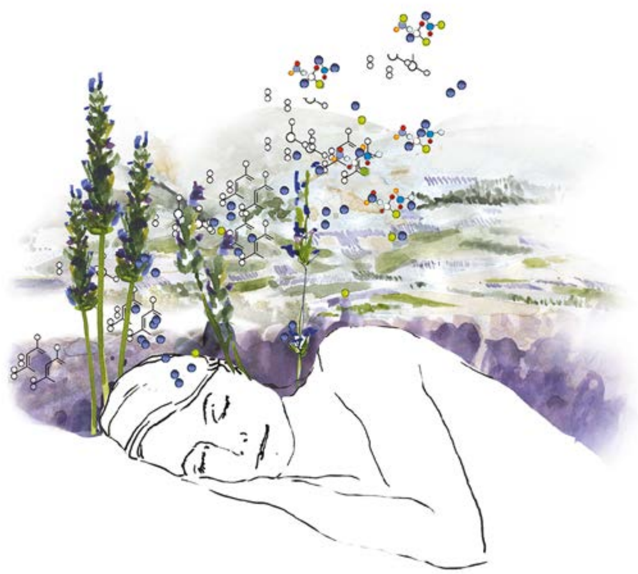
Ingredient discovery

A new captive fragrance ingredient was introduced to our palette in 2013. Bigaryl™ is primarily for the use of our own perfumers. It has a powerful natural petitgrain note with earthy aspects, citrus and green tones that combine to bring a highly substantive effect which can be used in a wide range of fragrance applications: beauty care, fabric care and home care. This ingredient builds on our portfolio of materials in this olfactive area, which started with Zinarine™. Bigaryl™ is one of the first molecules to be designed using our enhanced in-house regulatory testing procedures with efficient scale-up, to ensure rapid registration with the major global regulatory authorities.

Relaxing with lavender

Scientific evidence increasingly suggests that the aromatherapeutic effects of lavender can bring benefits to human well-being.

In one study, 11 healthy adults sniffed a lavender fragranced cosmetic cleansing gel. The researchers used EEG (brainwave measurement) to assess the subjects' alertness and mood, and mental performance. Their heart rate was also recorded before, during and after the aroma session. The lavender fragrance blend had a significant transient effect of improving mood, making people feel more relaxed, and performing the mental performance task faster. The results suggest that this fragrance containing lavender had a significant role in enhancing relaxation.



Fighting malodour in developing markets

Our scientists and Consumer Market Insights team are collaborating to further our expertise in understanding how bathroom malodours in developing markets are perceived and impact people's lives.

The malodours from bathroom environments in private homes are analysed in our Sensory Centre of Excellence at Ashford in the UK. Here, gas chromatography and olfaction are used to identify the key malodour components and the knowledge is used to build model malodours that then help us design and test fragrances as well as technologies for home care products. This work deepens our understanding of the malodour problems faced by different lifestyles and cultures, and ensures that our fragrance solutions address targeted consumer needs.

Perfume benefits

Perfumes have played an essential part in cultures around the world for centuries. They are used in ceremonies, worn for pleasure, to build self-confidence or make a statement. We believe that fragrance can enhance human well-being. We have been researching the beneficial effects of fragrances on the quality of sleep for several years and in 2013 our teams took further steps in this research, part of our well-established Mood and Emotion programme.

Scent characters have been developed that may be more effective in enhancing sleep quality than traditional essential oils such as lavender or neroli. Importantly, we believe that we have found a way to objectively test the effect of scents on sleep quality. The cultural context of these traditional calming materials was removed for this research and the quality of sleep was recorded by a device that monitors the physical movements of the sleeper. These are early stages of our studies, and the initial results are encouraging.

Advances were also made in 2013 in the understanding of olfactive adaptation and habituation, a fundamental aspect of the sense of smell. This research will help us increase perfume performance. For example, for the wearer, a perfume loses its intensity after the initial application as their brain adapts to the fragrance being there – meaning that while other people can smell the fragrance, the wearer cannot. Habituation involves the recognition of a familiar smell such as the smell of your own home, which a person will usually only notice when they have been absent for a time. To increase the enjoyment of fragrance, we are interested in developing fragrance ingredients that diminish the effects of adaptation and habituation. While we still have some way to go before we will be developing products, this research demonstrates the willingness of Givaudan to invest for the long-term in exploring different avenues of sensory innovation.

A further area of continuing research is the management of malodour. Givaudan already has a wide portfolio of fragrance technologies that can mask malodour, neutralise it or prevent it from developing at all. Our latest research aims to better understand how the mechanisms by which malodours are formed differ in men and in women. With this knowledge and the use of encapsulation technologies, we have been able to address malodour formation and identify which fragrance ingredients last longest or work best for each gender. Our malodour research, like that of olfactive adaptation and habituation, is a long-term programme.

Natural sweetness modification

We are building differentiation in natural sweetness modification in Europe using a rapid commercialisation process and leveraging collaboration with external partners.

There have been many regulatory changes in Europe related to sweeteners and rebaudioside-A (reb-A), the stevia-derived natural high intensity sweetener. Our teams in Europe were able to quickly adapt to these changes, achieving a significant number of wins in the market with natural sweetness enhancement and stevia masking. Our TasteSolutions™ programme clearly demonstrates differentiation and superior solutions. For example, in a blind tasting of stevia maskers by a top global customer, Givaudan prototypes were chosen as the top three, far exceeding the taste quality of several competitor submissions.

Flavour Division

Health and Wellness, naturals, delivering authentic flavour and taste experiences, and developing and achieving sustainable and cost-effective technologies to address the needs of mature and developing markets – these are the customer and market drivers for our Science and Technology (S+T) organisation, which focuses on innovation to support our business strategy and help drive the growth of the brands of our food and beverage customers.

We aim to achieve this by developing the technical and innovation skills of our S+T teams. We are committed to continuing our current collaborations and alliances as well as looking for new opportunities. We are also committed to remaining the key provider of innovative solutions across flexible technology platforms to design and commercialise customised and differentiated proprietary solutions for a wide range of product segments.

Health and Wellness

Our Health and Wellness portfolio was strengthened during the year, particularly in the TasteSolutions™ areas of sweet, bitter and mouthfeel. For example, we started to roll out new, authentic and 'rich' flavours to help create dishes that taste as good as if they were home cooked. The new patented technology will be further developed in 2014.

Patented ingredients in Health and Wellness are inspired by our TasteTrek™ programme and captured in our TasteSolutions™ portfolio, which defines richness and authenticity from a culinary perspective and recreates food profiles in low salt and low fat environments. This reproduces home style or freshly prepared dishes, and we see this as a next step to more authentic flavours. It has already been converted into new wins and the S+T team is continuing work in this area to further drive our competitive advantage.

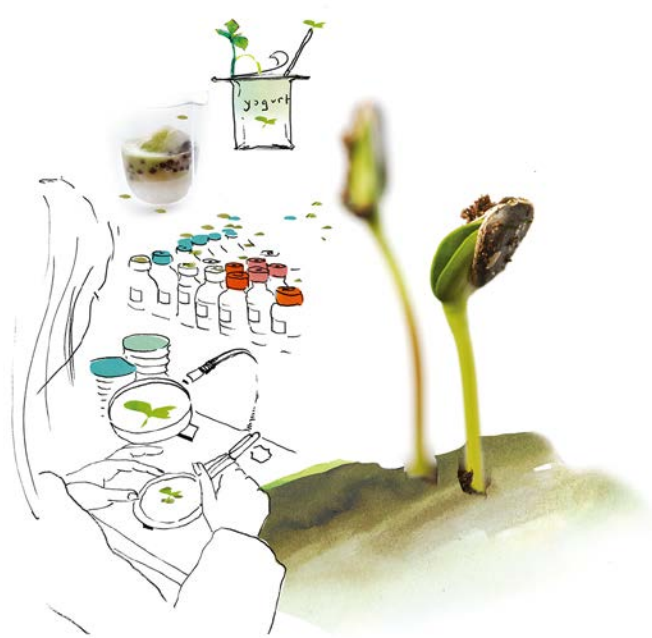
In seeking sweet solutions, we continue to invest in capabilities that ensure the quality of sugar-like sensorial profile of stevia-based products. Through innovative approaches, we are adding new technologies to our portfolio to address the challenges of low- and no-sugar products that contain either artificial high intensity sweeteners or natural low calorie sweeteners.

Naturals

The world's population is growing and there is increasing pressure on resources such as land, water and energy. This is making it more difficult and expensive to source critical raw materials for our business. We are aware of the need for the sustainability of supply in terms of price, quality, quantity and seasonal variation. We cannot be dependent on materials that are in short supply and we are continuing to investigate technologies that not only ensure a sustainability of supply but also improve the livelihood of farmers.

Citrus raw materials can become scarce after adverse natural events such as storms or drought, leading to volatile market conditions. Our SUNthesis™ engineered citrus ingredients collection, part of the TasteEssentials™ programme, is a range of natural oil replacers that helps manage this volatility through one-to-one replacement. These replacers are a concentration of natural flavour components that characterise the fruit and additional components from other citrus types. During the year we continued to add new fractions to our SUNthesis™ collection, enabling customers to receive a sustainable supply of flavours and avoid significant cost fluctuations.

The supply of citrus is being affected by the spread of citrus greening disease, also known as huanglongbing (HLB). The disease, caused by a bacterium and transmitted by the Asian citrus psyllid, has infected millions of citrus trees around the world. We have put programmes in place to investigate the impact of HLB and develop improved solutions for our customers to maintain product quality.



Plant-based meat and dairy flavours

Protein plays a key role in human well-being. Today, most protein comes from animal sources which poses several issues including those related to health (over consumption of red meat), environment (green gas emissions), cost, disease state of animals and sustainability.

There are concerted efforts to find vegetable or plant-based proteins to at least partially replace animal proteins, and Givaudan is deeply involved in developing technologies to help meet the challenges of alternatives to meat and dairy flavours. Much of this effort is focused on overcoming issues such as the fact that many of these vegetable or plant proteins do not taste good, have unpleasant aromas and have no mouthfeel. Our flavour technologies are plant-base derived, 100% vegetarian, and natural. We have commercialised some of these technologies and are working on the next generation of plant-based proteins to meet consumer-acceptable and preferred solutions for plant-based protein replacement products.

Flavour innovation for developing markets

We are expanding our focus in developing markets with increased activity. Our approach is to seek authentic flavours in food and beverages such as noodles, powdered soft drinks, snacks and taste solutions that are cost effective, globally developed and locally relevant.

In these efforts, our flavourists have more tools available to them to create flavours that differentiate and deliver sustainable solutions for our customers. Our approach to studying regional and ethnic cuisines and relating this back to delivering unique creation tools for our flavourists is bearing fruit and has set a benchmark for the industry.

Our flavour delivery group is responsible for the research and development of new delivery and encapsulation systems and ways to manufacture them. The group tackles the challenges we can face in flavour production, performance, and quality and availability. It is particularly relevant in developing markets to work on increasing stability for humid environments and improving shelf-life, controlling the release of flavour and addressing regulatory requirements such as religious restrictions on labelling. Our PureDelivery™ Pearl delivery technology for dried tea applications, for example, optimises the release of the flavour and enables our customers to retain the desired sensory experience.

Our TasteTrek™ expeditions in developing markets can be a source of valued two-way learning, where we can learn from local knowledge and reapply this learning in global solutions. We also focus on local innovation management and connecting this to global innovation. For example, our capabilities in developing markets were enhanced with the opening of a new Flavour Innovation Centre in Mumbai in 2013.

Flavour innovation for mature markets

In 2013, S+T progress in mature markets included the development of new processing methodologies that significantly increased the reaction yield of targeted compounds, resulting in higher-impact savoury tonalities. The new process allows us to build flavours that are more specific and authentic, yet affordable.

We also developed delivery technologies for new categories such as pods for brewing machines and liquid concentrates. These involve extreme application environments, including high temperatures or a low pH, that require protection to deliver the ideal flavour at the moment of consumption.

Natural savoury ingredient

Givaudan has strengthened its natural ingredient palette with the development of a unique natural technology to provide the character of jalapeño or green bell pepper, which we expect to provide a differentiating edge for our business.

The new technology contributes to vegetable and nut flavours as well as coffee flavours, and will benefit the Snacks, Savoury and Beverages segments. The material has been rolled out globally to our technical community in Flavour Creation & Application and has been commercialised for a year. The use of it – and naturals in general – is expected to be most relevant and highest in Europe and North America.

Health and Wellness

We maintain a leading position in the Health and Wellness arena through our expertise and investment in new ingredient development, sensory methodologies and consumer understanding.

Smelling memories

Our natural sense of smell has an instant and powerful connection to memories, especially emotional ones.

In Singapore, we are using the power of scent to evoke emotional memories among elderly dementia patients. In collaboration with health experts, personalised 'Smell a Memory' kits are sparking memories in some patients and stimulating strong emotions in others. After smelling these tailored fragrances, relevant to local foods and smells that might be reminiscent of their school, holiday and work life, patients can 'reconnect' and engage in animated conversations with family members and therapists. This exploratory research may eventually help us unlock yet more secrets of our natural sense of smell.

Our expertise in Health and Wellness enables our customers to develop food and beverage products that have reduced sugar, salt and fat content and that meet or exceed consumers' taste expectations.

In sweetness, for example, consumers seek food and beverage products that are lower in calories so they may control their sugar intake, yet still taste like full sugar products. Sweetness and the study of sugar profiles continued to be a focus in 2013. The objective of these studies is to find flavour and taste solutions that provide the richness, complexity, body and crisp finish of sugar but without all of the calories. Our TasteSolutions™ Sweetness programme provides customers with enhanced capabilities in natural, cost-effective and high performance sweetness perception and regional relevance.

Similar work continued in salt reduction and mouthfeel. Complementing our TasteSolutions™ Mouthfeel programme in sweet and dairy, in 2013 we started the roll-out of new 'rich' flavours that provide the taste complexity and authenticity inherent to home-cooked food.

Latin America: TasteSolutions™ for healthier options

TasteSolutions™, our programme that helps customers develop healthier, great tasting products, was presented during 2013 to more than 500 customers at seminars in Argentina, Chile, Brazil, Mexico and Colombia.

The events highlighted our activities in Health and Wellness and aimed at creating awareness of healthy food options in light of the region's growing focus on health issues. We partnered with nutrition experts in open forums, discussing ways to collaboratively develop needed solutions and create consumer health awareness through across-the-board industry and government involvement. During the forums, nutrition experts outlined health statistics in each market and Givaudan demonstrated how taste technology can change the erroneous perception that 'low in salt, sugar or fat means low in taste'.

We continue to develop innovative solutions aimed at replacing animal proteins by vegetable proteins in our taste and flavour products. Animal proteins generally contain more fat than vegetable or plant proteins, and this fat contributes to a fuller sensorial experience. There are some off-taste issues such as bitterness in vegetable proteins, so a holistic approach is needed to provide consumer-acceptable and preferred solutions for plant protein replacement products.

Our Fragrance Division continued to invest in programmes of scientific discovery that characterise the benefits of fragrance on health and well-being. Through collaborations with academia and in-house projects at our Sensory Research Centre in Ashford, UK, we are endeavouring to quantify and validate known fragrance benefits such as improved sleep quality, relaxation, reduced stress and enhanced cognitive performance.

In 2013, we made progress in identifying scent characters that have the propensity to improve sleep quality. We now have in place techniques and methodologies to objectively measure sleep quality with a panel of consumers. These techniques are helping our neuroscience specialists guide perfumers in the design of quantitatively more sleep-efficient odour types.

Sustainable sourcing of raw materials

We source materials in ways that preserve our environment, stimulate the development and well-being of communities from which we source, and safeguard the efficient use of resources for the long term.

This sustainable sourcing of raw materials is an integral part of our operations and one of our strategic pillars, as well as being part of our Sustainability programme.

We constantly monitor our suppliers' compliance with our sustainability standards and have asked our top suppliers of raw materials to register on the Supplier Ethical Data Exchange (Sedex), a non-profit organisation that promotes improvements in ethical and responsible business practices in global supply chains.

Sedex has developed an ethical audit methodology called SMETA (Sedex Members Ethical Trade Audit): a methodology that focuses on labour standards, environment, health and safety, as well as business integrity. In 2013, the number of our suppliers registered on Sedex is more than 200. The total number of our suppliers audited against the SMETA was 100 at the end of 2013.

Natural ingredient trends

Trends in the global market for natural ingredients in food and drink were presented by Givaudan at a 2013 conference in San Francisco of the International Federation of Essential Oils and Aroma Trades (IFEAT) under the theme 'Sustainable Growth'.

Givaudan demonstrated that natural ingredients in food and drink have grown by about CHF 3.3 billion ($3.6 billion) over the last five years, and now hold about one-third of the total global food and drinks ingredients market. Natural flavours are one of the largest natural ingredient categories and citrus is the number one flavour icon for beverages. The conference heard about Givaudan's citrus sustainability strategy – a robust and multi-faceted investment in the quality, supply and value of citrus flavour ingredients through the exploration of alternative solutions, best practices and diversity.

Our ethical sourcing programme, introduced in 2007, establishes unique partnerships that bring high quality, sustainable ingredients to perfumers and flavourists. In 2013, we took steps to go beyond this programme by establishing a new stream within our Procurement organisation to further deploy networks in the countries of origin for our most strategic naturals. We now have dedicated origination teams working in the countries of origin on several projects to implement innovative sourcing models and selectively develop processing capabilities. In this way we contribute to securing our most strategic naturals and ensuring the sustainability of our creations and market demand.

A new initiative in farming partnerships has been finalised through the signing of a long-term exclusive partnership agreement with local partner GaiaOne and Kebun Rimau in the Malaysian state of Sabah, on the island of Borneo. With our support, the partners are developing sustainable plantations and local distillation of unique patchouli qualities exclusively for Givaudan. The plantation takes into account ecological equilibriums and local resources. This agreement marks a significant development in Givaudan's raw material sourcing of an iconic ingredient for both fine fragrance and functional perfumery.

More details of these and other projects can be found in our Sustainability Report, available from March 2014 on **www.givaudan.com** – [sustainability]

Strengthening Haiti vetiver supplies

An initiative in Haiti involving a partnership between Givaudan and a local vetiver oil producer improves the traceability and quality of vetiver, one of perfumery's most popular ingredients.

We are partnering with AgriSupply to strengthen the supply channels for vetiver from Haiti, through an arrangement under which 260 growers in three villages are forming a cooperative to produce a fair trade vetiver for Givaudan perfumers. The Haitian growers benefit from a guaranteed minimum price, and both growers and distillers receive regular technical support from Givaudan teams to improve vetiver harvesting and distilling processes.

Givaudan and AgriSupply finance the cooperative development fund to enable actions to be undertaken that are mutually beneficial to the companies and the communities involved, such as village road repairs. The Haitian vetiver essence resulting from this programme has received organic and ESR certification (Equitable, Sustainable, Responsible) by Ecocert.

Targeted customers and segments

We seek to be a true partner to our customers, bringing innovation, consumer understanding and commercial expertise for the development of sustainable fragrance and flavour creations that help grow their brands.

Russia coffee and tea event is a first

Sponsored by Givaudan, the United Coffee and Tea Industry Event (UCTIE) in Moscow in 2013 was the first exhibition of its kind to be held in Russia.

Attracting 85 exhibitors and more than 2,000 visitors from around the world, UCTIE was an excellent opportunity to underpin our status as the leading flavour house in hot beverages and show our winning integrated approach to sensory innovation. In addition to our master classes in coffee and tea, we organised an interactive booth with zones for tasting and creation experiences, including a coffee corner, tea corner and a MiniVAS station, as well as an area for discussions with customers.

Our aim is to build strategic partnerships with our main customers and develop our presence with accounts or product categories where we are under-represented relative to our overall industry position and where we have an opportunity to expand. This approach helps us grow our market share in mature as well as developing markets.

In our Fragrance Division, the Consumer Products business has seen continued growth across all customer groups, with double-digit sales growth in developing markets, which remain a major opportunity for Givaudan as consumers enter the market through personal and home care products. Our international customers continue to benefit from these markets, while local and regional customer sales have increased as we seek ways to support smaller clients effectively from both our existing product portfolios and through impactful fragrance design. Fragrance technologies are increasingly important to this category of our business and we once again saw significant growth in the sale of encapsulated fragrances.

In Fine Fragrances we remain focused on two key strategic goals: creating fragrances with sustained success and growth in developing markets. A combination of new wins and volume growth in Latin America and the Middle East, both markets with a high fragrance affinity, has driven sales growth in developing markets. We continue to invest in our teams and in consumer insights for these regions. In Western Europe and North America we have created masculine and feminine fragrances for our clients that have been amongst the most successful new launches of the year. We also see a greater level of investment by our clients to promote existing products.

In Flavours, our key customers benefit from the breadth and depth of our portfolio, extensive consumer understanding, technology, supply chain capabilities, and our global reach into their offerings.

The Flavour Division achieved strong growth in the Snacks and Dairy segments and continued good growth in Beverages and Food Service. Health and Wellness was again a prominent trend in both mature and developing markets, with growth in the double digits. Our TasteSolutions™ programme attracted significant interest from our main customers during the year, mainly in the areas of sugar reduction, sodium reduction and patented technologies for mouthfeel. In 2013, we started to roll-out new authentic and 'rich' flavours to help create dishes that taste as good as if they were home cooked. The new patented technology will be further developed during 2014.

Partnership extended

We are increasingly engaging with our customers. For example, our partnership with a French perfume house has gone beyond the production of a new fragrance to include an ethical sourcing project.

Paris-based perfume house Diptyque and Givaudan have worked together to produce Eau Mohéli, a fragrance based on ethically sourced ylang ylang. Alongside the fragrance development process, the two companies jointly supported a programme of planting trees that will be used for wood burning during the distillation process, ultimately helping to avoid practices that could result in deforestation. The programme will help protect the quality of our supply chain and is an example of the sort of project that increasingly resonates with our customers.

Performance

Executing our five-pillar growth strategy, we achieved strong financial results in 2013 and are delivering on our mid-term targets.

In this section, the Fragrance Division and Flavour Division detail their performance.

In this section:

Business performance

Givaudan Group full year sales were CHF 4,369 million, an increase of 5.5% on a like-for-like basis and 2.6% in Swiss francs when compared to 2012.

Fragrance Division sales were CHF 2,083 million, an increase of 5.1% on a like-for-like basis and 3.0% in Swiss francs.

Flavour Division sales were CHF 2,286 million, an increase of 5.8% on a like-for-like basis and 2.3% in Swiss francs.

Gross margin

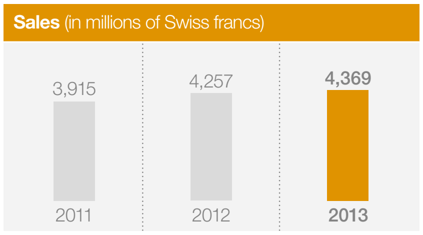
The gross margin increased to 44.7% from 42.4%, driven by the residual price increases implemented during the last two years to offset increases in raw material costs, and the positive leverage effect from the strong volume gains. In addition, the Company is capitalising on its recently completed ERP project to create supply chain efficiencies. The transfer of products to the new Flavours manufacturing facility in Makó, Hungary continues in line with project timelines.

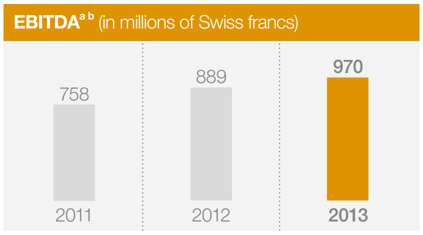
Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)

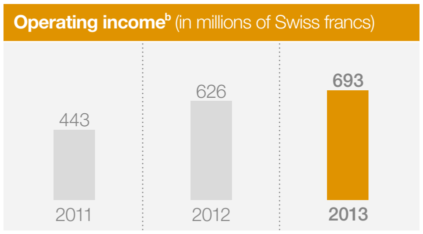
The EBITDA increased by 9.1% to CHF 970 million in 2013 from CHF 889 million in 2012. A strong gross profit and a continued focus on internal costs were the main enablers of the improvement. When measured in local currency terms, the EBITDA increased by 10.5%. The EBITDA margin increased to 22.2% in 2013 from 20.9% in 2012.

Operating income

The operating income increased by 10.7% to CHF 693 million, from CHF 626 million for the same period in 2012. When measured in local currency terms, the operating income increased by 12.5%. The operating margin increased to 15.9% in 2013 from 14.7% in 2012.







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 on joint ventures.

b) Previous year figures have been restated as a result of changes to accounting policies and presentation (see Note 2.1.1, in our Financial report).

Financial performance

Financing costs were CHF 85 million in 2013, versus CHF 84 million for the same period in 2012. In 2013, the Group incurred a non-cash charge of CHF 9 million, following the decision to close out an interest rate swap. This charge was offset by lower interest expense on a lower debt level. Other financial expense, net of income, was CHF 28 million in 2013, flat versus the CHF 28 million reported in 2012, despite the currency volatility in certain markets.

The Group's income taxes as a percentage of income before taxes were 16% in 2013 versus 20% in 2012.

Net income

The net income increased to CHF 490 million in 2013 from CHF 410 million in 2012, an increase of 19.5% driven by an improved operating performance, stable financial expenses and lower income tax rate. This results in a net profit margin of 11.2%, versus 9.6% in 2012. Basic earnings per share increased to CHF 53.43 versus CHF 45.04 for the same period in 2012.

Cash flow

Givaudan delivered an operating cash flow of CHF 888 million in 2013, compared to CHF 781 million in 2012, driven by a higher EBITDA and a tight control on working capital. As a percentage of sales, working capital decreased, as inventory levels increased at a slower rate than sales and payment terms were improved.

Total net investments in property, plant and equipment were CHF 123 million, down from CHF 148 million incurred in 2012. During 2013 the Group continued its investments to support growth in developing markets, most notably through the initiation of a new flavours savoury facility in Nantong, China and a fragrance creative centre and compounding facility in Singapore. In 2012 the Company was making significant investments in the centralised Flavours facility in Hungary. Intangible asset additions were CHF 51 million in 2013, as the Company implemented the ERP project in new facilities and completed the implementation in smaller affiliates. Total net investments in tangible and intangible assets were 4.0% of sales, compared to 4.5% in 2012.

CHF 662 million

Free cash flow

Operating cash flow after net investments was CHF 714 million in 2013, versus the CHF 588 million recorded in 2012. Free cash flow, defined as operating cash flow after investments and interest paid, was CHF 662 million in 2013, versus CHF 512 million for the comparable period in 2012, mainly driven by a higher EBITDA, lower working capital requirements and lower investments than in 2012. As a percentage of sales, free cash flow in 2013 was 15.2%, compared to 12.0% in 2012.

Financial position

Givaudan's financial position remained solid at the end December 2013. Net debt at December 2013 was CHF 816 million, down from CHF 1,153 million at December 2012. At the end of December 2013 the leverage ratio was 18%, compared to 24% at the end of 2012.

Dividend proposal

At the Annual General Meeting on 20 March 2014, Givaudan's Board of Directors will propose a cash dividend of CHF 47.00 per share for the financial year 2013, an increase of 30% versus 2012. This is the thirteenth consecutive dividend increase following Givaudan's listing at the Swiss stock exchange in 2000. The total amount of this distribution will be made out of reserves for additional paid-in capital which Givaudan shows in equity as at the end of 2013.

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. 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 targeting an annual free cash flow of between 14% and 16% of sales in 2015.

Givaudan confirms its intention to return above 60% of the Company's free cash flow to shareholders while maintaining a medium-term leverage ratio target below 25%. The leverage ratio is defined as net debt, divided by net debt plus equity. For this ratio calculation, the Company has decided to exclude from equity any impact arising from the changes of IAS 19 – Employee Benefits (revised) going forward.

Fragrance Division

Fragrance Division sales were CHF 2,083 million, an increase of 5.1% on a like-for-like basis and 3.0% in Swiss francs.

Total sales for Fragrance compounds (Fine Fragrances and Consumer Products combined) increased by 6.0% on a like-for-like basis. In Swiss francs, sales of compounds increased to CHF 1,847 million from CHF 1,781 million.

Fine Fragrance sales grew 1.8% on a like-for-like basis. The growth was mainly driven by strong growth in Latin America and a moderate growth in North America.

Consumer Product sales increased by 7.1% on a like-for-like basis, driven by a strong performance in developing markets and a moderate growth in the mature markets and across all customer groups.

Sales of Fragrance Ingredients declined by 1.1% on a like-for-like basis, however showed a moderate growth in the second half of the year.

EBITDA increased by 15.6% to CHF 503 million from CHF 435 million in 2012. The EBITDA margin increased to 24.2% in 2013, from 21.5% in 2012.

The operating income increased by 20.6% to CHF 380 million in 2013, versus CHF 315 million for the same period in 2012. The operating margin increased to 18.3% in 2013 from 15.6% in 2012.

5.1%

Sales growth in Fragrances

On a like-for-like basis compared to 2012.

Sales (in millions of Swiss francs)

EBITDA[a b] (in millions of Swiss francs)

Operating income[b] (in millions of Swiss francs)

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 on joint ventures.

b) Previous year figures have been restated as a result of changes to accounting policies and presentation (see Note 2.1.1, in our Financial report).

Key Fragrance wins 2013

Women's fragrances
Boticário • Egeo Provoke Woman • Linda Radiance
L'Oreal • Ralph Lauren Big Pony Collection for Women #4
Procter & Gamble • Dolce & Gabbana Light Blue Dreaming in Portofino
Puig • Elixir by Shakira • Her Secret by Antonio Banderas
Shiseido • Pleats Please
Unilever • Axe Anarchy for Her
Men's fragrances
Boticário • Egeo Provoke Man
Estée Lauder • Tom Ford Noir
Groupe Inter Parfums • Montblanc Legend Special Edition 2012
Natura • Amo Esquenta • Essencial Intenso
Procter & Gamble • Boss Bottled Sport • Dolce & Gabbana The One Sport • Eau De Lacoste L.12.12 Rouge • James Bond 007
Puig • Prada Luna Rossa • CH Men Sport

16 Fragrance Foundation Awards

Granted to Givaudan in 2013

Sustainable Futures

In 2013, Givaudan became a graduate of the US Environmental Protection Agency (EPA) Sustainable Futures programme. Membership enables faster authorisation to manufacture new ingredients and brings significant benefits by reducing regulatory uncertainty.

The EPA programme encourages the industry to design sustainable benefits into raw materials in order to reduce impact on the environment. Participation in this entirely voluntary programme demonstrates our commitment to the sustainability of our raw materials. Our accreditation came as the result of our consistent record of developing materials that pass the EPA's stringent environmental and human safety criteria and our collaboration with the EPA to develop more appropriate assessment approaches to fragrance materials. We hope this programme will bring us considerable competitive advantage as well as strengthen the future sustainability of our business. As a Sustainable Futures graduate we will be able to produce safer aroma chemicals more reliably and more quickly, saving time and money.

Fine Fragrances

Fine Fragrance sales grew 1.8% on a like-for-like basis. Growth was delivered in developing as well as mature markets as new business more than compensated for erosion.

In developing markets Latin America again delivered strong growth led by Brazil where new business drove double-digit growth. This performance more than offset lower sales in Eastern Europe. In the mature markets of Western Europe and North America the business delivered growth as a number of key wins contributed to the gains.

Givaudan's fragrances had another solid showing at the major award ceremonies in Europe and the US. Fragrances that were recognised include Tom Ford Noir, Tom Ford Café Rose, Prada Luna Rossa, James Bond 007 by James Bond, Red Sin by Christina Aguilera and True Reflection for Kim Kardashian.

Consumer Products

The Consumer Products Business Unit sales increased by 7.1% on a like-for-like basis against last year's double-digit comparables. Higher win rate, moderate erosion on existing business and some residual pricing effect contributed to this growth. This solid performance was achieved across all customer groups and was driven by strong sales growth in developing markets and moderate growth in mature markets.

Sales in Latin America grew double digit for the second year in a row, driven largely by international customers. This growth was sustained by a strong performance in the fabric care, deodorant and personal wash segments.

In Asia, all customer groups contributed to the strong sales increase, led by dynamic sales in the fabric care and personal care segments.

In Europe, Africa and the Middle East, the sales increase was underlined by all customer types. The growth was strongly driven by increases in the personal care and home care segments.

The positive sales performance in North America was supported by a double-digit increase with local and regional customers.

On a product basis, sales grew in all major segments. Fabric care, personal care and home care showed a particularly solid performance.

In 2013, investment focus continued in the developing markets, with a major capital commitment made in a new fragrance creative centre and compounding facility in Singapore.

New Fragrance Centre in Singapore

Heralding a further strengthening of our presence in Asia, a ground-breaking ceremony was held in 2013 for a new Asia Pacific Fragrance Creative Centre and Compounding Site in Singapore.

The centre, planned to open in 2014, will set a new industry standard in Asia Pacific for creative collaboration, fragrance development, consumer testing and fragrance compounding. The new facility will host an Asia Pacific branch of the renowned Givaudan Perfumery School, establishing a fully equipped school for training perfumers in the region. The compounding facility will feature a specialised large-batch production unit that will be highly automated, increasing speed and capacity for our customers in South East Asia.

Fragrance Ingredients

Sales of Fragrance Ingredients declined by 1.1% on a like-for-like basis in 2013. After the reported sales decline in the first half year of 2013, sales recorded a moderate growth in the second half of the year.

Sales grew significantly in the developing markets in 2013, driven by strong sales growth in the Asian market, especially in China and India, while growth was lower in Latin America. Sales in the European markets showed a solid single-digit growth in 2013 while sales continued to decrease in the second half in North America.

Animal testing alternatives

Givaudan has helped to develop standard methods aimed at reducing the need for animal testing in the cosmetic industry. In 2013, our KeratinoSens™ and two other methods to test for potential skin sensitisation entered the final stages of validation by the authorities in Europe.

A ban on the use of animal testing for cosmetic products came into force in Europe during the year. Evaluation of novel ingredients for potential skin sensitisation remains a key industry need, but finding a universal solution is no easy task. Givaudan started working on an in vitro solution in 2006 and is pleased to have contributed to progress in this area. European authorities are now working on an integrated testing strategy which combines KeratinoSens™ and the other methods to replace former animal testing approaches. A draft guideline has been submitted to the OECD to make this an internationally accepted standard.

>100 additional people

To be employed in the new Fragrance Creative Centre in Singapore

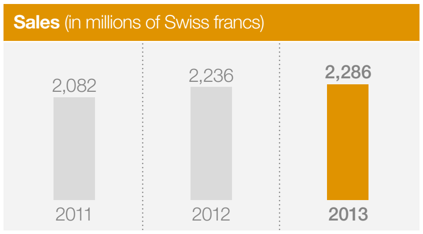
Flavour Division

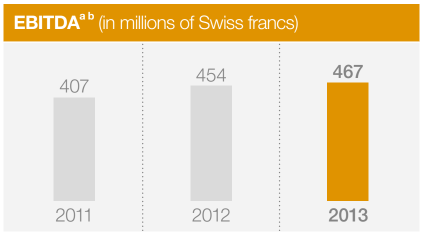
Flavour Division sales were CHF 2,286 million in 2013, an increase of 5.8% on a like-for-like basis and 2.3% in Swiss francs.

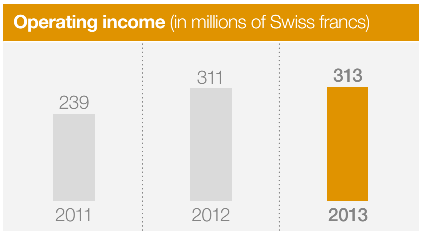
All major business segments grew favourably with Beverages, Dairy and Snacks leading the way. The strategic growth pillars of Health and Wellness, developing markets, targeted customer and segments contributed to the market success. Innovation partnerships with customers enabled delivery of new food and beverage product launches containing consumer preferred flavour and taste solutions.

EBITDA increased by 2.9% to CHF 467 million, from CHF 454 million in 2012. The EBITDA margin was 20.4% in 2013, up from 20.3% in 2012.

The operating income increased by 0.6% to CHF 313 million in 2013, from CHF 311 million for the same period in 2012. The operating margin decreased to 13.7% in 2013 from 13.9% in 2012.







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5.8%

Sales growth in Flavours

On a like-for-like basis compared to 2012.

India: Flavour Innovation Centre

Our local capabilities and resources in India were expanded in 2013 with the opening of a new CHF 3.7 million Flavour Innovation Centre in Mumbai, enabling our sensory science, flavour science and food service expertise to be available from within the country for the first time.

The new centre is the latest demonstration of our commitment to expanding our creative and technical capabilities in India and follows an expansion of our flavours powder blending capacity at Daman. The Mumbai facility means our food and beverage customers across the subcontinent will benefit from faster access to our world-leading tools and technical services, including Indian consumer-preferred flavour profiles such as mango, dairy and Indian spices and cooking cues. Together with our in-depth understanding of the local Indian market, we are able to offer closer collaboration with our customers, creating true consumer-preferred taste experiences to differentiate their products in the marketplace.

Asia Pacific

Sales increased 7.3% on a like-for-like basis. The developing markets achieved double-digit growth, led by China, India and Indonesia. The mature markets were flat, as growth in Japan was offset by weakness in the Oceania sub region.

Strong new wins and growth of existing business fuelled the expansion across all segments with gains coming from Beverage, Dairy and Snacks. The region delivered solid growth in the divisional strategic growth pillars, with strong emphasis on Health and Wellness sales.

Investments continue in Asia Pacific to support the growth opportunities within the region. Ground breaking took place in 2013 for a new manufacturing facility in Nantong, China to service the savoury opportunities in China.

CHF 3.7 million

Investment in a new Flavour Innovation Centre in Mumbai

Meeting the global tastes of milk

"I drink low-fat dairy products, but full-fat ones taste so much better – I wish I could enjoy them instead…"

Consumers' views such as this one are a starting point for us in delivering authentic dairy tastes for our customers – yet our global insights tell us that no one size fits all. In Asia, for example, fresh milk is relatively scarce, so our focus is on the widely established reconstituted milk drinks. Here we use our technologies to offer 'milkiness' as well as freshness, creaminess and mouthfeel for our customers' products. In North America, while we also aim to deliver authentic dairy profiles, we have a focus on protein drinks and yoghurt, where we are working on reduced fat versions with mouthfeel and 'fattiness' as well as sweetness perception in reduced sugar products.

Europe, Africa and Middle East

Sales increased 5.9% on a like-for-like basis, driven mainly by growth in the developing markets of Africa, Middle East and Russia from volume gains and expansion of existing business in the developing markets. The mature markets of Western Europe increased with gains mainly coming from Great Britain, Ireland and Southern Europe.

All major segments provided good year over year growth with Beverage leading the way followed by Savoury, Snacks and Sweet Goods. All strategic pillars experienced good growth with strong influence coming from developing markets, Food Service, Targeted Customers and the Health and Wellness areas.

Salt reduction collaboration

In collaboration with AkzoNobel, an innovative new salt reduction system for the processed meat industry in Europe was launched in 2013. Using TasteSolutions™ Salt, the system is marketed and distributed by AkzoNobel as a one-to-one salt replacer which looks, tastes, flows, blends and dissolves in the same way as regular salt.

Working in partnership with a salt company such as AkzoNobel is a new and innovative approach to reducing sodium levels in the food industry. Through this partnership we have been able to combine our flavour expertise with AkzoNobel's salt delivery technology to create a product which brings additional performance benefits in processed meats. Using OneGrain, AkzoNobel's delivery technology, allows us to incorporate TasteSolutions™ flavour technology into every grain of salt. This provides users with a number of handling benefits, ensuring the same processing and storage properties as regular salt, and helps manufacturers reduce sodium in their products by up to 40%.

North America

Sales increased 3.0% on a like-for-like basis. Growth was driven by new wins in Beverages and Sweet Goods and double-digit volume gains in Snacks. Successful commercialisation of new Delivery systems, solid growth in Food Service and Dairy helped to complete the favourable performance for this market.

The strategic growth pillar of Health and Wellness continued to expand at a solid double-digit growth rate, despite a high prior year comparable, as a result of new wins and existing business growth.

Latin America

Sales improved 7.7% on a like-for-like basis with strong growth coming from Argentina, Brazil and Mexico. New win revenue and expansion of existing business contributed to the growth. All major business segments improved with solid growth in Beverage, Dairy, Savoury and Snacks.

The strategic pillars experienced solid growth with increased focus on delivering key solutions to customers in the region. Growth in developing markets of Latin America was led by market share gains with targeted customers as well as new business in the Health and Wellness platform.

Sustainable business model

Sustainability is central to our business model. It helps us maintain and expand a business that delivers long-term benefits for all stakeholders. This section complements our separate Sustainability Report.

In this section:

Sustainability across our business

How can we make more products using less energy and fewer natural resources? Are natural ingredients always better? As supply chains grow ever more complex, how can we help customers and consumers make more sustainable choices?

These challenges don't always have straightforward answers, but we are tackling them head on. Our direct operations represent an important, albeit small, part of our total impact, so it's vital that we consider the impacts of products across our entire supply chain and work with others across industries. As the largest fragrance and flavour business, we can make a huge difference, and we're making good progress. We've begun to understand and measure the impacts of our products – from source to consumer – and we're partnering with customers and suppliers to create more efficient and healthier products, as well as goods that use natural resources sustainably.

We seek to develop a business that protects the environment, sources materials in a responsible and sustainable way, uses materials and energy efficiently, creates a safe environment for our employees, and advances the social and economic conditions of the communities in which we operate. By innovations and creations of products that successfully combine performance and sustainability, we aim to enhance our competitiveness while operating such a sustainable business model.

Sustainability is becoming an integral part of who we are as it embeds itself in our organisation. Society demands more from business when it comes to sustainability and reporting sustainable performance. We acknowledge the need to promote sustainability reporting in the continuing building of trust and delivering progress.

We continue to apply the Global Reporting Initiative (GRI) guidelines to report on our sustainability status and performance. Our 2012 Sustainability Report, published in 2013, achieved GRI application level B+. We continue to make progress against our 2020 operational targets, and our Sustainability Report detailing progress and performance in 2013 will be published in March 2014.

In the following sections, we outline developments in 2013 under the headings of Investor relations, Customers, Our people, Procurement, Information technology, Environment, Health and Safety (EHS), Risk management, Compliance and Regulatory.

Investor relations

From its spin-off in 2000 to the end of 2013, Givaudan has created over 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 companies. In particular, all information published in our Annual Report complies with both the Swiss Code of Best Practice for Corporate Governance and the SIX Directive for Corporate Governance. For more information please refer to the separate section on Corporate Governance.

Informing different stakeholders in a timely and responsible way is important 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 end of 2013, Givaudan had approximately 20,000 shareholders, 60% of whom were registered, owning 45% of the capital. The top 20 shareholders, registered and non-registered, owned 68% of the capital. Around 40% of the holdings are based in North America.

In December 2013, Nestlé announced the sale of its entire stake in Givaudan (10.03%) through an accelerated bookbuilding transaction. None of the new shareholders who participated in the placement, acquired a stake of 3% or more in Givaudan capital.

In 2013, the management team conducted again over 40 roadshows. We also met existing and potential shareholders in more than 20 financial centres globally. Two conference calls, 38 Group presentations and conferences were held, attracting a total of 1,600 participants, an increase of 36% compared with 2012. Over 450 individual meetings and conference calls with fund managers globally contributed to improved awareness about Givaudan. In addition, 20 visits to Givaudan sites globally, with a total of more than 200 participants, mainly fund managers, were organised to provide an in-depth view of our activities.

The 2013 site visit programme included a two-day investor event in Lakeland, Florida, where 16 sell-side analysts and fund managers learned about our leading position in the area of citrus flavours. The visit also included a tour of the orange processing factory and orange groves of our supplier Citrosucco. For the sixth consecutive time, Givaudan organised presentations in our fine fragrance creation centres in New York and Paris.

The agenda and forthcoming events for the financial community is published on: **www.givaudan.com** – [investors] – [investor calendar]

Citrus immersion

The orange groves of Florida and their natural inspiration for our citrus programme were a highlight of a visit by a group of Givaudan investors.

Getting close to nature, the investors' two-day immersion in the citrus experience started with a visit to a commercial orange grove and processor to explore the art and science of crop development, from seedling choice through to harvest.
They followed the fruit from the grove through the juicing process and recovery of oils and essences – the starting materials for Givaudan's speciality citrus ingredients and, ultimately, fragrances and flavours. The Investor Days event included a visit to our Lakeland manufacturing site, where our citrus experts shared their insights into what makes our programme and products truly special.

Customers

It is essential for our continued success that we adhere to the highest professional standards and be the partner of choice to our customers, who are among the most successful manufacturers in consumer products.

As part of this approach, we are committed to maintaining strict confidentiality on proprietary customer information and customer projects, as well as fully respecting their intellectual property.

Our global, regional and local customers around the world are served through a network of more than 40 subsidiaries and a supply chain that spans the globe. In 2013, the top 15 customers accounted for about 65% of the Fragrance Division sales and 35% of the Flavour Division sales.

Partnerships with customers ensure that our fragrance and flavour creations engage the senses of consumers around the world. Being a key partner and adviser to global brands is important in sustaining Givaudan in the long term, so we invest in the expertise that will strengthen these relationships.

Our discovery programmes in fragrance and flavour market research and consumer understanding benefit brands that are leaders in their respective markets. Global understanding of legislation that affects our industry, active roles in industry associations and advocacy to engage in debates about future regulations are all crucial to the support that we can offer our customers.

Our people provide a commitment to service that is vital for sustaining these strong customer relationships. Dedicated teams, including a strong network working across functional categories, as well as perfumers and flavourists, serve our customers around the world. We strive to know our customers, their markets and brands, and constantly challenge ourselves to anticipate and exceed their expectations.

Expressive Naturals Collections

In North America, our Flavours team introduced a new collection of natural flavours giving customers the ability to highlight specific varietals or provenance on their product labels.

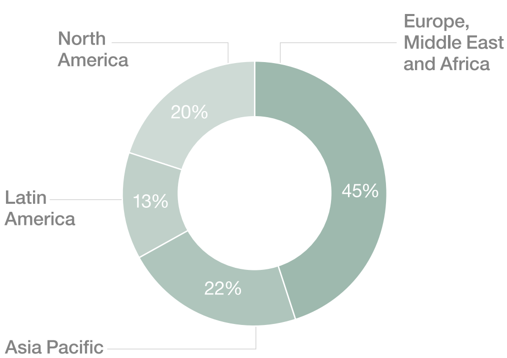
Givaudan has new Expressive Naturals Collections in three families – citrus, apple and assorted – and each list highlights some of the newest and most novel additions to the portfolio. Infused with named origin ingredients, these authentic expressions of nature's finest fruits allow customers to connect the imagery and message of their product with the true-to-source flavour profile. And the identification of named fruits and sources engages consumers looking to retain a sense of local identity and speciality. Apple offerings, for example, include the signature apple orchards of America with favourites such as Honeycrisp and Golden Delicious, while the assorted list includes the new world of sloe berry and jasmine green tea.

Our people

The long-term success of our business is built on the strength of our people. They are at the centre of the Company's strong performance and will continue to play a central role as a key pillar in our business strategy.

Our Human Resources (HR) teams provide innovative programmes to attract and retain the right people to help sustain Givaudan's leadership position. The work of these teams is centred on helping our people to achieve their career aspirations, be rewarded for their performance and be given the best development opportunities.

Employees per region %



Engaging our people

An integrated platform and approach for Givaudan's people management processes called 'Engage' was launched in early 2013 to empower employees to take an active role in their career planning and development, while supporting managers to drive high performance through their people.

The 'Engage' platform has enabled changes in our management of individual performance, employee development and organisational talent planning. One specific result of this initiative is the introduction of the Core Givaudan Behaviours to support a holistic performance evaluation for the 2,500 employees who are on the Company's Annual Incentive Plan. In the past, the performance of these employees was measured on specific performance criteria such as financial objectives. The Core Givaudan Behaviours ensure that our employees are evaluated not only on what they achieve but also how they achieve it, driving more sustainable performance for both employees and teams.

A new recruitment approach and platform was also launched in 2013 under the 'Engage' umbrella. The integration of recruitment in the 'Engage' platform enables employees to draw together their individual aspirations, skills, experiences and personal development plans in light of internal career opportunities. The new recruitment approach will be underpinned by our strengthened talent acquisition organisation to ensure that we are attracting and recruiting the best talent on the external market. Engage Recruitment replaces the existing e-recruitment platform for external users,

Head count development by region

	Number of employees 31.12.2013	%	Number of employees 31.12.2012	%	Growth 2012 to 2013 %
Switzerland	1,528	16	1,518	17	0.7%
Other Europe, Middle East, Africa	2,666	29	2,683	30	-0.6%
Asia Pacific	2,084	22	1,949	21	6.9%
Latin America	1,158	13	1,114	12	3.9%
North America	1,895	20	1,860	20	1.9%
Total	9,331	100	9,124	100	2.3%

Staff turnover by region

	2013	Turnover rate %	2012	Turnover rate %
Europe, Middle East, Africa	562	12.8	432	9.7
Asia Pacific	200	9.4	187	9.3
Latin America	143	12.2	160	14.2
North America	178	9.4	218	11.7
Total	1,083	11.3	997	10.6

Enhancing forests, naturally

Our Green Teams in Mexico were joined by customers, families and guests when they set out to support an initiative to enhance forests naturally.

The groups planted a total of about 1,400 trees to boost the health of local natural forests and contribute to a better environment. The two tree-planting sessions – in forests close to Mexico City and Cuernavaca – were organised in collaboration with Naturalia, a non-profit organisation that promotes the conservation of Mexico's ecosystems, and Conafor, a government forestry organisation. Both organisations helped our 90 volunteers by preparing the land and supplying the trees.

ensuring that we continue to attract talent and reinforce our position as an employer of choice.

Givaudan's first all-employee, multi-language engagement survey was launched in late 2013 to gather employees' views on topics such as the Company's leadership, careers, learning and development, and their working environment. The analysis of aggregated results and subsequent action plans are scheduled to be communicated to employees during the first quarter of 2014. Management is committed to act on the survey findings, with actions to be taken globally and locally as appropriate.

Learning and development

Professional development through learning activities and programmes continued to be an important part of our HR teams' activities during the year. A learning and development strategy was developed after interviews with business leaders on the organisational skills gaps and future requirements. Critical areas were identified from these interviews, including leadership skills, functional learning and new hire onboarding. Development of learning programmes and initiatives, including a pilot onboarding programme in Asia Pacific, will be further developed in 2014.

In Fragrances, the first Business Masterclass programmes were completed during the year and helped build on the existing expertise of our sales people and strengthen their business management and leadership skills. Most of the training modules were led by senior leaders and internal experts from across the business, covering subjects including finance, pricing, negotiation, regulatory and supply chain. The modules included real-life case studies, where trainers and participants shared relevant examples from their own business experiences. The longer-term vision is to build a Fragrance Academy to provide training and development opportunities to multiple functions across the division and help provide Givaudan with the best team of business leaders in the industry. The Flavours Business Masterclass programmes are currently in development and will be communicated in 2014.

Also launched in 2013 was the Givaudan Procurement Academy, a three-year modular academy designed in conjunction with a specialist training provider to support the global purchasing team to work in a harmonised way to apply best practices. The aim of the academy is to develop the skills of our purchasing teams by ensuring consistency in ways of working and optimising the utilisation of policies, procedures and tools.

Talent in Asia Pacific

Our HR teams placed a particular emphasis on Asia Pacific during 2013. This high-growth region is very competitive in attracting and retaining talent, and we have strengthened our HR organisation to meet this challenge and support Givaudan's expanding business activities. In particular, we have invested in our talent attraction and development infrastructure by increasing resources in our local HR Centres of Expertise to ensure we have the capability to attract and develop the right talent, for example by enhancing and expanding our management training programmes.

Procurement

The procurement of raw materials and Indirect Materials & Services (IM&S) is a strategic pillar to support Givaudan's profitable growth.

We are one of the world's largest buyers in the industry, using more than 10,000 different synthetic and natural ingredients in our flavours and fragrances formulas. We source these specific ingredients from 100 countries of origin, sometimes in the most remote places of the world. Each one of the thousands of ingredients we buy must fulfil the highest quality standards and a unique profile to contribute to the creations of our perfumers and flavourists. Our main objective is to ensure continuous security of supply of these raw materials at competitive and predictable costs, and to provide the best palette to our creation teams.

The IM&S procurement organisation manages an even larger portfolio of items and services required to operate our business, ranging from simple travel bookings to high tech process equipment. With a substantial number of users, suppliers and transactions, our key objectives are to provide optimal items and services to the organisation while containing the spend and increasing the efficiency of the procurement process.

In early 2013, we launched a new procurement strategy to enable us to build one global network of procurement professionals equipped with the latest tools and processes. At the same time, a global Givaudan Procurement Academy was also launched. The academy programme contains tailored training modules that reference the global Givaudan Procurement Guidelines and will polish current ways of working and optimise the utilisation of our policies, procedures and tools as well as improve procurement skills.

The procurement process in raw materials and IM&S is now fully supported by SAP worldwide. The purchase-to-pay process is integrated with the global Finance Service Centres and supported by the purchasing support centres in Europe and North America. This end-to-end operating model provides us a high level of automation and cost efficiency. The increased purchasing catalogue coverage and the use of our purchasing support centres provide additional control, savings and compliance with global processes and procedures. A risk management process integrated with global supply chain management enables us to identify and mitigate sourcing risk of raw materials.

The IM&S category management team is running several joint initiatives with supply chain management and operations, including the improvement of our inbound raw material flow from suppliers to Givaudan sites for better planning and optimal costs of transportation. Our raw materials category managers are developing and executing global sourcing strategies ranging from building competition to developing alternative technologies and products.

We have established a dedicated procurement unit to manage the supply of our most vulnerable natural specialities. The origination team aims at increasing Givaudan's presence in the countries of raw materials origin by developing and managing innovative sourcing models and by selectively implementing processing capabilities at the source.
For example, we signed a long-term partnership agreement in 2013 for the sustainable plantation and processing of unique qualities of patchouli that are exclusive to Givaudan's perfumery.

In collaboration with the Fragrance and Flavours science and technology teams, we continuously enrich the perfumers and flavourist palettes. Through close collaboration with external partners and improved market intelligence about countries of natural raw material origin, our Procurement function is an innovation provider for our creative centres and an important contributor to our sustainability efforts.

Supply chain

Central to our Supply Chain programme is improving customer service levels and inventory management while reducing costs. Introduced in 2011, the programme has progressed from design to implementation, and is on course to achieve its targets for 2015.

The benefits are being seen in the areas of cross-functional collaboration, transparency, risk management, and improved processes and tools, all of which are resulting in steady improvements in service to customers, optimum inventory levels and reductions in supply chain costs.

Field technology

In Indonesia, our buyers of natural raw materials have been equipped with tablet computers to get closer to farmers and the production of crops such as patchouli.

Through the I-Source programme, launched in 2013, IT is supporting the business in the sustainable sourcing of natural raw materials. Information such as GPS coordinates of patchouli farms and crop sizes, yields and deals are entered by our buyers into their tablets, and the captured information is later analysed to optimise Givaudan's opportunities in the procurement of the materials, allowing better time to market and flexibility. Similar programmes are being implemented in other countries.

Coverage days of inventory (CDI), a measure of inventory management efficiency, were 118 days at the end of 2012 versus 119 days at the end of 2013. Through greater collaboration with customers and suppliers, Givaudan is on course to achieve its targets for service and costs in 2015.

Information technology

The deployment of the Outlook solution, our ERP system based on SAP, was fully completed in 2013. With all our operations supported globally through SAP, we now have a major asset to enable significant further improvements and efficiencies.

This single, global system heralds a new phase of continuous improvement and allows us to gather, analyse and leverage business data in ways never before possible. It will contribute to our ambition in IT to be innovative, deliver solutions to the business in agile ways, and offer the right service at the right cost. For example, data provided by the SAP system are being leveraged by our Fragrances and Flavours operations teams. Advanced capabilities were introduced in early 2013, delivering key information to monitor and further optimise our global supply chain performance.

In 2013, we signed a contract to outsource the management of our global IT assets to Atos, an international IT services company and European leader in IT-managed services. It means Atos is in charge of managing the daily operations of our IT infrastructure, for example operating our data centre and keeping business applications operational.

The IT function is fully aware of the need to adapt and move closer to the business, particularly in areas of growth such as Asia Pacific. In 2013, we established an IT Centre of Expertise in Singapore as a hub to service the growing business needs in the region.

Also in 2013, the Executive Committee supported an initiative on Knowledge Management to better capture and leverage the valuable knowledge in the Company. The objective of this initiative is also to learn from the large volume of information generated each day to take better business decisions and propose the right products or solutions to our customers by anticipating their needs more quickly.

Environment, Health and Safety (EHS)

An essential part of being a responsible company and employer is the health and safety of our employees and the protection of the environment in which we operate.

In line with this, our global EHS strategy includes programmes that help business innovation and performance without compromising the safety of people, products, assets and the environment. In 2013, we continued the successful implementation of this strategy, ensuring the implementation of EHS activities around the world and strengthening the skills and competencies of our EHS professionals in the regions to become valued partners for our operations and business teams.

During the year we further strengthened our corporate EHS Centre of Expertise (CoE), embedding EHS aspects into operations meetings and decision governance. By leveraging common management systems and tools to identify trends, opportunities and ultimately performance, each site can now use a sustainability 'cockpit chart' of key performance indicators to monitor its progress and contribution to Givaudan's overall efforts in EHS matters as well as to help identify opportunities for improvements.

A focus for 2014 will be establishing and executing an overarching EHS training and knowledge management strategy.

Occupational safety

Our SafeStart™ safety awareness training, which is part of our global behavioural-based safety programme 'Zero is Possible', continues to be rolled out at our commercial locations, as do refresher sessions for those who have already had this training. In addition, safety leadership coaching continued in 2013.

Process safety

A new Corporate EHS Centre of Expertise (CoE) focusing on the management of occupational health and process safety was established in 2013 in line with our global EHS strategy. This CoE is responsible for the Company's programmes encompassing industrial hygiene, process safety management, odour emissions control, EHS engineering support, internal audits, the Global Safety Laboratory, and business continuity planning.

Our Global Safety Laboratory, now part of the corporate EHS CoE, is the internal centre for providing chemical safety data for the safe manufacture of our ingredients and products. In 2013, the laboratory continued a project to further strengthen our management of risk in the Fragrance Ingredients business and in Flavours, through identifying and providing data and standardised approaches to risk assessment.

Back to nature

Waste materials from the processing of naturals at our factories in Argentina, Brazil and Mexico are being returned to nature in the form of fertiliser, for example to help grow forests.

Using naturals such as hibiscus, tamarind, coffee, cocoa and carob bean in our production processes results in waste materials. Sharing best practice, some of our Green Teams have been working on programmes to turn this waste into composted fertiliser that is donated to farmers and to water and environment authorities for use in reforestation efforts. In 2013, for example, our Green Team at Cuernavaca in Mexico was able to recycle and donate more than 1,200 tons of organic waste from the processing of naturals, helping to improve soil conditions in the community and enhance the growth of trees.

Occupational health

Our management and control of industrial hygiene involves the comprehensive, systematic and efficient identification, evaluation and control of potential health risks in the workplace. Elements of this programme include exposure assessments, risk prioritisation, control strategies, medical surveillance and documentation.

Hazardous materials

Our Hazardous Materials Compliance Centre (HMCC) is a Centre of Expertise (CoE) that is responsible for – and manages risk associated with – hazardous materials and dangerous goods. It advises and supports the business on a global basis in employee and industrial safety, dangerous goods, transport, data compliance management, material stewardship and packaging and labelling, while ensuring compliance with regulations. The HMCC became fully operational in all regions during this year.

In 2013, we safely transported, and efficiently moved around the world, a total of 341,820 tons of products. In 2014, work will continue on harmonising packages and labels, implementing the US Globally Harmonized System legislation and notifying the EU Poison Centres.

Environment

We have ambitious but realistic eco-efficiency targets for 2020 on energy, CO_2 emissions, water consumption and waste. We continue to measure and report on progress towards achieving these targets.

For the third time we applied the Global Reporting Initiative (GRI) guidelines to report on our sustainability status and performance. Our 2012 Sustainability Report, published in March 2013, achieved GRI application level B+, checked and confirmed by the GRI organisation. In keeping with our continuous improvement principles we have acquired the + status through an external assurance process from a third-party auditing firm. This level of achievement provides increased rigour and credibility expected of sustainability reporting, while serving the information needs of a broad range of stakeholders.

For the seventh consecutive year we participated in the Carbon Disclosure Project (CDP) through the reporting of CO_2 emissions in relation to our activities. Givaudan was recognised as a top 'A-band' performer in the CDP's 350 Climate Change Report 2013 for Germany, Austria and Switzerland for a 16.6% reduction of CO_2 emissions since 2009.

Supplementary information relating to our recent progress on sustainability will be detailed in our 2013 Sustainability Report, published separately and available from March 2014 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 mitigate key risks at all levels.

Risk management principles and responsibilities

Enterprise Risk Management at Givaudan is based on our Enterprise Risk Management Charter, which was updated by the Board of Directors during 2013. The charter describes the principles, framework and process of the Givaudan Enterprise Risk Management, which ensure that material risks are identified, managed and reported. It defines the associated roles and responsibilities which are reflected in the delegated authorities. Enterprise Risk Management encompasses both the Fragrance and Flavours businesses, as well as Givaudan Group functions. It includes all types of risks in terms of their nature, their source or their consequences.

The Board of Directors is responsible for defining and approving the Givaudan Enterprise Risk Management approach as articulated in this Charter. Execution of the overall risk management process is delegated to the Executive Committee. The Givaudan Enterprise Risk Management approach is compliant with applicable law, SWX directives, the Swiss Code of Best Practice for Corporate Governance and in line with best practice. Givaudan uses the COSO framework and ISO 31000 as references and adopts compatible processes and terminology.

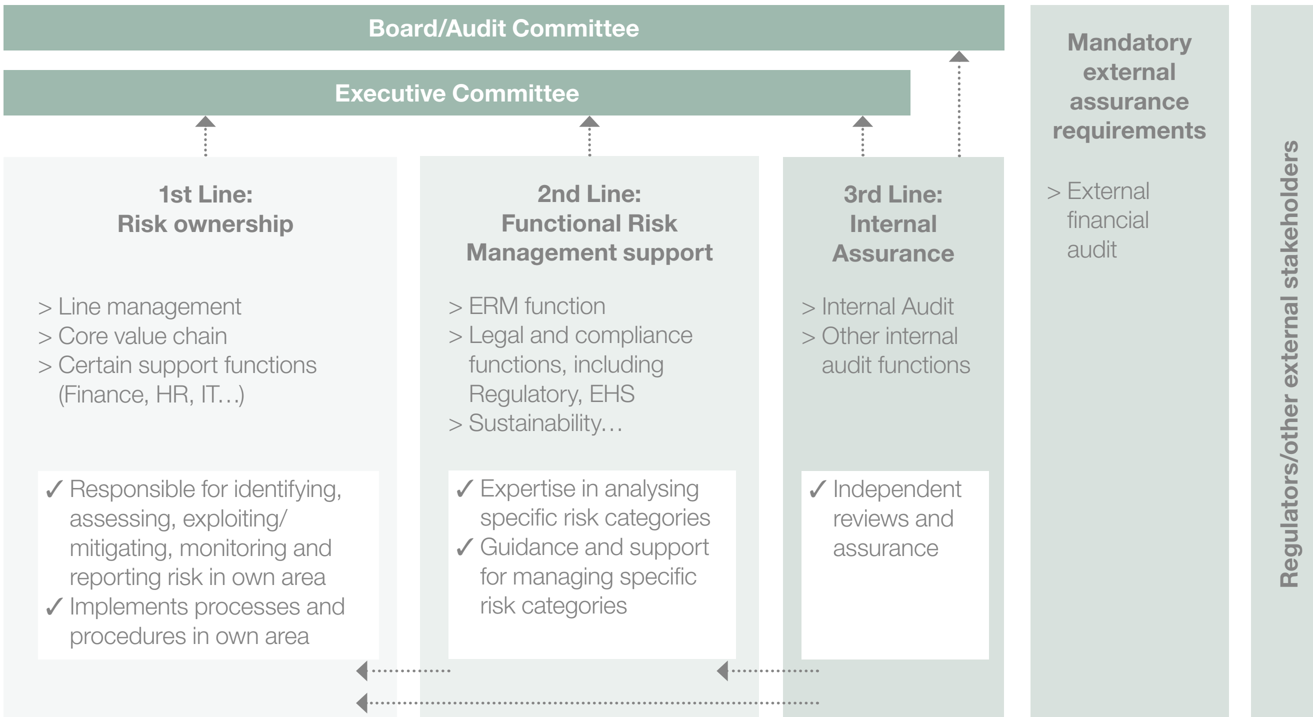
The overall approach to risk management at Givaudan is based on the following principles.

Risk management:

- is pragmatic and tailored to Givaudan
- aims at value creation and protection
- is an integral part of processes and decision-making of Givaudan
- addresses uncertainty explicitly
- is structured, dynamic, iterative and responsive to change
- is based on the best available information.

The framework outlined overleaf describes the respective roles and responsibilities of each function.

The ERM Process is an annual process which includes the structured and continuous risk identification (on the basis of an overall risk universe), risk analysis (to understand the underlying drivers) and risk assessment, the formulation of the appropriate risk exploitation and/or mitigating responses and the tracking and reporting of risks to provide comfort regarding the achievement of corporate objectives.



Strategic risks

The strategic risk assessment and management process follows an annual cycle. The process is coordinated by the Corporate Compliance Officer in order to ensure a harmonised Group-wide approach. It involves managers from all business areas to identify risk profiles and understand 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 2013 strategic risk management process re-evaluated and confirmed the top Company strategic risks and focused on further risk mitigation actions for the top Company risks on the basis of the work done in previous years.

Procurement and supply chain risk management

Please see page 47 for our management of procurement and supply chain risks.

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 systematic 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, as required, prior to their use.

Finished products are created to comply with all appropriate end consumer product safety and regulations in 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 (the International Fragrance Association and the International Organization of the Flavor Industry) for assuring the safe use of fragrances and flavours in consumer products.

EHS and operational risk management

Environment, Health and Safety (EHS) regularly carries out comprehensive risk assessments for all of Givaudan's production and major commercial sites. In 2013, we established a Centre of Expertise in our global EHS organisation to oversee risk assessment and mitigation strategies, staffed by experts in this field. Any actions identified through such assessments are managed internally using a proprietary EHS Management System with formally documented solutions and closure records. Additionally, Givaudan Operations carries out continuous risk assessments and management of all chemical processes in accordance with leading industry standards.

Information technology risks

Following the risk assessment work carried out in 2011, Information Technology (IT) risk management was further strengthened throughout 2013, especially in the domain of disaster recovery of IT systems. IT security risk assessments are carried out on a regular basis and mitigation actions documented in a risk treatment plan.

Financial risk

Please consult pages 104-111 of the Financial Report regarding our financial risk management.

Compliance

We are committed to high ethical standards in business conduct and to compliance with the laws, regulations and internal policies. This includes all our relations with customers, suppliers, shareholders, employees, competitors, government agencies and the communities in which we operate.

Our Principles of Business Conduct set out this commitment and underline our ambition to create an environment where trust and confidence is integral to all our endeavours. This will in turn help to provide enhanced value to customers, shareholders and other stakeholders.

The Principles of Business Conduct have been translated into 13 major languages used at Givaudan sites. An English version is available on **www.givaudan.com** – [our company] – [corporate governance] – [rules and policies]

Organisation and processes

Givaudan recognises different aspects of risk-based compliance management, from general compliance management to compliance management regarding specific areas of risk such as product safety, environment, and occupational health and safety (EHS) for instance. For these specific areas, compliance is ensured by dedicated corporate functions, including the regulatory product safety team or the EHS team.

The Corporate Compliance Officer ensures compliance with the Principles of Business Conduct in all areas of business activity and coordinates compliance measures with the dedicated functions for effective compliance management. The Corporate Compliance Officer is assisted by a network of local compliance officers around the globe to further enhance the function.

Focus 2013

In 2013, Givaudan mandated an expert law firm with an independent review of its compliance management system. The review confirmed that Givaudan's compliance management system is fundamentally well designed, implemented and maintained. Based on the review and in line with the concept of continual improvement, Givaudan continues to further develop and strengthen its compliance management system.

The compliance management system is based on Givaudan's values and culture of ethics and compliance with the law, and its framework is set out in a document detailing the general rules and responsibilities for the compliance programme. Referring to the periodic compliance risk assessment, Givaudan has defined the organisation and processes of the compliance management system and has issued (in all relevant corporate languages) specific policies such as the Global Anti-Bribery, Gifts, Entertainment and Hospitality Policy or the Memento on Competition Law. During 2013, Givaudan updated its Memento on Competition Law and introduced a new Insider Dealing Policy to take into account Swiss legal changes as well as new rules for intermediary due diligence.

Another key organisational element of the compliance management system is the Group-wide Compliance Helpline which allows reporting of suspected or actual misconduct or violations of the Company's policies on a confidential basis and without fear of retaliation. The global roll-out of the Compliance Helpline has been essentially completed worldwide.

Givaudan's compliance training programme remained a focus area in 2013. The e-training programme on Givaudan's Principles of Business Conduct is mandatory for all employees, except those in the USA, who accomplish a similar programme adapted to the specific US requirements. The completion rate for this programme, which is available in 13 corporate languages, is above 96% for Givaudan's employees and 100% for the senior management of the Group.

Also, 4,568 senior managers, including all members of the Executive Committee and other employees whose work involves regular and direct contact with external stakeholders have completed specific anti-bribery training.

Deepening understanding

The work of our Ecotoxicological Laboratory in Vernier, Switzerland, is deepening our understanding of the biodegradability of our fragrance materials, a complex and important area.

Natural ingredients for our perfumery palette are part of the laboratory's biodegradability screening programme, which is helping build industry understanding. The laboratory's work also supports our new molecule programme and contributes to our successful REACH registrations. In addition, the laboratory collaborates with external organisations and helps others with their assessments of fragrance ingredient biodegradability. We are continuing to invest in this laboratory by bringing in new technologies and resources to build its capabilities.

Regulatory

The safety and regulatory compliance of our products is a priority. Our regulatory compliance teams work at local and global levels to meet the increasing demands of our customers and consumers. We are advocates for our industry, supporting regulatory developments which are science based and in the best interests of consumers of fragranced and flavoured products. We pride ourselves in leading efforts to help shape the industry through the commitment of our resources and sharing of our expertise.

Fragrances

Givaudan has taken a lead role in International Fragrance Association (IFRA) discussions with the European Commission on the development of proposals over the use of fragrance materials that could be potential allergens. These discussions were held with the EU Directorate for Health and Consumers (DG Sanco) to find a workable and proportionate regulatory proposal for eventual application in cosmetic products in the EU via the EU Cosmetics Directive. Through education and negotiation, we have helped the EU legislators to understand the science behind our industry and this has reduced the number of listed potential fragrance allergens from 188 in the original proposal to 88 in the current consultation.

As a responsible member of the fragrance industry, we support the Commission's aim to inform consumers about potential allergens, and we will continue to support relevant additions to the list and argue against unrealistic proposals. We will also continue to invest in research on safety to evolve our best understanding so we can deliver products of the highest safety and quality.

Givaudan successfully met the 2013 registration obligations of Europe's REACH regulations governing chemical control. The deadline of the end of May for phase two of REACH covered the registration of all substances manufactured or imported in quantities above 100 tonnes per year, which involved over 65 registrations by us. Givaudan was a voluntary lead registrant for a significant number of materials, developing and completing technical dossiers for registration with the European Chemical Agency (ECHA). With the third and final phase of REACH in place for products of smaller tonnages, we plan to register about 150 products each year and are committed to meeting the next deadline of 2018.

In 2013, we were involved in a number of activities to promote understanding of the importance of protecting the creative intellectual property of the fragrance industry. We are actively engaged in discussions in many regions about how the industry can increase transparency about fragrance ingredients, while also protecting the intellectual property on which our business model depends. Our regulatory experts and perfumers participated in IFRA workshops in Brussels and Washington, where we were able to explain our position to legislators and the possible impact of full-formula disclosure. We are leading the representations through IFRA, and believe these representations will be successful in moving the discussion forward as legislators are becoming more aware of the industry and our needs.

Flavours

In 2013, the flavours industry saw significant increases in regulatory activity in all four regions. Major new food regulations were implemented or proposed in many key markets including Europe, China, Japan and India. In addition, the US Food Safety Modernization Act increased demands for product information and traceability to ensure a secure food supply. With our global product safety and regional regulatory teams we were able to support our customers' business needs and ensure product quality without interruption.

To further enhance our abilities to respond to growing customer, consumer, regulatory and safety demands, the Flavour Division added important resources in developing markets such as Colombia, Africa, Eastern Europe and the Middle East. The division is also finalising a SAP-based 'compliance engine' that will enable Givaudan to maintain its industry-leading commitment to product quality and customer support in an increasingly complex business environment while ensuring global regulatory compliance. This new system will be a totally integrated solution providing ease of access for all regulatory data on ingredients and flavours needed by our global regulatory and development teams.

In addition, we supported our customers, consumers and regulatory agencies to improve safety and quality of foods by providing new flavouring ingredients that are both safe and compliant with regional and local regulations. Major new ingredient introductions were made in all regions, providing our flavourists with new tools for flavour creations used in products that have reduced fat and sugar content.

We also continued our work to help bring a greater degree of harmonisation to the regulations impacting the flavour industry worldwide through our leadership in trade associations such as the International Organization of the Flavor Industry (IOFI), the Flavor and Extract Manufacturers Association (FEMA) of the USA, the Japan Flavor and Fragrance Materials Association (JFFMA) and the European Flavour and Fragrance Association (EFFA).

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.

In this section:

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. It takes into consideration relevant international governance standards and practices.

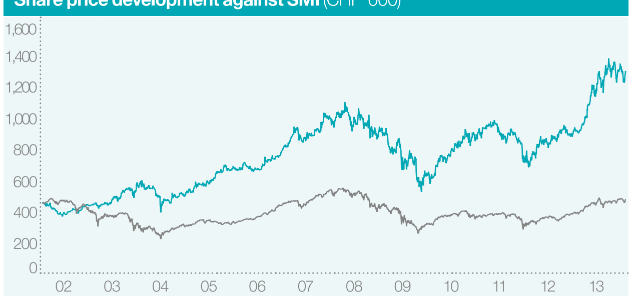
The basis of the internal corporate governance framework is included in Givaudan's Articles of Incorporation.

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]

Share price development against SMI (CHF '000)



Givaudan Shares are traded at virt-x ticker symbol 1064593

– Givaudan
– SMI

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 has two principal divisions: Fragrance and Flavour. The Fragrance Division has three business units: Fine Fragrances, Consumer Products and Fragrance Ingredients. 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 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 29 to the consolidated financial statements of the 2013 Financial Report.

For more details regarding the structure of the Group, please refer to notes 1 and 5 to the consolidated 2013 financial statements.

The 2013 Financial Report can be accessed at: **www.givaudan.com**

1.2. Significant shareholders

To our knowledge, the following were the only shareholders holding more than 3% of the share capital of Givaudan SA as at 31 December 2013 (or as at the date of their last notification under article 20 of the Stock Exchange Act): William H. Gates III (10.29%), BlackRock Inc (5.46%), Nortrust Nominees Ltd (nominee; 14.95%), and Chase Nominees Ltd (nominee; 10.58%).

The Company has not entered into any shareholder 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 visit the SIX internet site: www.six-swiss-exchange.com – [market data] – [shares] – [company] – [significant shareholders]

2. Capital structure

2.1. Capital on the disclosure deadline

Ordinary share capital

As at 31 December 2013, 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 2013 was CHF 11,763,588,564. The Company has also conditional share capital as described below.

2.2. Authorised and conditional capital in particular

Authorised share capital

The Company does not have any authorised share capital.

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 2011 is available in notes 6 and 7 to the statutory financial statements of the 2012 Financial Report. Details of the changes in equity for the years 2012 and 2013 are given in notes 6 and 7 to the statutory financial statements of the 2013 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 coordinated 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 2013.

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

According to the Articles of Incorporation of Givaudan, the Board of Directors may consist of between seven and nine members.

Givaudan's Board of Directors, currently seven members, has in-depth knowledge of finance, strategy and the fragrance and flavour industry, with long-standing experience in many areas of the Company's business, from research and innovation to marketing and regulatory affairs. The Board's knowledge, diversity and expertise make an important contribution in leading 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 1999

In 1978, Jürg Witmer joined Hoffmann-La-Roche in Basel and subsequently held a number of positions including Legal Counsel, Assistant to the CEO, General Manager and China Project Manager of Roche Far East based in Hong Kong, Head of Corporate Communications and Public Affairs at Roche headquarters in Basel, Switzerland, and General Manager of Roche Austria. From 1999 to 2005 he acted as Chief Executive Officer of the Givaudan Group in Vernier/Geneva and since then as Chairman of the Board.

Other mandates held by Jürg Witmer are Vice Chairman of the Board of Syngenta AG, Basel, a Director of the Zuellig Group Hong Kong and A. Menarini IFR Florence, Italy. From 2008 to 2012, he was also Chairman of the Board of Directors of Clariant AG, Basel.

Jürg Witmer has a Doctorate in law from the University of Zurich, as well as a degree in international studies from the Graduate Institute of the University of Geneva.

André Hoffmann

Vice-Chairman

Businessman

Swiss national, born 1958

Non-executive

First elected 2000

In 1983, André Hoffmann was the Head of Administration of la Tour du Valat, a research centre for the conservation of Mediterranean wetlands in France. In 1985, he relocated to London and worked several years for James Capel and Co. Corporate Finance Ltd., then for Nestlé UK in corporate finance and business development.

Other mandates held by André Hoffmann are Vice-Chairman of the Board of Roche Holding Ltd., member of the Board of Genentech Inc., INSEAD, Inovalon Inc., Amazentis SA and Glyndebourne Productions Ltd. Furthermore, he is the Chairman of MAVA Foundation, Fondation Internationale du Banc d'Arguin (FIBA), Massellaz SA as well as Vice-President of WWF International and the Tour du Valat Foundation.

André Hoffmann studied economics at the University of St. Gallen and holds a Master of Business Administration from INSEAD.

Irina du Bois

Director

Chemical engineer

Swiss and German national, born 1946

Non-executive

First elected 2010

Irina du Bois started her career at Nestlé as Regulatory Affairs Manager in 1976 and became Head of Regulatory Affairs in 1986, subsequently taking on the additional function of Corporate Environmental Officer in 1990. Before retiring from Nestlé in 2010, she headed the Regulatory and Scientific Affairs department from 2004-2009. Active in a number of organisations and institutions related to the food industry, she 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.

Other mandates held by Irina du Bois are Chairperson of the Fondation Pierre du Bois pour l'histoire du temps présent.

Irina du Bois has a Master of Science MSc. (Chemical Engineer) from the École Polytechnique Fédérale de Lausanne (EPFL).

Dr Nabil Y. Sakkab

Director

Businessman

American national, born 1947

Non-executive

First elected 2008

Dr. Nabil Y. Sakkab joined Procter & Gamble in Cincinnati in 1974 and retired from the same company in 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. Dr. Nabil Y. Sakkab is the author of several scientific and innovation management publications and co-inventor on more than 27 patents.

Other mandates held by Dr. Nabil Y. Sakkab are Member of the Board of Altria Group Inc., Celltex Therapeutics Corporation, PharNext S.A.S., Chairman BiOWiSH Technologies, Creata Ventures and Deinove SA. Advisory Professor at Tsinghua University, Beijing.

Dr. Nabil Y. Sakkab is a graduate from the American University of Beirut with a BSc 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 2009

Thomas Rufer joined Arthur Andersen in 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 from 1993 to 2001. Since 2002, he has been an independent consultant in accounting, corporate governance, risk management and internal control.

Other mandates held by Thomas Rufer are 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 has 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 2005

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. Peter Kappeler 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.

Other mandates held by Peter Kappeler are Member of the Board of Directors of Cendres et Métaux SA, Schweizerische Mobiliar Holding AG, Schweizerische Mobiliar Genossenschaft.

Peter Kappeler has a Master of Business Administration from INSEAD as well as a degree in engineering from the ETH Zurich.

Lilian Biner

Director

Businesswoman

Swedish national, born 1962

Non-executive

First elected 2011

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 in 2007 and Head of Strategic Pricing for Electrolux Major Appliances Europe, a company she joined in 2000 as head of HR and Organisational Development.

Other mandates held by Lilian Biner are Member of the Boards of Oriflame Cosmetics SA, Thule Group AB, OJSC Melon Fashion Group, a-connect (group) ag, Nobia AB and Cloetta AB (since April 2013).

Lilian Biner is a Graduate of the Stockholm School of Economics (BA/MBA).

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 for 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 at 31 December 2013, 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 Chief Executive Officer 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

Currently, according to the Articles of Incorporation of Givaudan, 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 plan.

At the 2013 Annual General Meeting, two Board members were re-elected: Ms Irina du Bois for a further term of one year and Mr Peter Kappeler for a further term of three years.

After the entry into force of the Ordinance against Excessive Remuneration with respect to Listed Stock Corporations on 1 January 2014, the Company will propose to amend its Articles of Incorporation at the Annual General Meeting 2014 to align with the new requirements. The term of office for Board members will be changed to one year, being the time between one Annual General Meeting and the next following one.

3.4.2 For each Board member: date of first election to Board and attendance of meetings

For the dates of first election to the Board and attendance of Board and committee meetings, please refer to the table below.

Board Member	Year of first election	Remaining term*	Number of Board meetings attended in 2013	Number of Audit Committee meetings attended in 2013	Number of Compensation Committee meetings attended in 2013	Number of Nomination and Governance Committee meetings attended in 2013
Dr Jürg Witmer	1999	2015	7			2
André Hoffmann	2000	2015	7		4	
Peter Kappeler	2005	2016	7	3	4	
Dr Nabil Y. Sakkab	2008	2014	7			2
Thomas Rufer	2009	2015	7	4		
Irina du Bois	2010	2014	7		4	2
Lilian Biner	2011	2014	7	4		

*prior to the entry into force of the ordinance against Excessive Remuneration with regards to Listed Stock Corporations.

3.5 Internal organisational structure

3.5.1 Allocation of tasks among the Board members

Under current rules, the Board of Directors designates its Chairman and its Vice-Chairman.

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 coordinates 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.

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 three 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 the invitation of its chairman.

The Audit Committee met four times in the course of 2013. Each meeting lasted approximately half a day. 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 Chief Executive Officer and the other members of the Executive Committee as well as all performance-related remuneration instruments and pension fund policies. From the entry into force of the Ordinance against Excessive Remuneration in Public Companies, the Committee is to be charged with preparing the Compensation Report for the Annual General Meeting.

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 Chief Executive Officer on specific matters where appropriate. As from the Annual General Meeting 2014 onwards, the members of the Compensation Committee will be elected by the shareholders from amongst the re-elected Board members.

Membership of Committees

Committee of the Board	Dr Jürg Witmer [Chairman]	André Hoffmann	Lilian Biner	Irina du Bois	Peter Kappeler	Thomas Rufer	Dr Nabil Y Sakkab
Audit			Member		Member	Chairman	
Nomination and Governance	Chairman			Member			Member
Compensation		Chairman		Member	Member		

■ Chairman of the Committee
■ Member of the Committee

In 2013, the Compensation Committee met four times and passed one resolution in writing. The average duration of each meeting was between one and a half and two hours. During these meetings and among other things, the Committee reviewed the impact of the Ordinance against Excessive Remuneration in Public Companies on the remuneration policy and compensation principles of the Company. It prepared changes in the compensation policy and a new performance share plan programme (PSP).

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 2013 to prepare changes in the composition of the Board and to establish the process for senior management succession.

More information on the Board of Directors and the roles of the Committees are described in the following sections of Givaudan's website: **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 also 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 and video-conference), 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 and the Chairman, as well as from the Executive Committee.

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 via a secure electronic document sharing system.

In 2013, the Givaudan Board of Directors held seven meetings, including one constitutive meeting directly following the general meeting of shareholders and one meeting by telephone. 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 October 2013, the Board visited the Company's business in the Middle East.

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. Except for the constitutive meeting and certain closed sessions, the members of the Executive Committee were present at all regular meetings apart from the one by telephone, which only the Chief Executive Officer and the Chief Financial Officer attended. Selected members of the management team were regularly invited to address specific projects at regular Board meetings.

In 2013, the Board conducted one annual self-assessment and had continuous discussion of its own succession planning.

In 2013, all Board members attended all Board meetings.

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;
- 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. The Head of Human Resources, the Head of Compensation & Benefits and the Chief Executive Officer are present at each Compensation Committee meeting, except when questions of compensation for Executive Committee members are being deliberated. The Chairman also attends regularly the meetings of the Compensation Committee.
- 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 secure electronic document sharing system 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 allow Board members the opportunity of getting first-hand information on local and regional developments and interacting 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 Enterprise Risk Management Charter. It focuses on identifying and managing/exploiting 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 pages 50-52 and 104-111.

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. This approach follows 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.

The internal audit activity is reported to the full Board of Directors once a year.

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 Company 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 strategic as well as long-term business and financial plans. 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 Company 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 2013, the Committee held 11 meetings at Company sites around the world, each meeting lasting between one and three days. These meetings are an opportunity to interact with local management and to visit 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

French national, born 1961. Gilles Andrier graduated with two Masters in Engineering from ENSEEIH Toulouse.

He spent the first part of his career with Accenture in management consulting before joining Givaudan in 1993 as Fragrance Division Controller and Assistant to the Chief Executive Officer. Gilles Andrier later held various positions including Head of Fragrances Operations in the USA and Head of Consumer Products in Europe. In 2001 he was appointed Head of Fine Fragrances, Europe before becoming Global Head of Fine Fragrances in 2003 and then CEO of Givaudan in 2005.

Other mandates held by Gilles Andrier are Member of the Board of the Swiss-American Chamber of Commerce, and Co-Chairman of the Board of the Natural Resources Stewardship Circle.

Mauricio Graber

President Flavour Division

Mexican national, born 1963. Mauricio Graber holds a BSc in Electronic Engineering from Universidad Autónoma Metropolitana and a Masters in Management from the JL Kellogg Graduate School of Management, Northwestern University, USA.

He began his career with Givaudan in 1995 as Managing Director for Latin America with Tastemaker. When Tastemaker was acquired by Givaudan, Mauricio Graber became Managing Director for Mexico, Central America and the Caribbean before becoming Vice-President for Latin America in 2000. He was later appointed President of the Givaudan Flavour Division in 2006.

Other mandates held by Mauricio Graber are President of the International Organisation of the Flavour Industry (IOFI) from October 2010 to October 2012.

Michael Carlos

President Fragrance Division

French national, born 1950. Michael Carlos holds an MBA from the Indian Institute of Management and a degree in chemical engineering from the Indian Institute of Technology.

He started his career with Givaudan in 1984 as General Manager in Hong Kong. He became Head of the European Creative Centre in Argenteuil in 1992 where he was in charge of integrating the creative resources from Givaudan and Roure. In 1999 Michael Carlos was appointed Global Head of Consumer Products and then President of the Fragrance Division in 2004.

Other mandates held by Michael Carlos are Vice-Chairman of the International Fragrance Association (IFRA), and Chairman of the Research Institute of Fragrance Materials.

Matthias Währen

Chief Financial Officer

Swiss national, born 1953. Matthias Währen is a graduate of the University of Basel.

He started his career in Corporate Audit in 1983 with Roche, and became Finance Director in 1988 of Roche Korea and then Head of Finance and Information Technology in 1990 at Nippon Roche in Tokyo. In 1996 Matthias Währen was appointed Vice President Finance and Information Technology at Roche USA and then Head of Finance and Informatics of the Roche Vitamins Division in 2000. He was involved in the sale of this business to DSM in 2003 before joining Givaudan in 2004.

Other mandates held by Matthias Währen are Member of the Regulatory Board, SIX Exchange Regulation, and Board member of scienceindustries Switzerland.

Adrien Gonckel

Chief Information Officer

French national, born 1952. Adrien Gonckel holds a Masters in IT at the University of Belfort and Lyon, France.

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

Joe Fabbri

Head of Global Human Resources, EHS and Chair of Sustainability

Canadian national, born 1958. Joe Fabbri graduated in mechanical engineering technology, and is a licensed Professional Engineer of Ontario, Canada.

He spent the first years of his career in various engineering roles before moving into operations management. Joe Fabbri joined Givaudan in 1989 as Operations Director responsible for commissioning the Canadian manufacturing facility. Moving to the USA in 1996, he was appointed Head of Operations at East Hanover, New Jersey. He later led various regional operations projects in Switzerland before becoming Head of Flavours Operations, EAME in 2001. In 2004 he was appointed Head of Global Flavours Operations, and then Head of Global Human Resources in 2008. In addition to his Human Resources responsibilities he is responsible for Global Sustainability since 2008, and Global Environment, Health and Safety (EHS) since 2010.

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

The Company 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 2013 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

Under current Company rules, 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 2013.

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. After the entry into force of the Ordinance against Excessive Remuneration in Public Companies, each shareholder may be represented by another shareholder who is authorised by a written proxy, or by a legal representative 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 (SHAB/FOSC) 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 33.3% 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, restricted share units (RSUs) and performance shares granted, as the case may be, by the Company to members of the Board of Directors and to a total of 326 senior management and employees may 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 was first appointed as Group and statutory auditor of Givaudan SA and its affiliates and has held the audit mandate since that time. At the Annual General Meeting of shareholders on 21 March 2013, Deloitte SA was reappointed for the business year 2013. 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 2013 were CHF 3.2 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 2013, Deloitte rendered other services (mainly tax-related) for CHF 0.1 million.

8.4 Informational instruments pertaining to the external audit

The external auditor presents the outcome of the audit directly to the Audit Committee after 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 and evaluates and approves other services provided by the external auditor. During 2013, 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]

Articles of Incorporation: **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 website 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]

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

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Compensation report

Fair and competitive compensation is essential to attract, motivate and retain the best talent in the industry.

In this section:

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.

Our compensation programmes reflect the performance of the business and of individuals, and we have in place rigorous governance, processes and policies to ensure our compensation practices are aligned with our principles.

As part of the changes to be implemented as a result of the 'Minder initiative' in Switzerland, we have produced this separate report on compensation, complementing our business and financial reports.

Compensation governance

The Compensation Committee of the Board of Directors (Board) consists of three members of the Board, the majority of whom are independent, and is currently chaired by André Hoffmann. The Chief Executive Officer is regularly invited to Compensation Committee meetings, but does not participate in discussions regarding his own compensation. Our Head of Human Resources acts as secretary of the Committee.

The Compensation Committee supports the Board in establishing and reviewing compensation policies. It regularly reviews Company-wide programmes in regard to base salary, pension and benefit plans. The Compensation Committee also regularly reviews and approves annual incentives and share-based long-term incentives, while the applicable performance criteria and targets are set by the Board. The Compensation Committee is also responsible for reviewing and approving individual compensation and benefits of each Executive Committee member as well as recommending compensation for the Board of Directors.

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

Key changes implemented during 2013

The Compensation Committee undertook a review of the executive Long Term Incentive Plan (LTIP) arrangements with a view to simplify and further align with business objectives.

As a result, the LTIP was discontinued and a new Performance Share Plan (PSP) was implemented for annual grants from 2013. The new long-term compensation approach is summarised below:

- Performance shares are granted with clear performance criteria set by the Board
- Performance criteria are linked to relative sales growth versus key competitors as well as free cash flow targets in line with our long-term objectives
- Vesting of performance shares after a three-year period is based on the extent that sales growth and free cash flow performance criteria are met
- Any stock options and/or restricted share units (RSUs) that were held under the previous LTIP will continue to be held in accordance with the rules of those plans, however, no new grant will be made under this plan
- Board members continue to receive RSUs as part of their compensation.

We have updated our Annual Incentive Plan and implemented a new performance management system, as part of the SAP implementation enabling greater granularity of profitability measurements. The new system reinforces a consistent performance management policy for all Givaudan employees and allows a rigorous cascade of sales, profitability and cash management targets across all our geographies, business units and market segments. It also reaffirms the core Givaudan behaviours of performance, innovation, passion and openness.

To further align the Executive Committee with the long-term interests of Givaudan, minimum shareholding requirements were introduced from 2013 for senior management under the Givaudan share ownership guidelines.

More details on these key changes are set out in the following sections of this Compensation report.

Key changes expected in 2014

The Ordinance against Excessive Compensation with respect to Listed Stock Corporations was published on 20 November 2013. The Ordinance enters into force on 1 January 2014 and will apply until the Swiss Federal Parliament implements the 'Minder Initiative' into law. Givaudan is implementing the new requirements in accordance with the timeline specified in the Ordinance and will comply earlier than required where practical.

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, 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 in 2013 is composed of the following elements:

- **Base salary:** base salaries are 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 and the achievement of safety objectives
- **Annual Incentive Plan:** this plan covers all managers and executives globally. It rewards participants for the achievement of financial targets and other organisational and individual objectives. Depending on the achievement of performance criteria, payouts can vary between 0% and 200% of target payout
- **Performance Share Plan (PSP):** this plan links executive and selected manager compensation to the evolution of the Givaudan share price and long-term business objectives through the award of performance shares. Depending on the achievement of performance criteria, participants may receive between 0 and 2 Givaudan shares per performance share at the end of the vesting period
- **Restricted Stock Unit (RSU) Plan:** this plan links Board member compensation with share price evolution by awarding a right to receive Givaudan shares after a three-year vesting 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 illustrated in the following chart, every Givaudan employee is linked to Company performance through cash-based and/or share-based variable pay plans.

The Annual Incentive Plan, the PSP and the RSU plan are described in more detail in the next sections.

Givaudan compensation (numbers of participants)

Restricted Share Unit Plan (Board of Directors)	7
Performance Share Plan (Executives and selected managers)	300
Annual Incentive Plan (Managers and executives)	2,600
Profit Sharing Plan (Non-management employees)	6,700
Base salary (All employees)	9,300

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 that are comparable in size and international presence. Comparable companies included in our compensation surveys consist of:

- Fragrance and flavour 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 for strict comparability.

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

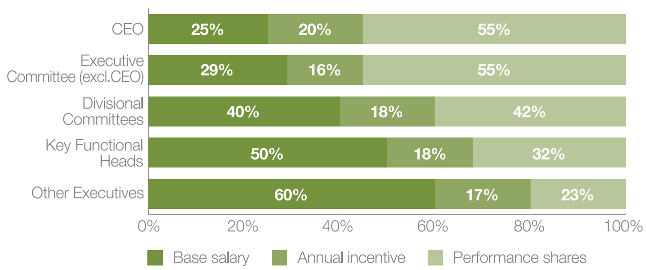
Givaudan's executive compensation targets base pay at the market median. Executives have the opportunity to be rewarded with above median pay for sustained outstanding performance from a number of variable compensation components. These variable elements reflect achievements against quantitative targets 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 executives' level of responsibility and the impact of their position on Company results.

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

- Direct compensation consists 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

The chart below illustrates the general compensation mix at target for Givaudan executives in 2013.

Direct compensation mix policy guidelines



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 managers' and executives' individual performance and contribution to Givaudan annual objectives.

Performance criteria

Annual targets for Executive Committee members are set by the Board of Directors based on recommendations by the Compensation Committee. In 2013, the Annual Incentive Plan for Executive Committee members was based on the following performance criteria:

- Sales Growth targets in local currencies: 50%
- EBITDA margin targets: 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 managers and executives are based on a mix of organisational performance objectives cascaded from Givaudan Group objectives and overall performance taking into consideration achievement of personal objectives, day-to-day job responsibilities and the core Givaudan behaviours of performance, innovation, passion and openness.

Expressed as a percentage of base salary, annual incentives at target were the following in 2013:

- 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%

Capping of incentive payouts

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

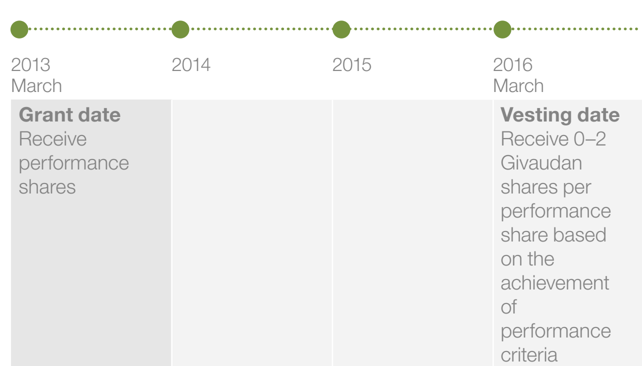
In 2013, both the sales growth and EBITDA targets were exceeded resulting in 134.2% of target payout for the Chief Executive Officer and an average target payout of 135.4% for other members of the Executive Committee.

Performance Share Plan 2013

In 2013, executives were granted awards under the new Performance Share Plan (PSP). The PSP is designed to reward key talent and executives who significantly influence the long-term success of the business.

Within the plan, participants are granted performance shares annually. The total number of performance shares granted is approved each year by the Compensation Committee.

The performance shares vest three years from grant, based on the achievement of performance criteria measured over the performance period. The operation of the new PSP is summarised in the following diagram:



Performance criteria

Performance is measured on the vesting date based on the extent performance criteria have been met over the previous four years. Measuring performance over an extended four-year period is consistent with the long-term outlook of the business. The performance criteria that apply to grants are a combination of:

- Relative average sales growth as compared to the sales growth of selected peer group companies; and
- Cumulative Free Cash Flow (FCF) margin, expressed as a percentage of cumulative sales.

Six peer group companies are selected from the fragrance and flavour (F&F) industry, representing in total approximately 70% of the F&F market.

Capping of share payout

Based on the extent that performance criteria are met, the actual number of shares vesting at the end of the performance period will be between 0% and 200% of the performance shares initially granted. That is, either no Givaudan shares or up to two Givaudan shares per performance share may be allocated. The level of vesting is dependent on the combination of performance criteria that are satisfied.

The performance range for relative sales growth extends from -2% to +2%. This represents annualised sales growth versus peer group over the 4 year performance period.

The performance range for FCF margin, measured over the 4 year performance period, extends from 5% to 15%.

A payout of 200% would require an achievement level above the maximum threshold for **both** measures, relative sales growth **and** FCF margin.

A 0% payout would be obtained if the achievement level on **either** measure were below the minimum threshold.

Different combinations of relative sales growth and FCF achievements within the above ranges lead to payouts between 0% and 200%, ranked according to their long-term economic value generation for the Company.

A 100% payout can be obtained where a target combination of the performance criteria is met, such as when relative average sales growth is the same as the peer group and cumulative FCF margin is 10%.

Participants do not receive any dividends or have any voting rights in respect of performance shares during the vesting period.

In general, performance shares lapse on cessation of employment. In specific circumstances such as death, disability or retirement, performance shares may vest subject to satisfaction of the performance criteria.

Variable Compensation Overview

	Annual Incentive Plan	Performance Share Plan
Participants	Managers and executives	Key talent and executives
Purpose	To reward managers and executives for the achievement of annual organisational targets and overall individual performance	To link compensation to shareholder value creation and achievement of business objectives
Grants	Annual grant	Annual grant
Vesting	End of each year	3 years
Conditions for vesting	Achievement of annual EBITDA and sales growth targets	Achievement relative sales growth and FCF/sales targets over 4 years
Payout	Cash	Shares[a]

a) Unless local laws prevent allocation of Givaudan shares, in which case payout is in cash.

Previous long-term incentive plan arrangements

The new PSP plan, which was introduced for grants in 2013, replaces all existing LTIP arrangements. Any awards under the previous LTIP will not be cancelled, but will continue to be held in accordance with the rules of those plans. This section summarises the long-term incentive arrangements that remain subject to vesting in 2013 under prior grants.

Long-term incentive plan

Under the previous LTIP, participants had a choice as to how they received their awards:

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

RSUs give participants the right to receive a specific number of Givaudan shares (or a cash equivalent in countries where securities laws prevent the offering of Givaudan securities to employees) at the end of a three-year vesting period.

The stock options have a vesting period of two years and expire after five years. The strike price has been established by the Board of Directors at a level that is higher than the market value of the Givaudan share at grant.

Executive Committee compensation summary

2013 in Swiss francs	Gilles Andrier CEO	Executive Committee members (excluding CEO)[a]	**Total compensation 2013**	Total compensation 2012
Base salary	1,009,600	2,478,029	3,487,629	3,448,446
Pension benefits[b]	137,140	729,050	866,190	570,084
Other benefits[c]	152,499	649,773	802,272	967,694
Total fixed compensation	1,299,239	3,856,852	**5,156,091**	4,986,224
Annual incentive[d]	1,083,907	1,902,116	**2,986,023**	2,276,282
Number of 2013 performance shares granted[e]	*2,000*	*6,250*	*8,250*	
Value at grant[f]	2,082,800	6,508,750	8,591,550	
Number of options granted[g]				*90,000*
Value at grant[h]				1,386,900
Number of RSUs granted[i]				*3,000*
Value at grant[j]				2,430,900
Number of 2008-2012 performance shares granted[k]				*9,900*
Annualised value at grant[l]				1,760,814
Total variable compensation	**3,166,707**	**8,410,866**	**11,577,573**	7,854,896
Total compensation	**4,465,946**	**12,267,718**	**16,733,664**	12,841,120

a) Represents full year compensation of five Executive Committee members.
b) Company contributions to broad-based pension and retirement savings plans and annualised expenses accrued for supplementary executive retirement benefit.
c) Represents annualised value of health and welfare plans, international assignment benefits and other benefits in kind. Contributions to compulsory social security schemes are excluded.
d) Annual incentive accrued in reporting period based on 2013 performance.
e) Performance shares vest in March 2016.
f) Value at grant calculated according to IFRS methodology and based on 100% achievement of performance targets.
g) Options vest on 1 March 2014.
h) Economic value at grant based on a Black & Scholes model, with no discount applied for the vesting period.
i) Restricted Share Units vest on 1 March 2015.
j) Economic value at grant according to IFRS methodology, with no discount applied for the vesting period.
k) Performance shares were granted in March 2008 for the five-year period 2008-2012 and vested on 1 March 2013.
l) Annualised value at grant calculated according to IFRS methodology and based on 100% achievement of performance target; actual payout percentage was 50%.

Executives who elected to receive stock options may have received:

(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 during the vesting period.

Performance Share Plan 2008

The PSP 2008 was a one-off grant of performance shares to 52 executives, which was designed to reward senior executives who make a significant contribution to long-term Company performance. The performance shares vested on 1 March 2013 were based on cumulative EBITDA over the five-year period, adjusted for the utilisation of capital. The payout percentage on vesting was 50% of target.

Compensation of the Executive Committee

Changes to compensation levels in 2013

Increases in compensation in 2013 are attributed to a number of factors including increased Annual Incentive Plan payouts due to exceeding targets and increased share price impacting PSP values. In addition, we continue to review and make adjustments to executive compensation packages for alignment with our compensation principles and in 2013 made some adjustments to certain elements including pension benefits and long-term incentives.

Highest total compensation

Chief Executive Officer Gilles Andrier received the highest total compensation in 2013. For compensation details, please refer to the above table.

Board of Directors compensation summary

2013 in Swiss francs	Jürg Witmer Chairman	André Hoffmann	Lilian Biner	Irina du Bois	Peter Kappeler	Thomas Rufer	Nabil Sakkab	**Total compensation 2013**	Total compensation 2012
Director fees	400,000	100,000	100,000	100,000	100,000	100,000	100,000	1,000,000	990,000
Committee fees	40,000	40,000	25,000	50,000	50,000	55,000	25,000	285,000	305,000
Total fixed (cash)	440,000	140,000	125,000	150,000	150,000	155,000	125,000	1,285,000	1,295,000
Number of RSUs granted[a]	500	125	125	125	125	125	125	1,250	1,260
Value at grant[b]	485,200	121,300	121,300	121,300	121,300	121,300	121,300	1,213,000	1,020,980
Total compensation	925,200	261,300	246,300	271,300	271,300	276,300	246,300	**2,498,000**	2,315,980

Payment to Board members for out-of-pocket expenses amounted to CHF 60,000.

a) RSUs vest on 1 March 2016.

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

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 2013.

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

No such compensation was incurred during the reporting period.

Employment contract termination clauses of Executive Committee members

Employment contracts of Executive Committee members provide a maximum indemnity equivalent to a 12 months' notice period. No additional compensation or benefits are provided in the case of change in control, except for long-term incentive awards that may vest immediately.

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

Compensation of the Board of Directors

Compensation of Board members consists of Director fees and Committee fees. These fees are paid at the end of each year in office completed. In addition, each Board member is entitled to participate in the Givaudan RSU plan, which gives participants the right to receive a specific number of Givaudan shares (or a cash equivalent in countries where securities laws prevent the offering of Givaudan securities) at the end of a three-year vesting period.

With the exception of the Chairman and outgoing Board members, each Board member receives an 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 is shown in the table at the top of this page.

Compensation of the Board member with the highest compensation

The Board member with the highest compensation in 2013 was Dr. Jürg Witmer, Chairman of the Board as of 28 April 2005. For compensation details please refer to the table above.

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1. Board of Directors: ownership of Givaudan securities

2013 in numbers	Shares	RSUs	Share options/Option rights Maturity 2014	Share options/Option rights Maturity 2015
Jürg Witmer, Chairman	1,400	1,509	–	–
André Hoffmann[a]	86,929	377	6,700	6,700
Lilian Biner		377	–	–
Irina du Bois	173	377	–	–
Peter Kappeler	171	377	–	–
Thomas Rufer	213	377	–	–
Nabil Sakkab		377	–	1,675
Total Board of Directors	88,886	3,771	6,700	8,375

a) The following Givaudan derivatives were also held by Mr Hoffmann as per 31 December 2013:
– 30,000 call warrants UBS – Givaudan 15 August 2016 (ISIN value no. CH 022 483 99 82).

2. Board of Directors: ownership of share options

Year of grant	Maturity date	Vesting date	Ticker	Strikeprice (CHF)	Ratio (option: share)	Option value at grant date (CHF)	Number of options held
2009[a]	3 Mar 2014	3 Mar 2011	GIVLM	700.5	8.6:1	14.98	6,700
2010	3 Mar 2015	3 Mar 2012	GIVNT	925.0	9.5:1	15.16	8,375

a) Strike price and ratio of options have been adjusted consecutively to the approval by the shareholders at the Annual General Meeting held in 2009 to distribute extraordinary dividends subsequent to the share capital increase related to the rights issue.

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 2013.

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

No such compensation was incurred during the reporting period.

Share ownership guidelines

Givaudan introduced share ownership guidelines in 2013, under which Executive Committee members must hold approximately one times their annual base salary in Givaudan shares. This requirement should be met by 2016, or within three years from the beginning of the calendar year after joining the Executive Committee. Ownership of Givaudan shares by Executive Committee members as per 31 December 2013 is shown in the table on the next page.

Ownership of shares

Board of Directors

As per 31 December 2013, the Chairman and other Board members including persons closely connected to them held 88,886 Givaudan shares in total. For further details, please refer to table 1 on the top of this page.

Executive Committee

The Chief Executive Officer and other members of the Executive Committee, including persons closely connected to them, held 4,358 Givaudan shares. For further details, please refer to table 3 on the following page.

3. Executive Committee: ownership of Givaudan securities

2013 in numbers	Shares	Unvested share rights*	Share options/Option rights Maturity 2014	Maturity 2015	Maturity 2016	Maturity 2017
Gilles Andrier, CEO	1,050	4,332	–	–	–	–
Matthias Währen	750	2,404	–	–	–	20,000
Mauricio Graber	350	2,027	–	–	–	20,000
Michael Carlos	750	3,004	–	–	–	20,000
Joe Fabbri[a]	729	1,533	–	–	5,000	15,000
Adrien Gonckel	620	1,533	–	–	15,000	15,000
Total Executive Committee	4,249	14,833	0	0	20,000	90,000

*Includes unvested performance shares and/or restricted shares.

a) Mr Fabbri also held 4,133 Givaudan American depositary receipts (Symbol: GIVDN.Y; 50:1 ratio) as at 31 December 2013.

4. Executive Committee: ownership of share options

Year of grant	Maturity date	Vesting date	Ticker	Strikeprice (CHF)	Ratio (option: share)	Option value at grant date (CHF)	Number of options held
2009[a]	3 Mar 2014	3 Mar 2011	GIVLM	700.5	8.6:1	14.98	0
2010	3 Mar 2015	3 Mar 2012	GIVNT	925.0	9.5:1	15.16	0
2011	25 Feb 2016	25 Feb 2013	GIVYX	975.0	8.5:1	15.57	20,000
2012	1 Mar 2017	1 Mar 2014	GIVFV	915.0	7.0:1	15.41	90,000

a) Strike price and ratio of options have been adjusted consecutively to the approval by the shareholders at the Annual General Meeting held in 2009 to distribute extraordinary dividends subsequent to the share capital increase related to the rights issue.

Ownership of share options and unvested share rights

Board of Directors

Table 1 on page 79 shows:

- The shares held individually by each Board member as per 31 December 2013
- The RSUs that were granted in 2010-2013 and were still owned by members of the Board as per 31 December 2013
- The share options/option rights that were granted until 2010 and were still owned by the members of the Board as per 31 December 2013. Refer to table 2 on page 79 for more details on these share options.

The Company is not aware of any ownership of shares, share options or RSUs as per 31 December 2013 by persons closely connected to the Board of Directors.

Executive Committee

Table 3 on this page shows:

- The shares held individually by each member of the Executive Committee as per 31 December 2013
- The unvested share rights that were granted in 2010-2013 and were still owned by members of the Executive Committee as per 31 December 2013
- 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 2013. Refer to table 4 on this page for more details on these share options.

Three people closely connected to members of the Executive Committee owned Givaudan securities as per 31 December 2013:

- One person owned 109 shares
- One person owned 500 Givaudan American depositary receipts (Symbol: GIVDN.Y; 50:1 ratio) as at 31 December 2013
- One person owned 206 unvested share rights

The Company is not aware of any other ownership of shares, share options/option rights, RSUs or performance shares as per 31 December 2013 by persons closely connected to members of the Executive Committee.

Financial report

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Report of the statutory auditors

Financial review

in millions of Swiss francs, except for per share data	2013	2012[b]
Group Sales	**4,369**	**4,257**
Fragrance Sales	**2,083**	**2,021**
Flavour Sales	**2,286**	**2,236**
Gross profit	**1,954**	**1,806**
as % of sales	44.7%	42.4%
EBITDA[a]	**970**	**889**
as % of sales	22.2%	20.9%
Operating income	**693**	**626**
as % of sales	15.9%	14.7%
Income attributable to equity holders of the parent	**490**	**410**
as % of sales	11.2%	9.6%
Earnings per share – basic (CHF)	**53.43**	**45.04**
Earnings per share – diluted (CHF)	**52.83**	**44.74**
Operating cash flow	**888**	**781**
as % of sales	20.3%	18.3%
Free cash flow	**662**	**512**
as % of sales	15.2%	12.0%

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.

b) Previous year figures have been restated as a result of changes to accounting policies and presentation (Note 2.1.1).

in millions of Swiss francs, except for employee data	31 December 2013	31 December 2012[a]
Current assets	2,301	2,195
Non-current assets	3,901	4,089
Total assets	**6,202**	**6,284**
Current liabilities	1,290	985
Non-current liabilities	1,489	2,033
Equity	3,423	3,266
Total liabilities and equity	**6,202**	**6,284**
Number of employees	**9,331**	**9,124**

a) Previous year figures have been restated as a result of changes to accounting policies and presentation (Note 2.1.1).

Foreign exchange rates

Foreign currency to Swiss francs exchange rates	ISO code	Units	31 Dec 2013	Average 2013	31 Dec 2012	Average 2012	31 Dec 2011	Average 2011
Dollar	USD	1	0.89	0.93	0.92	0.93	0.94	0.88
Euro	EUR	1	1.23	1.23	1.21	1.20	1.22	1.23
Pound	GBP	1	1.48	1.45	1.49	1.48	1.46	1.42
Yen	JPY	100	0.85	0.95	1.06	1.17	1.22	1.11
Singapore dollar	SGD	1	0.71	0.74	0.75	0.75	0.72	0.70
Real	BRL	1	0.38	0.43	0.45	0.48	0.50	0.53
Renminbi	CNY	1	0.15	0.15	0.15	0.15	0.15	0.14
Mexican peso	MXN	100	6.80	7.21	7.06	7.09	6.72	7.12
Rupiah	IDR	10,000	0.73	0.89	0.95	1.00	1.03	1.00

Sales

In 2013, Givaudan Group full year sales were CHF 4,369 million, an increase of 5.5% on a like-for-like basis and 2.6% in Swiss francs when compared to 2012. Fragrance Division sales were CHF 2,083 million, an increase of 5.1% on a like-for-like basis and 3.0% in Swiss francs. Flavour Division sales were CHF 2,286 million, an increase of 5.8% on a like-for-like basis and 2.3% in Swiss francs.

Operating performance

Gross margin

The gross margin increased to 44.7% from 42.4%, driven by the residual price increases implemented during the last two years to offset increases in raw material costs, and the positive leverage effect from the strong volume gains. In addition, the Company is capitalising on its recently completed ERP project to create supply chain efficiencies. The transfer of products to the new Flavours manufacturing facility in Makó, Hungary continues in line with project timelines.

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

The EBITDA increased by 9.1% to CHF 970 million in 2013 from CHF 889 million in 2012. A strong gross profit and a continued focus on internal costs were the main enablers of the improvement. When measured in local currency terms, the EBITDA increased by 10.5%. The EBITDA margin increased to 22.2% in 2013 from 20.9% in 2012.

Operating income

The operating income increased by 10.7% to CHF 693 million, from CHF 626 million for the same period in 2012. When measured in local currency terms, the operating income increased by 12.5%. The operating margin increased to 15.9% in 2013 from 14.7% in 2012.

Financial performance

Financing costs were CHF 85 million in 2013, versus CHF 84 million for the same period in 2012. In 2013, the Group incurred a non-cash charge of CHF 9 million, following the decision to close out an interest rate swap. This charge was offset by lower interest expense on a lower debt level. Other financial expense, net of income, was CHF 28 million in 2013, flat versus the CHF 28 million reported in 2012, despite the currency volatility in certain markets.

The Group's income taxes as a percentage of income before taxes were 16% in 2013 versus 20% in 2012.

Net income

The net income increased to CHF 490 million in 2013 from CHF 410 million in 2012, an increase of 19.5%, driven by an improved operating performance, stable financial expenses and a lower income tax rate. This results in a net profit margin of 11.2%, versus 9.6% in 2012. Basic earnings per share increased to CHF 53.43 versus CHF 45.04 for the same period in 2012.

Cash flow

Givaudan delivered an operating cash flow of CHF 888 million in 2013, compared to CHF 781 million in 2012, driven by a higher EBITDA and a tight control on working capital. As a percentage of sales, working capital decreased, as inventory levels increased at a slower rate than sales and payment terms were improved.
Total net investments in property, plant and equipment were CHF 123 million, down from CHF 148 million incurred in 2012. During 2013 the Group continued its investments to support growth in developing markets, most notably through the initiation of a new flavours savoury facility in Nantong, China and a fragrance creative centre and compounding facility in Singapore.
In 2012 the Company was making significant investments in the centralised Flavours facility in Hungary. Intangible asset additions were CHF 51 million in 2013, as the Company implemented the ERP project in new facilities and completed the implementation in smaller affiliates. Total net investments in tangible and intangible assets were 4.0% of sales, compared to 4.5% in 2012.

Operating cash flow after net investments was CHF 714 million in 2013, versus the CHF 588 million recorded in 2012. Free cash flow, defined as operating cash flow after investments and interest paid, was CHF 662 million in 2013, versus CHF 512 million for the comparable period in 2012, mainly driven by a higher EBITDA, lower working capital requirements and lower investments than in 2012. As a percentage of sales, free cash flow in 2013 was 15.2%, compared to 12.0% in 2012.

Financial position

Givaudan's financial position remained solid at the end December 2013. Net debt at December 2013 was CHF 816 million, down from CHF 1,153 million at December 2012. At the end of December 2013 the leverage ratio was 18%, compared to 24% at the end of 2012.

Dividend Proposal

At the Annual General Meeting on 20 March 2014, Givaudan's Board of Directors will propose a cash dividend of CHF 47.00 per share for the financial year 2013, an increase of 30% versus 2012. This is the thirteenth consecutive dividend increase following Givaudan's listing at the Swiss stock exchange in 2000. The total amount of this distribution will be made out of reserves for additional paid-in capital which Givaudan shows in equity as at the end of 2013.

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. 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 targeting an annual free cash flow of between 14% and 16% of sales in 2015.

Givaudan confirms its intention to return above 60% of the Company's free cash flow to shareholders while maintaining a medium term leverage ratio target below 25%. The leverage ratio is defined as net debt, divided by net debt plus equity.

For this ratio calculation, the Company has decided to exclude from equity any impact arising from the changes of IAS 19 - Employee Benefits (revised) going forward.

Consolidated financial statements

Consolidated income statement

For the year ended 31 December

in millions of Swiss francs, except for per share data	Note	2013	2012[a]
Sales	5	4,369	4,257
Cost of sales		(2,415)	(2,451)
Gross profit		**1,954**	**1,806**
as % of sales		44.7%	42.4%
Marketing and distribution expenses		(627)	(601)
Research and product development expenses		(406)	(399)
Administration expenses		(157)	(147)
Other operating income	8	11	47
Other operating expense	9	(82)	(80)
Operating income		**693**	**626**
as % of sales		15.9%	14.7%
Financing costs	11	(85)	(84)
Other financial income (expense), net	12	(28)	(28)
Income before taxes		**580**	**514**
Income taxes	13	(90)	(104)
Income for the period		**490**	**410**
Attribution			
Income attributable to equity holders of the parent		490	410
as % of sales		11.2%	9.6%
Earnings per share – basic (CHF)	14	**53.43**	**45.04**
Earnings per share – diluted (CHF)	14	**52.83**	**44.74**

a) Previous year figures have been restated as a result of changes to accounting policies and presentation (see Note 2.1.1).

The notes on pages 91 to 140 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	2013	2012[a]
Income for the period		**490**	**410**
Items that may be reclassified to the income statement			
Available-for-sale financial assets			
Movement in fair value for available-for-sale financial assets, net		8	8
(Gain) loss on available-for-sale financial assets removed from equity and recognised in the consolidated income statement		-	-
Cash flow hedges			
Fair value adjustments in year		20	(16)
Removed from equity and recognised in the consolidated income statement		10	11
Exchange differences arising on translation of foreign operations			
Change in currency translation		(146)	(55)
Income tax relating to items that may be reclassified to the income statement	13	3	3
Items that will not be reclassified to the income statement			
Defined benefit pension plans			
Remeasurement gains (losses) on defined benefit pension plans	6	190	(44)
Income tax relating to items that will not be reclassified to the income statement	13	(64)	13
Other comprehensive income for the period		**21**	**(80)**
Total comprehensive income for the period		**511**	**330**
Attribution			
Total comprehensive income attributable to equity holders of the parent		511	330

a) Previous year figures have been restated as a result of changes to accounting policies and presentation (see Note 2.1.1).

The notes on pages 91 to 140 form an integral part of these financial statements.

Consolidated statement of financial position

As at 31 December

in millions of Swiss francs	Note	31 December 2013	31 December 2012[a]	1 January 2012[a]
Cash and cash equivalents	15	513	368	545
Derivative financial instruments	4	29	23	53
Derivatives on own equity instruments	23	15	8	10
Available-for-sale financial assets	4, 16	62	57	54
Accounts receivable – trade	4, 17	844	838	795
Inventories	18	692	725	839
Current income tax assets	13	18	29	36
Other current assets	4	128	147	137
Current assets		**2,301**	**2,195**	**2,469**
Derivative financial instruments	4	2		
Property, plant and equipment	19	1,355	1,388	1,366
Intangible assets	20	2,272	2,455	2,563
Deferred income tax assets	13	168	148	230
Post-employment benefits plan assets	6	9	2	
Financial assets at fair value through income statement	4	30	27	24
Other long-term assets	16	65	69	67
Non-current assets		**3,901**	**4,089**	**4,250**
Total assets		**6,202**	**6,284**	**6,719**
Short-term debt	21	420	214	437
Derivative financial instruments	4	22	15	61
Accounts payable – trade and others	4	419	363	351
Accrued payroll & payroll taxes		129	103	88
Current income tax liabilities	13	82	99	69
Financial liability: own equity instruments	23	49	4	4
Provisions	22	16	26	33
Other current liabilities		153	161	149
Current liabilities		**1,290**	**985**	**1,192**
Derivative financial instruments	4	23	46	59
Long-term debt	21	909	1,307	1,561
Provisions	22	32	46	59
Post-employment benefits plan liabilities	6	366	548	515
Deferred income tax liabilities	13	87	34	169
Other non-current liabilities		72	52	53
Non-current liabilities		**1,489**	**2,033**	**2,416**
Total liabilities		**2,779**	**3,018**	**3,608**
Share capital	24	92	92	92
Retained earnings and reserves	24	5,057	4,898	4,688
Own equity instruments	24	(70)	(47)	(72)
Other components of equity	23, 24	(1,656)	(1,677)	(1,597)
Equity attributable to equity holders of the parent		**3,423**	**3,266**	**3,111**
Total equity		**3,423**	**3,266**	**3,111**
Total liabilities and equity		**6,202**	**6,284**	**6,719**

a) Previous year figures have been restated as a result of changes to accounting policies and presentation (see Note 2.1.1).

The notes on pages 91 to 140 form an integral part of these financial statements.

Consolidated statement of changes in equity

For the year ended 31 December

2013

in millions of Swiss francs	Note	Share Capital	Retained earnings and reserves	Own equity instruments	Cash flow hedges	Available-for-sale financial assets	Currency translation differences	Defined benefit pension plans remeasurement	Total equity
Note		24	24	23, 24					
Balance as at 1 January published		92	4,899	(47)	(64)	12	(1,212)		3,680
Balance as at 1 January restated [a]		92	4,898	(47)	(64)	12	(1,210)	(415)	3,266
Income for the period			490						490
Other comprehensive income for the period					30	8	(143)	126	21
Total comprehensive income for the period			490		30	8	(143)	126	511
Distribution to the shareholders paid	24		(331)						(331)
Movement on own equity instruments, net				(23)					(23)
Net change in other equity items			(331)	(23)					(354)
Balance as at 31 December		92	5,057	(70)	(34)	20	(1,353)	(289)	3,423

a) Previous year figures have been restated as a result of changes to accounting policies and presentation (see Note 2.1.1).

2012

in millions of Swiss francs	Note	Share Capital	Retained earnings and reserves	Own equity instruments	Cash flow hedges	Available-for-sale financial assets	Currency translation differences	Defined benefit pension plans remeasurement	Total equity
Note		24	24	23, 24					
Balance as at 1 January published		92	4,688	(72)	(59)	4	(1,158)		3,495
Balance as at 1 January restated		92	4,688	(72)	(59)	4	(1,158)	(384)	3,111
Income for the period			410						410
Other comprehensive income for the period					(5)	8	(52)	(31)	(80)
Total comprehensive income for the period			410		(5)	8	(52)	(31)	330
Distribution to the shareholders paid	24		(200)						(200)
Movement on own equity instruments, net				25					25
Net change in other equity items			(200)	25					(175)
Balance as at 31 December		92	4,898	(47)	(64)	12	(1,210)	(415)	3,266

The notes on pages 91 to 140 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	2013	2012[a]
Income for the period		490	410
Income tax expense	13	90	104
Interest expense	11	62	72
Non-operating income and expense		51	40
Operating income		**693**	**626**
Depreciation of property, plant and equipment	19	111	108
Amortisation of intangible assets	20	160	155
Impairment of long-lived assets		6	
Other non-cash items			
- share-based payments		21	13
- pension expense		47	45
- additional and unused provisions, net		1	18
- other non-cash items		23	(25)
Adjustments for non-cash items		**369**	**314**
(Increase) decrease in inventories		(5)	90
(Increase) decrease in accounts receivable		(62)	(64)
(Increase) decrease in other current assets		12	(20)
Increase (decrease) in accounts payable		72	13
Increase (decrease) in other current liabilities		(3)	(2)
(Increase) decrease in working capital		**14**	**17**
Income taxes paid		**(93)**	**(84)**
Pension contributions paid	6	(60)	(70)
Provisions used	22	(23)	(27)
Purchase and sale of own equity instruments, net		(4)	14
Impact of financial transactions on operating, net		(8)	(9)
Cash flows from (for) operating activities		**888**	**781**
Increase in long-term debt		230	1
(Decrease) in long-term debt		(200)	(50)
Increase in short-term debt		71	309
(Decrease) in short-term debt		(282)	(732)
Interest paid		(52)	(76)
Distribution to the shareholders paid	24	(331)	(200)
Purchase and sale of derivative financial instruments financing, net		(2)	(17)
Others, net		(3)	(5)
Cash flows from (for) financing activities		**(569)**	**(770)**
Acquisition of property, plant and equipment	19	(125)	(156)
Acquisition of intangible assets	20	(51)	(72)
Proceeds from the disposal of property, plant and equipment	19	2	8
Sale of jointly controlled entity			10
Sale of intangible assets	8		27
Interest received		2	3
Purchase and sale of available-for-sale financial assets, net		-	5
Purchase and sale of derivative financial instruments, net		-	
Others, net		-	(8)
Cash flows from (for) investing activities		**(172)**	**(183)**
Net increase (decrease) in cash and cash equivalents		**147**	**(172)**
Net effect of currency translation on cash and cash equivalents		(2)	(5)
Cash and cash equivalents at the beginning of the period		368	545
Cash and cash equivalents at the end of the period		**513**	**368**

a) Previous year figures have been restated as a result of changes to accounting policies and presentation (see Note 2.1.1).

The notes on pages 91 to 140 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 9,331 people. A list of the principal Group companies is shown in Note 29 to the consolidated financial statements.

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

2. Summary of significant accounting policies

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

2.1 Basis of Preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the IASB and Swiss law. They are prepared under the historical cost convention as modified by the revaluation of 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.

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

Givaudan SA's Board of Directors approved these consolidated financial statements on 28 January 2014.

2.1.1 Changes in Accounting Policy and Disclosures

Standards, amendments and interpretations effective in 2013

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2012, as described in the 2012 consolidated financial statements, with the exception of the adoption as of 1 January 2013 of the standards and interpretations described below:

- Amendments to IAS 19: Employee Benefits
- IAS 27 Revised Separate Financial Statements
- IAS 28 Revised 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
- Amendments to IFRS 10, IFRS 11 and IFRS 12 Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
- Amendments to IAS 1: Presentation of Items of Other Comprehensive Income
- Amendments to IFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities
- Amendments to IFRS 1: Government Loans
- Annual Improvements to IFRSs 2009-2011 Cycle
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

The Group assessed that the adoption of the above standards does not result in any change in these annual financial statements, with the exception of the adoption of the amendments to IAS 19 as described below:

Amendments to IAS 19: Employee benefits have a significant impact on the consolidated financial statements. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the "corridor approach" and accelerate the recognition of past service costs. The amendments require the immediate recognition of all actuarial gains and losses in the statement of other comprehensive income in order to reflect the full value of the plan deficit or surplus in the consolidated statement of financial position, the recognition in the income statement of service cost and finance cost not considering an expected return on plan assets, as well as enhanced disclosures.

The impact on the consolidated financial statements is as follows:

Balance as at 1 January 2012 in millions of Swiss francs	Reported	Pension adjustments	Deferred tax adjustments	Restated
Assets				
Post-employment benefits plan assets	129	(129)		
Deferred income tax assets (related to pensions)	24		132	156
Liabilities				
Post-employment benefits plan liabilities	(109)	(411)		(520)
Deferred income tax liabilities (related to pensions)	(24)		24	
Equity				
Remeasurement (gains) losses on defined benefit pension plans		540		540
Income tax relating to items that will not be reclassified			(156)	(156)

Expenses for year ended 2012 in millions of Swiss francs	Reported	Pension adjustments	Deferred tax adjustments	Restated
Current service cost	44	1		45
Interest cost	69	(69)		
Expected return on plan assets	(80)	80		
Net actuarial (gains) losses recognised	31	(31)		
Employee benefit expenses, included in operating expenses	**64**	**(19)**		**45**
Net interest expenses included in financing costs		19		19
Total components of defined benefit cost	**64**			**64**
Deferred tax expenses	-		1	1

Balance as at 31 December 2012 in millions of Swiss francs	Reported	Pension adjustments	Deferred tax adjustments	Restated
Assets				
Post-employment benefits plan assets	143	(141)		2
Deferred income tax assets (related to pensions)	25		141	166
Liabilities				
Post-employment benefits plan liabilities	(114)	(440)		(554)
Deferred income tax liabilities (related to pensions)	(27)		27	
Equity				
Remeasurement (gains) losses on defined benefit pension plans		584		584
Change in currency translation		(3)	1	(2)
Income tax relating to items that will not be reclassified			(169)	(169)

The deferred income tax assets and liabilities shown in the above tables are disclosed gross, however, they are offset where relevant in the consolidated statement of financial position.

A reconciliation showing the impact of the changes on 2012 income statement is shown below:

in millions of Swiss francs	As originally reported	Adjustments	Restated
Cost of Sales	(2,459)	8	(2,451)
Marketing and distribution expenses	(607)	6	(601)
Research and product development expenses	(404)	5	(399)
Financing cost	(65)	(19)	(84)
Income taxes	(103)	(1)	(104)

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 2014

- Amendments to IAS 32: Offsetting Financial Assets and Financial Liabilities
- Investment Entities: amendments to IFRS 10, IFRS 12 and IAS 27
- Amendments to IAS 36: Recoverable Amount Disclosures for Non-Financial Assets
- IFRIC 21 Levies
- Annual Improvements to IFRSs 2010-2012 Cycle. The amendment to IFRS 3 Business combinations will be applied prospectively to business combinations for which the acquisition date is on or after 1 July 2014.

Amendments to IAS 32: Offsetting Financial Assets and Financial Liabilities clarify the criterion of offsetting financial assets and liabilities. The offset must be done when an entity (a) currently has a legally enforceable right to set off the recognised amounts, and (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The Group does not enter into netting agreements with counterparties and therefore these amendments are not relevant for the Group.

Amendments to IAS 36: Recoverable Amount Disclosures for Non-Financial Assets on the recoverable amount disclosures for non-financial assets. These amendments removed certain disclosures of the recoverable amount of Cash Generating Units which had been included in IAS 36 by the issue of IFRS 13. The Group assessed that the adoption of these amendments does not result in a change in the information currently disclosed.

IFRIC 21 Levies sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives raise to pay a levy and when should a liability be recognised. The Group is not currently subject to significant levies so the impact on the Group is not material.

Annual Improvements to IFRSs 2010-2012: IFRS Business combination provides clarifications regarding the accounting for contingent consideration in a business acquisition. Contingent consideration that is within or out the scope of IFRS 9 shall be measured at fair value and changes in fair value be recognised in profit or loss.

b) Issued and effective for 2015 and after

- IFRS 9 Financial Instruments
- Amendments to IFRS 9 and IFRS 7: Mandatory Effective Date and Transition Disclosures
- Amendments to IAS 19 Employee benefits: Defined Benefit Plans: Employee Contributions
- Annual Improvements to IFRSs 2010-2012 Cycle (except for the amendment to IFRS 3 Business combinations)
- Annual Improvements to IFRSs 2011-2013 Cycle

The Group has not yet evaluated the impact of these 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. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. 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. 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.

2.3 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.
- 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.

Translation of the financial statements of foreign subsidiaries

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

2.4 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, and intangible assets.

2.5 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.

2.6 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 and amortised over their estimated useful lives, 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.

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

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

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.

2.8 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 are 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 or any other expected distribution to the shareholders to be paid during the vesting period, as participants are not entitled to receive dividends or any other distribution to the shareholders during the vesting period. Services conditions are included in the assumptions about the number of restricted shares that are expected to become deliverable. No performance conditions are 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 three 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 or any other expected distribution to the shareholders to be paid during the vesting period, as participants are not entitled to receive dividends or any other distribution to the shareholders during the vesting period. At each statement of financial position date, the Group revises its estimates of the number of shares that are expected to be delivered. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation.

2.9 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.

2.10 Cash and cash equivalents

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

2.11 Financial assets

Financial assets are classified either 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.

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 2.13) in the statement of financial position.

c) 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 valued at fair value based on observable market transactions or if not available based on prices given by reputable financial institutions or on the price of the latest transaction.

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.

2.12 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 cash flow hedges for the interest risk associated with highly probable forecast transactions.

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 on-going basis, as to whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Movements on the hedging reserve in shareholders' equity are shown in the statement of changes in equity. These derivatives are presented as current or non-current on the basis of their settlement dates.

a) 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 financing costs 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.

b) 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.

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

2.13 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).

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using weighted average cost formula. The cost of finished goods and work in process comprises raw materials, direct labour, other direct costs and related production overheads but 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.

2.15 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 2.19), and cost of its dismantlement, removal or restoration, related to the obligation for which an entity incurs as a consequence of installing the asset.

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

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

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

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

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

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

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.

2.16 Leases

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

2.17 Intangible assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions is recognised in the statement of financial position as an intangible asset. Goodwill is tested annually for impairment or more frequently when there are indications of impairment, and carried at cost less accumulated impairment losses. 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.

2.18 Impairment of long-lived assets

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

2.19 Borrowing costs

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

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

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

2.20 Accounts payable – trade and others

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

2.21 Debt

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

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

2.22 Provisions

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

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

2.23 Own equity instruments

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

Purchases of own shares are recognised at acquisition cost including transaction costs as a deduction from equity. The original cost of acquisition, results from resale and other movements are recognised as changes in equity, net. Treasury shares 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 “financing costs” of the income statement. They are derecognised when the Group has lost control of the contractual rights of the derivative, with the realised gain or loss recognised in equity. At each statement of financial position date, instruments recognised as derivatives used to hedge the cash-settled share option plans are valued 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.

2.24 Share capital

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

2.25 Distribution to the shareholders

Dividend distributions or distributions out of reserves for additional paid-in capital are recognised in the period in which they are approved by the Group’s shareholders.

3. Critical accounting estimates and judgments

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

3.1 Critical accounting estimates and assumptions

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

1) The impairment of goodwill requiring estimations of the value in use of the cash-generating units to which goodwill is allocated (see Note 20)
2) The impairment of property, plant and equipment requiring estimations to measure the recoverable amount of an asset or group of assets (see Note 19)
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 13)
5) The provisions requiring assumptions to determine reliable best estimates (see Note 22)
6) The contingent liabilities assessment (see Note 26)

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

3.2 Critical judgments in applying the entity's accounting policies

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

- *Computer software and Enterprise Resource Planning:* Computer software is internally developed programmes or modifications that result in new or in substantial improvements of existing IT systems and applications. Enterprise Resource Planning relates to the implementation of an ERP system that is changing the way the business is done in the areas of Finance, Supply Chain and Compliance. The Group has determined that the development phase of internally developed software and the ERP business transformations will provide future economic benefits to the Group and meet the criterion of intangible assets (see Note 20).
- *Internal developments on formulas, technologies and products:* The outcome of these developments depends on their final assemblage and application, which varies to meet customer needs, and consequently the future economic benefits of these developments are not certain. Thus the criteria for the recognition as an asset of the internal developments on formulas, technologies and products are generally not met. The expenditures on these activities are recognised as expense in the period in which they are incurred.
- *Available-for-sale financial assets:* In addition to the duration and extent (see accounting policy in Note 2.11) 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 2.18).

4. Financial risk management

4.1 Capital management

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

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

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

The Group has entered into several private placements which contain various covenants with externally imposed capital requirements. The Group was in compliance with these requirements as at 31 December 2013.

The leverage ratio as at 31 December was as follows:

in millions of Swiss francs	Note	2013	2012[a]
Short-term debt	21	420	214
Long-term debt	21	909	1,307
Less: cash and cash equivalents	15	(513)	(368)
Net Debt		**816**	**1,153**
Total equity attributable to equity holders of the parent		3,423	3,266
Total defined benefit pension plans remeasurement		289	415
Equity		**3,712**	**3,681**
Net Debt and Equity		**4,528**	**4,834**
Leverage ratio		**18%**	**24%**

a) Previous year figures have been restated as a result of changes to accounting policies and presentation (see Note 2.1.1).

The leverage ratio decreased to 18% in 2013 from 24% in 2012. The decrease in the ratio was driven by a stronger cash flow, as a result of the improved operational performance and lower working capital requirements. Net debt at 31 December 2013 was CHF 816 million, down from CHF 1,153 million at 31 December 2012. The Group intends to maintain its medium term leverage ratio below 25%.

4.2 Financial risk management

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

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

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

Categories of financial instruments

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

2013 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							
Cash and cash equivalents	15	513					513
Derivative financial instruments	4.3		29				29
Available-for-sale financial assets	16				62		62
Accounts receivable – trade	17	844					844
Other current assets [a]		32					32
Non-current assets							
Available-for-sale financial assets	16				39		39
Derivative financial instruments [b]	4.3			2			2
Financial assets at fair value through income statement			30				30
Total assets as at 31 December		**1,389**	**59**	**2**	**101**		**1,551**
Current liabilities							
Short-term debt	21					420	420
Derivative financial instruments	4.3		22				22
Accounts payable						419	419
Non-current liabilities							
Derivative financial instruments [b]	4.3		12	11			23
Long-term debt	21					909	909
Total liabilities as at 31 December			**34**	**11**		**1,748**	**1,793**

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 2.12)

2012 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							
Cash and cash equivalents	15	368					368
Derivative financial instruments	4.3		23				23
Available-for-sale financial assets	16				57		57
Accounts receivable – trade	17	838					838
Other current assets [a]		56					56
Non-current assets							
Available-for-sale financial assets	16				36		36
Financial assets at fair value through income statement			27				27
Total assets as at 31 December		**1,262**	**50**		**93**		**1,405**
Current liabilities							
Short-term debt	21					214	214
Derivative financial instruments	4.3		15				15
Accounts payable						286	286
Non-current liabilities							
Derivative financial instruments [b]	4.3		17	29			46
Long-term debt	21					1,307	1,307
Total liabilities as at 31 December			**32**	**29**		**1,807**	**1,868**

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 2.12)

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

- Currency derivatives including forward foreign exchange contracts and options to hedge the exchange rate risk arising from recorded transactions, forecasted transactions or the translation risk associated with net investments in foreign operations.
- Interest rate swaps and other instruments to mitigate the risk of interest rate increases and/or to optimally manage interest rate costs depending on the prevailing interest rate environment.

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

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.

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

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

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

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

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

Currency exposure 2013

in millions of Swiss francs	USD	EUR	CHF	GBP
Currency exposure without hedge [a]	-	-18	47	-117
Hedged amount	-12	15	-33	117
Currency exposure including hedge	-12[b]	-3	14	-

a) + long position; - short position

b) Mainly due to unhedged positions in countries where hedging is not cost-effective

Currency exposure 2012

in millions of Swiss francs	USD	EUR	CHF	GBP
Currency exposure without hedge [a]	+154	+9	-171	-96
Hedged amount	-181	-16	+166	+97
Currency exposure including hedge	-27 [b]	-7	-5	+1

a) + long position; - short position

b) Mainly due to unhedged positions in countries where hedging is not cost-effective

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

The following table summarises the sensitivity to transactional currency exposures of the main currencies at 31 December. The sensitivity analysis is disclosed for each currency representing significant exposure:

Currency risks 2013 in millions of Swiss francs	USD	EUR	CHF	GBP
Reasonable shift	6%	5%	3%	7%
Impact on income statement if the currency strengthens against all other currencies	1	-	-	-
Impact on income statement if the currency weakens against all other currencies	(1)	-	-	-

Currency risks 2012 in millions of Swiss francs	USD	EUR	CHF	GBP
Reasonable shift	5%	8%	4%	5%
Impact on income statement if the currency strengthens against all other currencies	(1)	(1)	-	-
Impact on income statement if the currency weakens against all other currencies	1	1	-	-

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

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. At the expiry date in September 2012, a cumulative loss of CHF 6 million has been recognised in the other comprehensive income in the line item "exchange differences arising on translation of foreign operations". In 2013, there was no transaction to hedge the foreign exchange translation risk.

4.2.1.2 Interest rate risk

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

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

The following table shows the sensitivity to interest rate changes:

As at 31 December 2013 in millions of Swiss francs	150 basis points increase	50 basis points decrease
Impact on income statement	7	(2)
Impact on equity	32	(11)

As at 31 December 2012 in millions of Swiss francs	150 basis points increase	50 basis points decrease
Impact on income statement	9	(3)
Impact on equity	40	(13)

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

Cash flow hedges

Inception date	Hedged items	Hedge instruments	Objectives	Comments
2009	Highly probable future debt issuances in 2011.	Several forward starting interest rate swaps commencing in 2011, totalling CHF 200 million with an average rate of 2.69% and a five-year maturity.	Protection against future increases in CHF interest rates and to fix the interest rates.	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. Correspondingly, hedge positions assigned to this bond issuance of CHF 200 million have been closed. The amortisation of the realised loss of CHF 14 million will be recognised in Financing costs over the next five years.
2009	Highly probable future debt issuances in 2012.	Several forward starting interest rate swaps commencing in 2012, totalling CHF 250 million with an average rate of 2.70% and a five-year maturity and CHF 50 million with an average rate of 2.45% and a three-year maturity.	Protection against future increases in CHF interest rates and to fix the interest rates.	In December 2011, the Group issued a dual tranche public bond, totalling CHF 300 million, respectively of CHF 150 million at a rate of 1.250% for 5 years and CHF 150 million at the rate of 2.125% for 10 years. Correspondingly, hedge positions assigned to this bond issuance have been closed. The amortisation of the realised loss of CHF 28 million and CHF 4 million will be recognised in Financing costs over the next five years and three years respectively.
2011	Highly probable future debt issuances in 2013.	Several forward starting interest rate swaps commencing in 2013, totalling CHF 100 million with an average rate of 2.33% and a five-year maturity.	Protection against future increases in CHF interest rates and to fix the interest rates.	The cash flow hedges were effective until June 2013. In July 2013, the IRSs were closed and fully derecognised because the forecast transaction was not highly probable anymore. This resulted in a loss of CHF 9 million recognised as financing costs.
2011/ 2012	Highly probable future debt issuances in 2014.	Several forward starting interest rate swaps commencing in 2014, totalling CHF 250 million with an average rate of 1.54% and a five-year maturity.	Protection against future increases in CHF interest rates and to fix the interest rates.	The cash flow hedges were effective during the year
2012	Highly probable future debt issuances in 2016.	Several forward starting interest rate swaps commencing in 2016, totalling CHF 75 million with an average rate of 1.63% and a five-year maturity.	Protection against future increases in CHF interest rates and to fix the interest rates.	The cash flow hedges were effective during the year
2012	Highly probable future debt issuances in 2018.	Several forward starting interest rate swaps commencing in 2018, totalling CHF 100 million with an average rate of 1.88% and a five-year maturity.	Protection against future increases in CHF interest rates and to fix the interest rates.	The cash flow hedges were effective during the year
2012	Highly probable future private placements issuance in the USA in 2013.	Several derivatives instruments fixing the interest rate at 1.80% on average for a total amount of USD 100 million.	Protection against short-term increases in USD interest rates and to fix the interest rates.	The cash flow hedges were effective during the period. The amount of USD 1 million (equivalent to CHF 1 million) deferred in hedging reserve in other comprehensive income is recycled over the next 10 years as financing cost from 6 February 2013, the date when the proceeds was received.

4.2.1.3 Price risk

The Group is exposed to equity price risk arising from equity investments held either classified as available-for-sale or at fair value through profit or loss. The Group manages its price risk through a diversification of portfolios within the limits approved by the Board of Directors.

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

Sensitivity analysis

The Group's equity portfolio is composed primarily of Swiss, European and US shares. The benchmark for the reasonable change is the SMI (17% for the last three years), the STOXX Europe 600 index historical volatility (18% for the last three years) and an average of historical volatility of US indexes (17% for the last three years).

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

2013 – reasonable shifts: 17% CH, 18% EU , 17% US in millions of Swiss francs	Equity price increase	Equity price decrease
Impact on income statement	4	(4)
Impact on equity	9	(9)

2012 – reasonable shifts: 20% CH, 25% EU , 25% US in millions of Swiss francs	Equity price increase	Equity price decrease
Impact on income statement	4	(4)
Impact on equity	8	(8)

4.2.2 Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. Credit risk is managed by the Group's subsidiaries and monitored on a Group basis.

Trade receivables are subject to a policy of active risk management which focuses on the assessment of country risk, credit limits, on-going 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 523 million (2012: CHF 500 million). Countries and credit limits and exposures are continuously monitored.

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

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

		2013			2012	
	Total in Mio CHF	Max. with any individual bank in Mio CHF	Number of banks	Total in Mio CHF	Max. with any individual bank in Mio CHF	Number of banks
AAA – range	13	9	1	-	-	-
AA – range	160	100	3	93	63	3
A – range	316	70	9	246	67	9

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

4.2.3 Liquidity risk

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

Group Treasury monitors and manages cash at the Group level and defines the maximum cash level at subsidiary level. Cash surpluses held by subsidiaries over and above amounts required for working capital management are transferred to the central treasury centre.

The surplus of cash is generally invested in interest bearing current accounts, time deposits and money market deposits. When necessary, inter-company loans are granted by the Group to subsidiaries to meet their non-recurrent payment obligations.

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

2013 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)	(435)				(435)
Accounts payable	(419)				(419)
Net settled derivative financial instruments	(3)	(4)	(17)	3	(21)
Gross settled derivative financial instruments – outflows	(854)	(220)			(1,074)
Gross settled derivative financial instruments – inflows	861	221			1,082
Long-term debt	(20)	(5)	(626)	(427)	(1,078)
Balance as at 31 December	**(870)**	**(8)**	**(643)**	**(424)**	**(1,945)**

2012 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)	(106)	(103)			(209)
Accounts payable	(286)				(286)
Net settled derivative financial instruments	(2)	(3)	(35)	(6)	(46)
Gross settled derivative financial instruments – outflows	(1,039)	(7)			(1,046)
Gross settled derivative financial instruments – inflows	1,047	7			1,054
Long-term debt	(31)	(6)	(948)	(470)	(1,455)
Balance as at 31 December	**(417)**	**(112)**	**(983)**	**(476)**	**(1,988)**

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 measured:

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

2013 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			29		29
Corporate owned life insurance			30		30
Swaps (hedge accounting)			2		2
Available-for-sale financial assets					
Equity securities	16	46	19		65
Debt securities	16	16	20		36
Total assets		**62**	**100**		**162**
Financial liabilities at fair value through income statement					
Forward foreign exchange contracts			22		22
Swaps (hedge accounting)			11		11
Swaps (no hedge accounting)			12		12
Total liabilities			**45**		**45**

2012 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			23		23
Corporate owned life insurance			27		27
Available-for-sale financial assets [b]					
Equity securities	16	41	16		57
Debt securities	16	15	20		35
Total assets		**56**	**86**		**142**
Financial liabilities at fair value through income statement					
Forward foreign exchange contracts			15		15
Swaps (hedge accounting)			29		29
Swaps (no hedge accounting)			17		17
Total liabilities			**61**		**61**

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

There was no transfer between Level 1 and 2 in the period. The Group did not carry out any transactions on level 3 type assets during 2013 and 2012, nor did it have any assets in this category at 31 December 2013 and 2012.

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 EBITDA at comparable basis where applicable. This measure is computed as the EBITDA adjusted for non-recurring items.

Business segments

		Fragrances		Flavours		Group	
in millions of Swiss francs	Note	**2013**	2012 [a]	**2013**	2012 [a]	**2013**	2012 [a]
Segment sales		2,084	2,022	2,295	2,242	4,379	4,264
Less inter segment sales [b]		(1)	(1)	(9)	(6)	(10)	(7)
Segment sales to third parties	2.5	**2,083**	**2,021**	**2,286**	**2,236**	**4,369**	**4,257**
EBITDA		**503**	**435**	**467**	**454**	**970**	**889**
as % of sales		24.2%	21.5%	20.4%	20.3%	22.2%	20.9%
Depreciation	19	(52)	(50)	(59)	(58)	(111)	(108)
Amortisation	20	(71)	(70)	(89)	(85)	(160)	(155)
Impairment of long-lived assets	19		-	(6)	-	(6)	-
Acquisition of property, plant and equipment	19	52	54	73	102	125	156
Acquisition of intangible assets	20	22	32	29	40	51	72
Capital expenditure		**74**	**86**	**102**	**142**	**176**	**228**

a) Previous year figures have been updated as a result of changes to accounting policies and presentation (see Note 2.1.1).

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

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

Reconciliation table to Group's operating income

	Fragrances		Flavours		Group	
in millions of Swiss francs	2013	2012[a]	2013	2012[a]	2013	2012[a]
EBITDA	503	435	467	454	970	889
Depreciation	(52)	(50)	(59)	(58)	(111)	(108)
Amortisation	(71)	(70)	(89)	(85)	(160)	(155)
Impairment of long-lived assets			(6)		(6)	
Operating income	380	315	313	311	693	626
as % of sales	18.3%	15.6%	13.7%	13.9%	15.9%	14.7%
Financing costs					(85)	(84)
Other financial income (expense), net					(28)	(28)
Income before taxes					580	514
as % of sales					13.3%	12.1%

a) Previous year figures have been updated as a result of changes to accounting policies and presentation (see Note 2.1.1).

Entity-wide disclosures

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

in millions of Swiss francs	2013	2012
Fragrance Division		
Fragrance Compounds	1,847	1,781
Fragrance Ingredients	236	240
Flavour Division		
Flavour Compounds	2,286	2,236
Total revenues	4,369	4,257

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	2013	2012	2013	2012
Switzerland	52	48	790	871
Europe	1,271	1,230	1,395	1,439
Africa, Middle-East	330	310	63	75
North America	958	952	866	898
Latin America	578	570	148	167
Asia Pacific	1,180	1,147	365	393
Total geographical segments	4,369	4,257	3,627	3,843

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 523 million (2012: CHF 500 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	2013	2012 Restated
Wages and salaries	723	711
Social security costs	98	93
Post-employment benefits: defined benefit plans	47	45
Post-employment benefits: defined contribution plans	14	13
Equity-settled instruments	22	12
Cash-settled instruments	25	8
Change in fair value on own equity instruments	(16)	1
Other employee benefits	86	80
Total employees' remuneration	**999**	**963**

Defined Benefit Plans

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

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

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

			2013			2012 Restated
in millions of Swiss francs	Pension Plans	Non-pension Plans	Total	Pension Plans	Non-pension Plans	Total
Current service cost	45	2	47	42	3	45
Total included in employees' remuneration	**45**	**2**	**47**	**42**	**3**	**45**
Net interest expense included in financing costs	14	3	17	16	3	19
Total components of defined benefit cost	**59**	**5**	**64**	**58**	**6**	**64**
Of which arising from:						
Funded obligations	55	5	60	54	6	60
Unfunded obligations	4		4	4		4

The amounts recognised in other comprehensive income are as follows:

			2013			2012 Restated
in millions of Swiss francs	Pension Plans	Non-pension Plans	Total	Pension Plans	Non-pension Plans	Total
(Gains) losses from change in demographic assumptions				25		25
(Gains) losses from change in financial assumptions	(112)	(7)	(119)	116	6	122
Experience (gains) losses	3	(1)	2	(6)	(3)	(9)
Return on plan assets less interest on plan assets	(73)	-	(73)	(94)		(94)
Remeasurement (gains) losses on defined benefit pension plans	**(182)**	**(8)**	**(190)**	**41**	**3**	**44**
Of which arising from:						
Funded obligations	(177)	(8)	(185)	35	2	37
Unfunded obligations	(5)	-	(5)	6	1	7

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

in millions of Swiss francs	2013 Pension Plans	2013 Non-pension Plans	2013 Total	2012 Restated Pension Plans	2012 Restated Non-pension Plans	2012 Restated Total
Funded obligations						
Present value of funded obligations	(1,891)	(61)	(1,952)	(1,955)	(69)	(2,024)
Fair value of plan assets	1,655	1	1,656	1,542	1	1,543
Recognised asset (liability) for funded obligations, net	**(236)**	**(60)**	**(296)**	**(413)**	**(68)**	**(481)**
Unfunded obligations						
Present value of unfunded obligations	(54)	(12)	(66)	(61)	(10)	(71)
Recognised (liability) for unfunded obligations	**(54)**	**(12)**	**(66)**	**(61)**	**(10)**	**(71)**
Total defined benefit asset (liability)	**(290)**	**(72)**	**(362)**	**(474)**	**(78)**	**(552)**
Deficit recognised as liabilities for post-employment benefits	(299)	(72)	(371)	(476)	(78)	(554)
Surplus recognised as part of other long-term assets	9		9	2		2
Total net asset (liability) recognised	**(290)**	**(72)**	**(362)**	**(474)**	**(78)**	**(552)**

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	2013 Pension Plans	2013 Non-pension Plans	2013 Total	2012 Restated Pension Plans	2012 Restated Non-pension Plans	2012 Restated Total
Balance as at 1 January	**2,016**	**79**	**2,095**	**1,836**	**74**	**1,910**
Amounts recognised in the income statement						
Net current service cost	45	2	47	42	3	45
Net interest expense	59	3	62	66	3	69
Amounts recognised in the other comprehensive income						
(Gains) losses from change in demographic assumptions				25		25
(Gains) losses from change in financial assumptions	(112)	(7)	(119)	116	6	122
Experience (gains) losses	3	(1)	2	(6)	(3)	(9)
Employee contributions	11		11	10		10
Benefit payments	(64)	(3)	(67)	(64)	(4)	(68)
Currency translation effects	(13)	-	(13)	(9)	-	(9)
Balance as at 31 December	**1,945**	**73**	**2,018**	**2,016**	**79**	**2,095**

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

in millions of Swiss francs	2013 Pension Plans	2013 Non-pension Plans	2013 Total	2012 Restated Pension Plans	2012 Restated Non-pension Plans	2012 Restated Total
Balance as at 1 January	**1,542**	**1**	**1,543**	**1,389**	**1**	**1,390**
Amounts recognised in the income statement						
Interest cost	45		45	50	-	50
Amounts recognised in the other comprehensive income						
Return on plan assets less interest on plan assets	73		73	94	-	94
Employer contributions	57	3	60	68	4	72
Employee contributions	11		11	10		10
Benefit payments	(64)	(3)	(67)	(64)	(4)	(68)
Currency translation effects	(9)		(9)	(5)	-	(5)
Balance as at 31 December	**1,655**	**1**	**1,656**	**1,542**	**1**	**1,543**

Plan assets are comprised as follows:

in millions of Swiss francs		2013		2012
Debt	658	40%	577	37%
Equity	604	36%	582	38%
Property	201	12%	200	13%
Insurances policies and other	193	12%	184	12%
Total	**1,656**	**100%**	**1,543**	**100%**

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

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

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

Weighted percentage	2013	2012
Discount rates	3.4%	3.0%
Projected rates of remuneration growth	2.9%	2.8%
Future pension increases	1.0%	0.8%
Healthcare cost trend rate	5.0%	5.5%

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

Sensitivity analysis

The defined 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 effects of the change in assumptions are as follows:

in millions of Swiss francs	Change in assumption	Effects of the change	Increase in assumption	Decrease in assumption
Discount rate	0.5%	on the current service cost	(6)	6
		on the defined benefit obligation	(151)	166
Salary increases	0.5%	on the current service cost	2	(2)
		on the defined benefit obligation	20	(19)
Pension increases	0.5%	on the current service cost	3	(1)
		on the defined benefit obligation	108	(53)
Medical cost trend	1.0%	on the current service cost	-	-
		on the defined benefit obligation	4	(3)
Life expectancy	1 year	on the current service cost	1	(1)
		on the defined benefit obligation	54	(56)

Information by country

Switzerland

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

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

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

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

The Group expects to contribute CHF 17 million to these plans during 2014 (2013: CHF 17 million).

United States of America

The main US pension plan is qualified under and is managed in accordance with the requirements of US federal law. In accordance with federal law the assets of the plan are legally separate from the employer and are held in a pension trust.

The law requires minimum and maximum amounts that can be contributed to the trust, together with limitations on the amount of benefits that may be provided under the plan. There are named fiduciaries that are responsible for ensuring the plan is managed in accordance with the law. The fiduciaries are responsible for the investment of the assets defining the investment strategy for long-term returns with an acceptable level of risk. The employees do not contribute to the plan and the employer contributes to the plan amounts which are at least equal to the minimum required by the law and not more than the maximum that would limit the tax deductibility of the contributions. The plan provides benefits on a defined benefit basis, and is closed to new employees.

The closed group of participants to the defined benefit plan continue to accrue benefits which are payable at retirement and on death in service. With exceptions for optional lump sum amounts for certain sections of the plan, the benefits are paid out as annuities.

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

The Group expects to contribute CHF 23 million to this plan in 2014 (2013: CHF 23 million).

Netherlands

The Pension Plan is a corporate pension plan for a single employer under Dutch pension law, and legally independent from the company. The plan's management and administration is in the responsibility of the Trustee Board.

The Board of Trustees is composed of equal numbers of employee and employer representatives. The Board of Trustees is responsible for the investment of the assets defining the investment strategy for long-term returns with an acceptable level of risk. The Pension Plan provides benefits on a defined benefits basis up to a capped pensionable salary, and on a defined contribution basis above the cap.

The majority of the employees are participants to the plan and are insured against the financial consequences of old age, disability and death. The disability benefits are reinsured with an insurance company. The employees pay contributions to the Pension Plan at rates set out in the Plan rules based on a percentage of salary, and the employer finances the difference with the required funding level. The benefits are paid out as annuities. The annuities are adjusted to inflation, under conditions and subject to pre-defined limits.

Under IAS19 employee benefits, the pension obligations up to the cap of pensionable salary are calculated by using the projected unit credit method.

The Group expects to contribute CHF 8 million to this plan in 2014 (2013: CHF 10 million).

United Kingdom

The two occupational pension schemes (Quest UK Pension Scheme and Givaudan UK Pension Plan) are arranged under the applicable UK Pension Schemes and Pensions Acts and managed as legally autonomous pension trusts by the Boards of Trustees.

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

The closed groups of participants to the defined benefit sections of both the Quest UK Pension Scheme or the Givaudan UK Pension Plan continue to accrue benefits for the events of retirement and death in service. The employer and the members pay contributions to the trusts at rates set out in the trust rules and the contribution schedule. The regular contributions are based on a percentage of pensionable salary. With exceptions for trivial amounts, transfer values, lump sum death benefits and tax free lump sums, the benefits are paid out as annuities.

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

The Group expects to contribute CHF 15 million to this plan in 2014 (2013: CHF 15 million).

Rest of the world

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

The Group expects to contribute CHF 3 million to these plans in 2014 (2013: CHF 2 million).

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

As at 31 December 2013 in millions of Swiss francs	Switzerland	United States of America	United Kingdom	Netherlands	Other countries	Total
Present value of defined benefit obligation	881	339	308	294	69	1,891
Fair value of plan asset	763	314	271	267	40	1,655
Deficit / (surplus)	**118**	**25**	**37**	**27**	**29**	**236**
In percentage	86.6%	92.6%	88.0%	90.8%	58.0%	87.5%

As at 31 December 2012 in millions of Swiss francs	Switzerland	United States of America	United Kingdom	Netherlands	Other countries	Total
Present value of defined benefit obligation	897	382	292	307	77	1,955
Fair value of plan asset	719	277	241	263	42	1,542
Deficit / (surplus)	**178**	**105**	**51**	**44**	**35**	**413**
In percentage	80.2%	72.5%	82.5%	85.7%	54.5%	78.9%

Key assumptions

2013 in percentage	Switzerland	United States of America	United Kingdom	Netherlands
Discount rate	2.25	5.05	4.40	3.50
Future salary increases	2.00	4.00	4.00	2.50
Future pension increases	0.00	n/a	3.30	1.00
Future average life expectancy for a pensioner retiring at age 65	21.8	20.2	24.3	22.9

2012 in percentage	Switzerland	United States of America	United Kingdom	Netherlands
Discount rate	2.00	4.25	4.00	3.00
Future salary increases	2.00	4.00	3.50	2.50
Future pension increases	0.00	n/a	2.83	1.00
Future average life expectancy for a pensioner retiring at age 65	21.7	20.2	24.2	22.8

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 mortality tables:

(i) Switzerland: BVG2010

(ii) United States of America: RP2000

(iii) United Kingdom: S1PAL

(iv) Netherlands: AG2012

Allowance for future improvements in mortality have been allowed for as appropriate in each country. In Switzerland and Netherlands the generational rates have been employed. 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 rates reflect the latest CMI projections with a 1% long term rate of improvement.

7. Share-based payments

Performance share plan

The performance share plan shown in the table below is the first plan of a series that will be granted on a yearly basis. The 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 a combination of the average sales growth of selected peer companies and the cumulative free cash flow margin. There is no market vesting conditions involved and participation in this plan is mandatory.

Year of grant	Commencing date	Vesting date	Number of shares expected to be delivered at vesting date on 31 Dec 2013	Weighted average fair value (CHF)
2013	29 Mar 2013	29 Mar 2016	52,797	1,041.4

The cost of the equity-settled instruments of CHF 14 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 2013	Number of options 2012
2008	4 Mar 2013	4 Mar 2010	1,113.6	12.5:1	14.23		163,300
2009	3 Mar 2014	3 Mar 2011	700.5	8.6:1	14.98	7,950	50,550
2010	3 Mar 2015	3 Mar 2012	925.0	9.5:1	15.16	34,450	259,950
2011	25 Feb 2016	25 Feb 2013	975.0	8.5:1	15.57	112,050	254,500
2012	1 Mar 2017	1 Mar 2014	915.0	7.0:1	15.41	280,500	280,500

a) Strike price and ratios of options have been adjusted consecutively to the approval by the shareholders, at the Annual General Meetings held in 2009, to distribute extraordinary dividends, subsequent to the share capital increase related to the rights issue.

The cost of these equity-settled instruments of CHF 2 million (2012: CHF 4 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	2013	Weighted average exercised price (CHF)	2012	Weighted average exercised price (CHF)
As at 1 January	**116,319**	**954.0**	**139,350**	**1,001.0**
Granted			41,130	916.9
Sold	(57,770)	972.4	(32,494)	904.3
Lapsed/cancelled	(748)	1,093.4	(31,667)	1,177.6
As at 31 December	**57,801**	**927.3**	**116,319**	**954.0**

Of the 57,801 outstanding options expressed in equivalent shares (2012: 116,319), 17,729 options (2012: 46,306) 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 right to receive a dividend or 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 2013	Number of restricted share 2012
2010	3 Mar 2015	3 Mar 2013	806.2		3,840
2011	25 Feb 2016	25 Feb 2014	866.3	9,907	9,953
2012	1 Mar 2017	1 Mar 2015	810.3	10,409	10,519
2013	1 Mar 2018	1 Mar 2016	970.4	1,125	

Of the 21,441 outstanding restricted shares (2012: 24,312), no share (2012: none) were deliverable. The cost of these equity-settled instruments of CHF 6 million (2012: CHF 6 million) has been expensed in the consolidated income statement.

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

Number of restricted shares	2013	2012
As at 1 January	**24,312**	**20,314**
Granted	1,125	10,519
Sold	(3,840)	(6,290)
Lapsed/cancelled	(156)	(231)
As at 31 December	**21,441**	**24,312**

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

Cash-settled instruments related to share options

Option 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 2013	Number of options 2012
2008	4 Mar 2013	4 Mar 2010	1,113.6	12.5:1	14.23		223,400
2009	3 Mar 2014	3 Mar 2011	700.5	8.6:1	14.98	16,350	41,550
2010	3 Mar 2015	3 Mar 2012	925.0	9.5:1	15.16	70,300	223,600
2011	25 Feb 2016	25 Feb 2013	975.0	8.5:1	15.57	80,815	196,750
2012	1 Mar 2017	1 Mar 2014	915.0	7.0:1	15.41	197,875	197,875

a) Strike price and ratios of options have been adjusted consecutively to the approval by the shareholders, at the Annual General Meetings held in 2009, to distribute extraordinary dividends, subsequent to the share capital increase related to the rights issue.

The change of the fair value and the execution of these cash-settled instruments resulted to a charge of CHF 17 million (2012: income of CHF 4 million) in the consolidated income statement. The liability element of the cash-settled instruments of CHF 18 million (2012: CHF 7 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	2013	Weighted average exercised price (CHF)	2012	Weighted average exercised price (CHF)
As at 1 January	**97,670**	**970.9**	**144,837**	**1,016.6**
Granted			28,625	915.0
Exercised	(49,318)	1,003.0	(39,681)	912.3
Lapsed/cancelled	(1,283)	1,113.2	(36,111)	1,190.1
As at 31 December	**47,069**	**920.6**	**97,670**	**970.9**

Of the 47,069 outstanding options expressed in equivalent shares (2012: 97,670), 18,801 options (2012: 46,256) 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

Option 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 2013	Number of options 2012
2010	3 Mar 2015	3 Mar 2013	806.2		1,632
2011	25 Feb 2016	25 Feb 2014	866.3	4,535	4,535
2012	1 Mar 2017	1 Mar 2015	810.3	4,783	4,783
2013	1 Mar 2018	1 Mar 2016	970.4	125	

The change of the fair value and the execution of these cash-settled instruments resulted to a charge of CHF 8 million (2012: charge of CHF 4 million) in the consolidated income statement. The liability element of these cash-settled instruments of CHF 10 million (2012: CHF 6 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	2013	2012
As at 1 January	**10,950**	**9,458**
Granted	125	4,793
Exercised	(1,592)	(2,836)
Lapsed/cancelled	(40)	(465)
As at 31 December	**9,443**	**10,950**

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.

8. Other operating income

in millions of Swiss francs	2013	2012
Gains on sale of intangible assets		27
Gains on sale of jointly controlled entity		9
Gains on fixed assets disposal	1	1
Other income	10	10
Total other operating income	**11**	**47**

In the year ended 31 December 2012, a one time income of CHF 9 million was recognised as a result of a gain on sale of the joint venture Pacific Aid.

In the year ended 31 December 2012, a one time income of CHF 27 million was recognised as a result of a gain on sale of intangible assets.

9. Other operating expense

in millions of Swiss francs	2013	2012
Amortisation of intangible assets	66	55
Impairment of long-lived assets	6	
Losses on fixed assets disposals	2	2
Business related information management project costs	-	3
Other expenses	8	20
Total other operating expense	**82**	**80**

In the year ended 31 December 2012, a provision related to the liquidation of the joint venture TecnoScent has been provided for an amount of CHF 2 million and was reported in other expenses.

10. Expenses by nature

in millions of Swiss francs	Note	2013	2012[a]
Raw materials and consumables used		1,619	1,768
Employee benefit expense	6	999	963
Depreciation, amortisation and impairment charges	19, 20	277	263
Transportation expenses		50	50
Freight expenses		97	97
Consulting and service expenses		118	100
Other expenses		516	390
Total operating expenses by nature		**3,676**	**3,631**

a) Previous year figures have been restated as a result of changes to accounting policies and presentation (see Note 2.1.1).

In 2012, Other Expenses of CHF 390 million included income of CHF 27 million as a result of a gain on the sale of intangible assets, as well as a transfer to intangible costs for internally incurred costs which were capitalised as part of the Group's ERP project.
In 2013 these items did not recur.

11. Financing costs

in millions of Swiss francs	2013	2012[a]
Interest expense	62	72
Net interest related to defined benefits pension plan	17	19
Derivative interest (gains) losses	4	(9)
Amortisation of debt discounts	2	2
Total financing costs	**85**	**84**

a) Previous year figures have been restated as a result of changes to accounting policies and presentation (see Note 2.1.1).

12. Other financial (income) expense, net

in millions of Swiss francs	2013	2012
Fair value and realised (gains) losses from derivatives instruments, net (at fair value through income statement)	(24)	(10)
Exchange (gains) losses, net	38	28
Gains from available-for-sale financial assets	(1)	(1)
Realised gains from available-for-sale financial assets removed from equity	-	-
Unrealised (gains)/losses from fair value through income statement financial instruments	(4)	(3)
Interest income	(2)	(3)
Capital taxes and other non business taxes	10	10
Other (income) expense, net	11	7
Total other financial (income) expense, net	**28**	**28**

13. Income taxes

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

	2013			2012[a]		
in millions of Swiss francs	Income statement	Other comprehensive income	Total	Income statement	Other comprehensive income	Total
Current income taxes	**142**	**(3)**	**139**	**153**	**(3)**	**150**
Adjustments of current tax of prior years	(19)		(19)	(8)		(8)
Deferred income taxes						
- adjustments of deferred tax of prior year	1		1	1		1
- origination and reversal of temporary differences	(32)	64	32	(38)	(13)	(51)
- changes in tax rates	(2)		(2)	(4)		(4)
- reclassified from equity to income statement	-	-	-	-	-	-
Total income tax expense	**90**	**61**	**151**	**104**	**(16)**	**88**

a) Previous year figures have been restated as a result of changes to accounting policies and presentation (see Note 2.1.1).

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

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

	2013	2012
Group's average applicable tax rate	**19%**	**23%**
Tax effect of		
Income not taxable	(1)%	(1)%
Expenses not deductible	1%	1%
Other adjustments of income taxes of prior years	(3)%	(2)%
Other differences	0%	(1)%
Group's effective tax rate	**16%**	**20%**

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	2013	2012
Current income tax assets	18	29
Current income tax liabilities	(82)	(99)
Total net current income tax asset (liability)	(64)	(70)

As at 31 December in millions of Swiss francs	2013	31 December 2012[a]	1 January 2012[a]
Deferred income tax assets	168	148	230
Deferred income tax liabilities	(87)	(34)	(169)
Total net deferred income tax asset (liability)	81	114	61

a) Previous year figures have been restated as a result of changes to accounting policies and presentation (see Note 2.1.1).

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 2014.

Deferred income tax assets are recognised for deductible temporary differences only to the extent that the realisation of the related tax benefit is probable. Of the deferred income tax assets of CHF 168 million, deferred tax assets of CHF 10 million have been recognised on loss carry forwards (2012: CHF 11 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 deductible temporary differences can be used against additional future taxable profits based on its business projections for these entities. The Group has no material unrecognised deductible temporary differences.

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 290 million at 31 December 2013 (2012: CHF 216 million).

Deferred income tax assets and liabilities and the related deferred income tax charges are attributable to the following items:

2013 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	(92)	(56)	166	11	85	114
(Credited) charged to consolidated income statement	2	12	(3)	1	21	33
(Credited) debited to other comprehensive income			(64)			(64)
Currency translation effects	2	(1)	(1)	(2)		(2)
Net deferred income tax asset (liability) as at 31 December	(88)	(45)	98	10	106	81

2012 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	(95)	(70)	(1)	12	59	(95)
Net deferred income tax asset (liability) as at 1 January restated	(95)	(70)	156	12	58	61
(Credited) charged to consolidated income statement	1	13	(1)	-	29	42
(Credited) debited to other comprehensive income			11		-	11
Currency translation effects	2	1	-	(1)	(2)	-
Net deferred income tax asset (liability) as at 31 December restated	(92)	(56)	166	11	85	114

14. 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:

	2013	2012[a]
Income attributable to equity holder of the parent (CHF million)	**490**	**410**
Weighted average number of shares outstanding		
Ordinary shares	9,233,586	9,233,586
Treasury shares	(62,567)	(130,434)
Net weighted average number of shares outstanding	**9,171,019**	**9,103,152**
Basic earnings per share (CHF)	**53.43**	**45.04**

a) 2012 income has been restated by the changes to accounting policies (see Note 2.1.1) and consequently changed the basic earnings per share from CHF 45.15 to CHF 45.04.

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:

	2013	2012[a]
Income attributable to equity holder of the parent (CHF million)	**490**	**410**
Weighted average number of shares outstanding for diluted earnings per share of 103,654 (2012: 61,451)	**9,274,673**	**9,164,603**
Diluted earnings per share (CHF)	**52.83**	**44.74**

a) 2012 income has been restated by the changes to accounting policies (see Note 2.1.1) and consequently changed the basic earnings per share from CHF 44.85 to CHF 44.74.

15. Cash and cash equivalents

in millions of Swiss francs	2013	2012
Cash on hand and balances with banks	306	218
Short-term investments	207	150
Balance as at 31 December	**513**	**368**

16. Available-for-sale financial assets

in millions of Swiss francs	2013	2012
Equity securities [a]	65	57
Bonds and debentures	36	36
Balance as at 31 December	**101**	**93**
Current assets	62	57
Non-current assets [b]	39	36
Balance as at 31 December	**101**	**93**

a) In 2013 and 2012 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.

17. Accounts receivable – trade

in millions of Swiss francs	2013	2012
Accounts receivable	852	844
Notes receivable	-	1
Less: provision for impairment	(8)	(7)
Balance as at 31 December	**844**	**838**

Ageing list:

in millions of Swiss francs	2013	2012
Neither past due nor impaired	775	752
Less than 30 days	53	66
30 – 60 days	11	10
60 – 90 days	4	6
Above 90 days	9	11
Less: provision for impairment	(8)	(7)
Balance as at 31 December	**844**	**838**

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

in millions of Swiss francs	2013	2012
Balance as at 1 January	**(7)**	**(9)**
Increase in provision for impairment recognised in consolidated income statement	(3)	(6)
Amounts written off as uncollectible	-	1
Reversal of provision for impairment	2	7
Currency translation effects	-	-
Balance as at 31 December	**(8)**	**(7)**

No significant impairment charge has been recognised in the consolidated income statement in 2013 or 2012. Past due and impaired receivables are still considered recoverable. The carrying amount of accounts receivable trade is considered to correspond to the fair value.

18. Inventories

in millions of Swiss francs	2013	2012
Raw materials and supplies	264	306
Work in process	23	21
Intermediate and finished goods	436	434
Less: allowance for slow moving and obsolete inventories	(31)	(36)
Balance as at 31 December	**692**	**725**

In 2013, the amount of write-down of inventories was CHF 33 million (2012: CHF 40 million). At 31 December 2013 and 2012 no significant inventory was valued at net realisable value.

19. Property, plant and equipment

2013 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	**100**	**661**	**534**	**93**	**1,388**
Additions		2	7	116	125
Disposals		(1)	(3)		(4)
Transfers	1	34	85	(120)	
Impairment		(4)	(2)		(6)
Depreciation		(28)	(83)		(111)
Reclassified as inventories		(1)	(1)		(2)
Currency translation effects	(3)	(15)	(11)	(6)	(35)
Balance as at 31 December	**98**	**648**	**526**	**83**	**1,355**
Cost	98	1,084	1,625	83	2,890
Accumulated depreciation		(410)	(1,087)		(1,497)
Accumulated impairment		(26)	(12)		(38)
Balance as at 31 December	**98**	**648**	**526**	**83**	**1,355**

2012 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**	**580**	**491**	**190**	**1,366**
Additions		1	9	146	156
Disposals		(1)	(2)		(3)
Transfers		118	122	(240)	
Depreciation		(27)	(81)		(108)
Reclassified as intangible assets	(3)				(3)
Currency translation effects	(2)	(10)	(5)	(3)	(20)
Balance as at 31 December	**100**	**661**	**534**	**93**	**1,388**
Cost	100	1,076	1,609	93	2,878
Accumulated depreciation		(392)	(1,064)		(1,456)
Accumulated impairment		(23)	(11)		(34)
Balance as at 31 December	**100**	**661**	**534**	**93**	**1,388**

Qualifying assets related to the investment in Hungary and Singapore for which borrowing costs directly attributable to its acquisition or construction were recognised. At 31 December 2013 the capitalised borrowing costs amounted to CHF 3.5 million (2012: CHF 3 million).

Fire insurance value of property, plant and equipment amounted to CHF 4,259 million in 2013 (2012: CHF 3,961 million).

20. Intangible assets

2013 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	**1,688**	**158**	**116**	**296**	**197**	**2,455**
Additions			2	49		51
Disposals						
Impairment						
Amortisation		(17)	(44)	(78)	(21)	(160)
Currency translation effects	(72)		(1)		(1)	(74)
Balance as at 31 December	**1,616**	**141**	**73**	**267**	**175**	**2,272**
Cost	1,616	339	379	492	321	3,147
Accumulated amortisation		(198)	(306)	(225)	(146)	(875)
Balance as at 31 December	**1,616**	**141**	**73**	**267**	**175**	**2,272**

2012 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	1,716	175	170	284	218	2,563
Additions				72		72
Disposals						
Impairment						
Amortisation		(17)	(58)	(59)	(21)	(155)
Reclassified from property, plant and equipment			3			3
Currency translation effects	(28)		1	(1)		(28)
Balance as at 31 December	1,688	158	116	296	197	2,455
Cost	1,688	339	381	442	322	3,172
Accumulated amortisation		(181)	(265)	(146)	(125)	(717)
Balance as at 31 December	1,688	158	116	296	197	2,455

Classification of amortisation expenses is as follows:

			2013			2012
in millions of Swiss francs	Fragrances	Flavours	Total	Fragrances	Flavours	Total
Cost of sales	1	1	2	-	1	1
Marketing and distribution expenses	15	15	30	13	11	24
Research and product development expenses	23	39	62	30	45	75
Other operating expense	33	33	66	27	28	55
Total	**72**	**88**	**160**	70	85	155

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 447 million (2012: CHF 466 million) to the Fragrance Division and CHF 1,169 million (2012: CHF 1,222 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 9.0% (2012: 9.0%) 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 2.17.

Remaining useful lives of major classes of amortisable intangible assets are as follows:

- Software/ERP system 2.6 years
- Process-oriented technology 2.3 years
- Client relationships 8.2 years
- Intellectual property rights 8.3 years

21. Debt

2013 in millions of Swiss francs	Within 1 to 3 years	Within 3 to 5 years	Thereafter	Total long-term	Short-term within 1 year	Total
Floating rate debt						
Bank facility						
Bank overdrafts					3	3
Total floating rate debt					**3**	**3**
Fixed rate debt						
Bank borrowings						
Straight bonds	149	298	147	594	300	894
Private placements	94		221	315	117	432
Total fixed rate debt	**243**	**298**	**368**	**909**	**417**	**1,326**
Balance as at 31 December	**243**	**298**	**368**	**909**	**420**	**1,329**

2012 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		200		200		200
Bank overdrafts					5	5
Total floating rate debt		**200**		**200**	**5**	**205**
Fixed rate debt						
Bank borrowings					8	8
Straight bonds	299	149	444	892		892
Private placements	165	50		215	201	416
Total fixed rate debt	**464**	**199**	**444**	**1,107**	**209**	**1,316**
Balance as at 31 December	**464**	**399**	**444**	**1,307**	**214**	**1,521**

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. Givaudan United States, Inc has always been in full compliance with the covenants set. On 28 May 2013, Givaudan United States, Inc reimbursed USD 110 million (CHF 103 million) of private placement. The total outstanding at 31 December 2013 is USD 50 million (equivalent to CHF 45 million).

On 9 July 2003, the Group entered into a private placement for a total amount of CHF 100 million with an annual interest rate of 3.3%. The private placement was made by Givaudan SA. In July 2013, the CHF 100 million has been reimbursed.

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 April 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 2013 being USD 130 million (equivalent to CHF 116 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 redeemed on 1 June 2012.

In the frame of the Quest acquisition, the Group entered on 2 March 2007 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. In August 2012, a tranche of CHF 400 million of the multilateral facility has been extended by one year to July 2017. In November 2012, a repayment of CHF 50 million of the multilateral facility has been made. In 2013, CHF 200 million of the multilateral facility has been reimbursed.

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 19 March 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 dual tranche public bond 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.

In November 2012, Givaudan United States, Inc entered into three private placements for a total amount of USD 250 million (CHF 228 million) respectively USD 40 million redeemable in February 2020 with an annual interest rate of 2.74%, USD 150 million redeemable in February 2023 with an annual interest rate of 3.30% and USD 60 million redeemable in February 2025 with an annual interest rate of 3.45%. The proceeds of these transactions have been received on 6 February 2013. There are various covenants contained in these transactions covering conditions on net worth, indebtedness and EBITDA ratio to net interest expense of Givaudan United States, Inc. The company is and has been in full compliance with the covenant set.

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

in millions of Swiss francs	2013	2012
Swiss Franc	944	1,242
US Dollars	382	267
Other currencies	3	12
Total debt as at 31 December	**1,329**	**1,521**

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

	2013	2012
Amounts due to banks and other financial institutions		0.6%
Private placements	4.0%	4.5%
Straight bond	3.0%	3.0%

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22. Provisions

2013 in millions of Swiss francs	Restructuring	Claims and litigation	Environmental	Others	Total
Balance as at 1 January	**27**	**5**	**15**	**25**	**72**
Additional provisions	3	1	1	2	7
Unused amounts reversed	(2)	(3)	-	(1)	(6)
Utilised during the year	(15)	(1)	(4)	(3)	(23)
Currency translation effects	(1)	-	-	(1)	(2)
Balance as at 31 December	**12**	**2**	**12**	**22**	**48**
Current liabilities	11	-	4	1	16
Non-current liabilities	1	2	8	21	32
Balance as at 31 December	**12**	**2**	**12**	**22**	**48**

2012 in millions of Swiss francs	Restructuring from Quest acquisition	Other restructuring	Claims and litigation	Environmental	Others	Total
Balance as at 1 January	**7**	**30**	**13**	**17**	**25**	**92**
Additional provisions	1	8	2	4	8	23
Unused amounts reversed	-	(3)	(9)	(2)	(1)	(15)
Utilised during the year	(7)	(10)	-	(3)	(7)	(27)
Currency translation effects	-	1	(1)	(1)	-	(1)
Balance as at 31 December	**1**	**26**	**5**	**15**	**25**	**72**
Current liabilities	1	16	1	5	3	26
Non-current liabilities		10	4	10	22	46
Balance as at 31 December	**1**	**26**	**5**	**15**	**25**	**72**

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

Restructuring provisions

Restructuring provisions arise from re-organisations of the Group operations and management structure.

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.

23. Own equity instruments

Details of own equity instruments are as follows:

2013 As at 31 December	Settlement	Category	Maturity	Strike price[a] (CHF)	in equivalent shares	Fair value in millions CHF
Registered shares		Equity			45,020	57
Written calls	Gross shares	Equity	2014 – 2016	700.5 – 975	119,495	42
Purchased calls	Net cash	Derivative	2014 – 2016	700.5 – 975	41,163	15
Purchased calls	Gross shares	Equity	2014 – 2016	1197.6 – 1222	44,000	6
Written puts	Gross shares	Financial liability	2014 – 2016	1108 – 1200	44,000	4

a) Strike price of options have been adjusted consecutively to the approval by the shareholders, at the Annual General Meetings held in 2009, to distribute extraordinary dividends subsequent to the share capital increase related to the rights issue.

2012 As at 31 December	Settlement	Category	Maturity	Strike price[a] (CHF)	in equivalent shares	Fair value in millions CHF
Registered shares		Equity			128,363	124
Written calls	Gross shares	Equity	2013 – 2016	700.5 – 1,113.2	413,727	46
Purchased calls	Net cash	Derivative	2013 – 2016	700.5 – 1,113.2	94,727	8
Purchased calls	Gross shares	Equity	2013	748.4	5,000	1
Written puts	Gross shares	Financial liability	2013	748.4	5,000	-

a) Strike price of options have been adjusted consecutively to the approval by the shareholders, at the Annual General Meetings held in 2009, to distribute extraordinary dividends subsequent to the share capital increase related to the rights issue.

24. Equity

Share capital

As at 31 December 2013, the share capital amounts to CHF 92,335,860, divided into 9,233,586 fully paid-up registered shares, with a nominal value of CHF 10.00 each. Every share gives the right to one vote.

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

At the Annual General Meeting held on 21 March 2013 a distribution to the shareholders of CHF 36.00 per share (2012: CHF 22.00 per share) was approved. The payment has been made out of general legal reserve – additional paid-in capital, according to the Swiss tax legislation.

Movements in own equity instruments are as follows:

		Price in Swiss francs			Total in millions
2013	Number	High	Average	Low	of Swiss francs
Balance as at 1 January	**128,363**				**47**
Purchases at cost					
Sales and transfers	(83,343)	999,3	999,3	999,3	(83)
Issuance of shares					
(Gain) loss, net recognised in equity					9
Movement on registered shares, net					**(74)**
Movement on derivatives on own shares, net					**97**
Balance as at 31 December	**45,020**				**70**

		Price in Swiss francs			Total in millions
2012	Number	High	Average	Low	of Swiss francs
Balance as at 1 January	**144,346**				**72**
Purchases at cost					
Sales and transfers	(15,983)	999.3	999.3	999.3	(15)
Issuance of shares					
(Gain) loss, net recognised in equity					(3)
Movement on registered shares, net					**(18)**
Movement on derivatives on own shares, net					**(7)**
Balance as at 31 December	**128,363**				**47**

25. 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	2013	2012
Within one year	22	23
Within two to five years	50	57
Thereafter	39	49
Total minimum payments	**111**	**129**

The 2013 charge in the consolidated income statement for all operating leases was CHF 33 million (2012: CHF 44 million).

The Group has capital commitments for the purchase or construction of property, plant and equipment totalling CHF 38 million (2012: CHF 18 million).

26. 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.

27. 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	2013	2012
Salaries and other short-term benefits	10	9
Post-employment benefits	1	-
Share-based payments	11	4
Total compensation	**22**	**13**

No other related party transactions have taken place during 2013 (2012: 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	**2013**	2012	**2013**	2012	**2013**	2012
Salaries and other short-term benefits	10	9	(2)	(2)	8	7
Post-employment benefits	1	-	1	2	2	2
Share-based payments	11	4	(2)	2	9	6
Total compensation	**22**	**13**	**(3)**	**2**	**19**	**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.

There are no other significant related party transactions.

28. 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:

2013 in Swiss francs	Jürg Witmer Chairman	André Hoffmann	Lilian Biner	Irina du Bois	Peter Kappeler	Thomas Rufer	Nabil Sakkab	Total compensation 2013	Total compensation 2012
Director fees	400,000	100,000	100,000	100,000	100,000	100,000	100,000	**1,000,000**	990,000
Committee fees	40,000	40,000	25,000	50,000	50,000	55,000	25,000	**285,000**	305,000
Total fixed (cash)	440,000	140,000	125,000	150,000	150,000	155,000	125,000	**1,285,000**	1,295,000
Number of RSUs granted[a]	500	125	125	125	125	125	125	**1,250**	1,260
Value at grant[b]	485,200	121,300	121,300	121,300	121,300	121,300	121,300	**1,213,000**	1,020,980
Total compensation	**925,200**	**261,300**	**246,300**	**271,300**	**271,300**	**276,300**	**246,300**	**2,498,000**	**2,315,980**

Payment to Board members for out-of-pocket expenses amounted to CHF 60,000.

a) RSUs (Restricted Shares Unit) vest on 1 March 2016.

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

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 2013.

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:

2013 in Swiss francs	Gilles Andrier CEO	Executive Committee members (excluding CEO)[a]	Total compensation 2013	Total compensation 2012
Base salary	1,009,600	2,478,029	3,487,629	3,448,446
Pension benefits[b]	137,140	729,050	866,190	570,084
Other benefits[c]	152,499	649,773	802,272	967,694
Total fixed compensation	**1,299,239**	**3,856,852**	**5,156,091**	**4,986,224**
Annual incentive[d]	1,083,907	1,902,116	2,986,023	2,276,282
Number of 2013 performance shares granted[e]	*2,000*	*6,250*	*8,250*	
Value at grant[f]	2,082,800	6,508,750	8,591,550	
Number of options granted[g]				*90,000*
Value at grant[h]				1,386,900
Number of RSUs granted[i]				*3,000*
Value at grant[j]				2,430,900
Number of 2008-2012 performance shares granted[k]				*9,900*
Annualised value at grant[l]				1,760,814
Total variable compensation	**3,166,707**	**8,410,866**	**11,577,573**	**7,854,896**
Total compensation	**4,465,946**	**12,267,718**	**16,733,664**	**12,841,120**

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

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

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

d) Annual incentive accrued in reporting period based on 2013 performance.

e) Performance shares vest in March 2016.

f) Value at grant calculated according to IFRS methodology and based on 100% achievement of performance targets.

g) Options vest on 1 March 2014.

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

i) Restricted Share Units vest on 1 March 2015.

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

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

l) Annualised value at grant calculated according to IFRS methodology and based on 100% achievement of performance target; actual payout percentage was 50%.

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 2013.

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 2013:

2013 in numbers	Shares	RSUs	Share options/Option rights Maturity 2014	Share options/Option rights Maturity 2015
Jürg Witmer, Chairman	1,400	1,509	–	–
André Hoffmann[a]	86,929	377	6,700	6,700
Lilian Biner		377	–	–
Irina du Bois	173	377	–	–
Peter Kappeler	171	377	–	–
Thomas Rufer	213	377	–	–
Nabil Sakkab		377	–	1,675
Total Board of Directors	**88,886**	**3,771**	**6,700**	**8,375**

a) The following Givaudan derivatives were also held by Mr Hoffmann as at 31 December 2013: - 30,000 call warrants UBS – Givaudan 15.08.2016 (ISIN value no. CH 022 483 99 82).

2013 in numbers	Shares	Unvested share rights*	Share options/Option rights Maturity 2014	Share options/Option rights Maturity 2015	Share options/Option rights Maturity 2016	Share options/Option rights Maturity 2017
Gilles Andrier, CEO	1,050	4,332	–	–	–	–
Matthias Währen	750	2,404	–	–	–	20,000
Mauricio Graber	350	2,027	–	–	–	20,000
Michael Carlos	750	3,004	–	–	–	20,000
Joe Fabbri[a]	729	1,533	–	–	5,000	15,000
Adrien Gonckel	620	1,533	–	–	15,000	15,000
Total Executive Committee	**4,249**	**14,833**	**0**	**0**	**20,000**	**90,000**

*Includes unvested performance shares and/or restricted shares.

a) Mr Fabbri also held 4,133 Givaudan American depositary receipts (Symbol: GIVDN.Y; 50:1 ratio) as at 31 December 2013.

The company is not aware of any ownership of shares, share options, option rights or restricted shares as at 31 December 2013 by persons closely connected to the Board of Directors.

Three people closely connected to members of the Executive Committee owned Givaudan securities as per 31 December 2013:

- One person owned 109 shares
- One person owned 500 Givaudan American depository receipts
- One person owned 206 unvested share rights

The company is not aware of any other ownership of shares, share options, option rights, restricted shares or performance shares as at 31 December 2013 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 2013:

Year of grant	Maturity date	Vesting date	Ticker	Strike price (CHF)	Ratio (option: share)	Option value at grant date (CHF)	Number of options held
2009 [a]	3 Mar 2014	3 Mar 2011	GIVLM	700.5	8.6:1	14.98	6,700
2010	3 Mar 2015	3 Mar 2012	GIVNT	925.0	9.5:1	15.16	8,375

a) Strike price and ratio of options have been adjusted consecutively to the approval by the shareholders, at the Annual General Meeting held in 2009, to distribute extraordinary dividends 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 2013:

Year of grant	Maturity date	Vesting date	Ticker	Strike price (CHF)	Ratio (option: share)	Option value at grant date (CHF)	Number of options held
2009 [a]	3 Mar 2014	3 Mar 2011	GIVLM	700.5	8.6:1	14.98	0
2010	3 Mar 2015	3 Mar 2012	GIVNT	925.0	9.5:1	15.16	0
2011	25 Feb 2016	25 Feb 2013	GIVYX	975.0	8.5:1	15.57	20,000
2012	1 Mar 2017	1 Mar 2014	GIVFV	915.0	7.0:1	15.41	90,000

a) Strike price and ratio of options have been adjusted consecutively to the approval by the shareholders, at the Annual General Meeting held in 2009, to distribute extraordinary dividends subsequent to the share capital increase related to the rights issue.

29. List of principal group companies

The following are the principal companies of the Group. The companies are wholly-owned unless otherwise indicated (percentage of voting rights). Share capital is shown in thousands of currency units:

Switzerland	Givaudan SA	CHF	92,336
	Givaudan Suisse SA	CHF	4,000
	Givaudan Finance SA	CHF	100,000
	Givaudan International SA	CHF	100
Argentina	Givaudan Argentina SA	ARS	3,010
	Givaudan Argentina Servicios SA	ARS	5,000
Australia	Givaudan Australia Pty Ltd	AUD	21,012
Austria	Givaudan Austria GmbH	EUR	40
Bermuda	FF Holdings (Bermuda) Ltd	USD	12
	Givaudan International Ltd	USD	12
	FF Insurance Ltd	CHF	170
Brazil	Givaudan do Brasil Ltda	BRL	133,512
Canada	Givaudan Canada Co	CAD	12,901
Chile	Givaudan Chile Ltda	CLP	5,000
China	Givaudan Fragrances (Shanghai) Ltd	USD	7,750
	Givaudan Flavors (Shanghai) Ltd	USD	10,783
	Givaudan Specialty Products (Shanghai) Ltd	USD	12,000
	Givaudan Hong Kong Ltd	HKD	7,374
	Givaudan Flavors (Nantong) Ltd	USD	12,501
Colombia	Givaudan Colombia SA	COP	6,965,925
Czech Republic	Givaudan CR, s.r.o.	CZK	200
Egypt	Givaudan Egypt SAE	USD	2,000
	Givaudan Egypt Fragrances LLC	EGP	50
France	Givaudan France SAS	EUR	4,696
Germany	Givaudan Deutschland GmbH	EUR	4,100
Hungary	Givaudan Hungary Kft	EUR	2
	Givaudan Finance Services Kft	EUR	2
India	Givaudan (India) Private Ltd	INR	87,330
Indonesia	P.T. Givaudan Indonesia	IDR	2,608,000
Italy	Givaudan Italia SpA	EUR	520
Japan	Givaudan Japan K.K.	JPY	1,000,000
Korea	Givaudan Korea Ltd	KRW	550,020
Malaysia	Givaudan Malaysia Sdn.Bhd	MYR	200
Mexico	Givaudan de Mexico SA de CV	MXN	53,611
Netherlands	Givaudan Nederland B.V.	EUR	402
	Givaudan 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	360,002
Spain	Givaudan Iberica, SA	EUR	8,020
Sweden	Givaudan North Europe AB	SEK	120
Thailand	Givaudan (Thailand) Ltd	THB	100,000
Turkey	Givaudan Aroma v Esans Sanayi ve Ticaret Limited Sirketi	TRY	34
United Kingdom	Givaudan UK Ltd	GBP	70
	Givaudan Holdings UK Ltd	GBP	317,348
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

30. Disclosure of the process of risk assessment

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

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

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

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

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

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

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

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

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

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 of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the accompanying consolidated financial statements of Givaudan SA presented on pages 86 to 140, 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, 2013.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of these 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 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 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, 2013 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, January 28, 2014
THA/AJH/rja

Audit. Tax. Consulting. Corporate Finance.

Member of Deloitte Touche Tohmatsu

Statutory financial statements of Givaudan SA (Group Holding Company)

Income statement
For the year ended 31 December

in millions of Swiss francs	Note	2013	2012
Income from investments in Group companies	8	273	103
Royalties from Group companies		780	672
Interest income from Group companies		2	
Other income		72	66
Total income		**1,127**	**841**
Research and development expenses to Group companies		(274)	(236)
Interest expense to Group companies		(1)	
Amortisation of intangible assets		(104)	(87)
Other financial expenses		(138)	(109)
Other expenses	8	(85)	(90)
Withholding taxes and capital taxes		(26)	(24)
Total expenses		**(628)**	**(546)**
Income before taxes		**499**	**295**
Income taxes		(17)	(15)
Net income		**482**	**280**

Statement of financial position

As at 31 December

in millions of Swiss francs	Note	2013	2012
Cash and cash equivalents	3	1	160
Marketable securities		37	106
Accounts receivable from Group companies		148	84
Other current assets		7	8
Current assets		**193**	**358**
Investments in Group companies	8	3,971	4,097
Loans to Group companies	8	150	
Intangible assets		430	485
Other long-term assets		21	10
Non-current assets		**4,572**	**4,592**
Total assets		**4,765**	**4,950**
Short-term debt	3, 4	515	100
Accounts payable to Group companies		63	57
Other payables and accrued liabilities		55	58
Current liabilities		**633**	**215**
Long-term debt	4	594	1,142
Loans from Group companies		-	180
Other non-current liabilities		68	94
Non-current liabilities		**662**	**1,416**
Total liabilities		**1,295**	**1,631**
Share capital	6, 7	92	92
General legal reserve - first attribution	6, 7	18	17
- additional paid-in capital	6, 7	1,296	1,627
Reserve for own equity instruments	6, 7	66	135
Free reserve	6, 7	1,176	907
Retained earnings			
Balance brought forward from previous year		340	261
Net profit for the year		482	280
Equity		**3,470**	**3,319**
Total liabilities and equity		**4,765**	**4,950**

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 Code of Obligations and accepted business principles.

2. Valuation methods and translation of foreign currencies

Investments in, and loan to, 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 statement of financial position, 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.

3. Cash and cash equivalents, short term debt

Cash and cash equivalents includes an amount of CHF -165 million (2012: CHF 157 million) related to the cash pooling agreements with a Group company that has been reclassified in the short term debt.

4. Debt

On 9 July 2003, Givaudan SA entered into a private placement for a total amount of CHF 100 million with an annual interest rate of 3.3%. In July 2013, the CHF 100 million has been reimbursed.

In the frame of the Quest acquisition, Givaudan SA entered on 2 March 2007 into a syndicated loan agreement for a total amount of CHF 1.9 billion. In July 2011 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. In August 2012, a tranche of CHF 400 million of the multilateral facility has been extended by one year to July 2017. In November 2012, a repayment of CHF 50 million of the multilateral facility been made. In 2013, CHF 200 million of the multilateral facility has been reimbursed.

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 19 March 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 dual tranche public bond 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. Taxes

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

6. Equity

As at 31 December 2013, the share capital amounts to CHF 92,335,860, divided into 9,233,586 fully paid-up registered shares, with a nominal value of CHF 10.00 each. Every share gives the right to one vote.

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

At the Annual General Meeting held on 21 March 2013 a distribution to the shareholders of CHF 36.00 per share (2012 CHF 22.00 per share) was approved. The payment has been made out of general legal reserve – additional paid-in capital, according to the Swiss tax legislation

Movements in reserve for own shares are as follows:

2013		Price in Swiss francs			Total in millions of Swiss francs
	Number	High	Average	Low	
Balance as at 1 January	**128,363**				**135**
Purchases at cost					
Sales and transfers at cost	(83,343)	827.4	827.4	827.4	(69)
Issuance of shares					
Balance as at 31 December	**45,020**				**66**

2012		Price in Swiss francs			Total in millions of Swiss francs
	Number	High	Average	Low	
Balance as at 1 January	**144,346**				**148**
Purchases at cost					
Sales and transfers at cost	(15,983)	827.4	827.4	827.4	(13)
Issuance of shares					
Balance as at 31 December	**128,363**				**135**

As at 31 December 2013, there are no other companies controlled by Givaudan SA that held Givaudan SA shares.

On 31 December 2013, William H. Gates III, Blackrock Inc., Nortrust Nominee Ltd and Chase Nominees Ltd were the only shareholders holding more than 5% of total voting rights.

7. Movements in equity

2013 in millions of Swiss francs	Share Capital	General legal reserve: First attribution	General legal reserve: Additional paid-in capital	Reserve for own equity instruments	Free reserve	Retained earnings	Total
Balance as at 1 January	**92**	**17**	**1,627**	**135**	**907**	**541**	**3,319**
Registered shares							
Issuance of shares							
Appropriation of available earnings							
Transfer to the free reserve					200	(200)	
Transfer to the general legal reserve		1				(1)	
Distribution to the shareholders paid relating to 2012			(331)				(331)
Transfer to/from the reserve for own equity instruments				(69)	69		
Net profit for the year						482	482
Balance as at 31 December	**92**	**18**	**1,296**	**66**	**1,176**	**822**	**3,470**

2012 in millions of Swiss francs	Share Capital	General legal reserve: First attribution	General legal reserve: Additional paid-in capital	Reserve for own equity instruments	Free reserve	Retained earnings	Total
Balance as at 1 January	**92**	**17**	**1,827**	**148**	**694**	**461**	**3,239**
Registered shares							
Issuance of shares							
Appropriation of available earnings							
Transfer to the free reserve					200	(200)	
Distribution to the shareholders paid relating to 2011			(200)				(200)
Transfer to/from the reserve for own equity instruments				(13)	13		
Net profit for the year						280	280
Balance as at 31 December	**92**	**17**	**1,627**	**135**	**907**	**541**	**3,319**

In compliance with the Swiss tax legislation, reserves from additional paid-in capital are presented separately in equity. Any payment made out of these reserves are not subject to Swiss withholding tax, nor subject to income tax on individual shareholders who are resident in Switzerland. 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
Argentina	Givaudan Argentina SA
	Givaudan Argentina Servicios SA
Australia	Givaudan Australia Pty Ltd
Austria	Givaudan Austria GmbH
Brazil	Givaudan do Brasil Ltda
Canada	Givaudan Canada Co
Chile	Givaudan Chile Ltda
China	Givaudan Fragrances (Shanghai) Givaudan Ltd
	Givaudan Flavors (Shanghai) Ltd
	Givaudan Specialty Products (Shanghai) Ltd
	Givaudan Hong Kong Ltd
	Givaudan Flavors (Nantong) Ltd

Colombia	Givaudan Colombia SA
Czech Republic	Givaudan CR, s.r.o.
Egypt	Givaudan Egypt SAE Givaudan Egypt Fragrances LLC
Germany	Givaudan Deutschland GmbH
Hungary	Givaudan Hungary Kft Givaudan Finance Services Kft
India	Givaudan (India) Private Ltd
Indonesia	P.T Givaudan 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 2013, Givaudan SA increased its investments in Givaudan Nantong Ltd, Givaudan Hungary Kft, Givaudan Australia Pty Ltd, Givaudan Argentina Servicios SA and Givaudan India Private Ltd. Givaudan Trading SA has been liquidated.

In 2013, the share capital of Givaudan Finance SA was reduced by CHF 200 million in order to maintain an appropriate capital structure.

9. 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 28.

10. 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 30 in the consolidated financial statements of this financial report).

Appropriation of available earnings and distribution from the general legal reserve – additional paid-in capital of Givaudan SA

Proposal of the Board of Directors to the general meeting of shareholders

Available earnings

in Swiss francs	2013	2012
Net profit for the year	481,890,228	280,326,383
Balance brought forward from previous year	339,939,663	260,829,199
Total available earnings	**821,829,891**	**541,155,582**
Transfer to free reserve	400,000,000	200,000,000
Transfer to the general reserve – first attribution		1,215,919
Total appropriation of available earnings	**400,000,000**	**201,215,919**
Amount to be carried forward	**421,829,891**	**339,939,663**

General legal reserve – additional paid-in capital

in Swiss francs	2013	2012
Additional paid-in capital from issuance of shares		
Balance brought forward from previous year	1,296,222,230	1,627,010,606
General legal reserve – additional paid-in capital	**1,296,222,230**	**1,627,010,606**
2012 distribution of CHF 36.00 gross per share [a]		332,409,096
Total appropriation of general legal reserve – additional paid-in capital		**332,409,096**
2013 distribution proposal of CHF 47.00 gross per share [a]	433,978,542	
Total appropriation of general legal reserve – additional paid-in capital	433,978,542	
Distribution not paid on Treasury shares held by the Group		**1,620,720**
Amount to be carried forward	**862,243,688**	**1,296,222,230**

a) All distributions of reserves are subject to the requirements of the Swiss Code of Obligations.

Report of the statutory auditors

On the statutory financial statements

Deloitte.

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Report of the statutory auditor
to the General Meeting of
Givaudan SA, Vernier

Report of the statutory auditor on the financial statements
As statutory auditor, we have audited the accompanying financial statements of Givaudan SA presented on pages 142 to 147, which comprise the income statement, the statement of financial position and the notes for the year ended December 31, 2013.

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, 2013 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 and distribution from the general legal reserve – additional paid-in capital 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, January 28, 2014
THA/AJH/rja

Audit. Tax. Consulting. Corporate Finance.
Member of Deloitte Touche Tohmatsu

Givaudan worldwide

Country	Address	Legal Entity name	Fragrances	Flavours	Sales	Creation/ Application	Production	Financing Services
Argentina	San Lorenzo 4759, Esquina Ave Mitre, Munro, Prov. Buenos Aires B 1605 EIO	Givaudan Argentina SA		■	■	■	■	
	Ruta 9 Panamericana Km 36.5, Partido Malvinas Argentinas, Buenos Aires B1667KOV	Givaudan Argentina SA	■		■	■	■	
	Tronador 4890, 8° piso, Buenos Aires C 1430 DNN CABA	Givaudan Argentina Servicios 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, 1109 Vienna	Givaudan Austria GmbH		■	■	■		
Bermuda	Hamilton	Givaudan International Ltd						■
		FF Holdings (Bermuda) Ltd						■
		FF Insurance Ltd						■
Brazil	Avenida Engenheiro Billings 2185, SP - São Paulo, SP - CEP 05321-010	Givaudan do Brasil Ltda	■	■	■	■	■	
	Avenida Engenheiro Billings 1653 & 1729, Edifício 31, 1º andar, Condominio Empresarial Roche, Jaguaré, São Paulo, SP - CEP 05321-010	Givaudan do Brasil Ltda	■		■	■		
Canada	2400 Matheson Blvd., East Mississauga, Ontario 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	■		■			
	15F, Tower 2, Kun Sha Center, No. 16 Xin Yuan Li Road, Chao Yang District, 100027 Beijing	Givaudan Flavors (Shanghai) Ltd Beijing Branch		■	■	●		
	298 Li Shi Zhen Road, Zhangjiang High-Tech Park, Pudong New Area, 201203 Shanghai	Givaudan Fragrances (Shanghai) Ltd	■		■	■	■	
	668 Jing Ye Road, Jin Qiao Export Area, Pu Dong New Area, 201201 Shanghai	Givaudan Flavors (Shanghai) Ltd		■	■	■	■	
	Unit 6-7, 15F Shuion Center, No 374-2 Beijing Road, Yue Xiu District, 510030 Guangzhou	Givaudan Fragrances (Shanghai) Ltd Guangzhou Branch	■		■			
	Unit 5, 15F Shuion Center, No 374-2 Beijing Road, Yue Xiu District, 510030 Guangzhou	Givaudan Flavors (Shanghai) Ltd Guangzhou Branch		■	■	●		
	222, Jiang Tian East Road, Songjiang Development Zone, 201600 Shanghai	Givaudan Specialty Products (Shanghai) Ltd	■	■			■	
	298 Li Shi Zhen Road, Zhangjiang High-Tech Park, Pudong New Area, 201203 Shanghai	Givaudan Management Consulting (Shanghai) Ltd						■
	Unit 1001 10 F Miramar Tower, 132 Nathan Road, Tsim Sha Tsui, Hong Kong	Givaudan Hong Kong Ltd	■	■	■			
Colombia	Carrera 98 No. 25 G - 40, 151196 Bogotá D.C.	Givaudan Colombia SA	■	■	■	■		
Czech Republic	Klimentská 10, Praha 110 00	Givaudan CR, s.r.o.		■	■			
Egypt	P.O. Box 95, Piece 37, Industriel Zone 3, 6th of October City	Givaudan Egypt SAE		■	■	■	■	
	46 El Thawra st., 3rd floor, Appt 304, Heliopolis	Givaudan Egypt Fragrances LLC	■		■			
Finland	Niemenkatu 73, 15140 Lahti	Givaudan International SA, Branch in Finland		■	■			
France	46, avenue Kléber, 75116 Paris	Givaudan France SAS	■		■	■		
	55 Rue de la Voie des Bans, CS500024, 95102 Argenteuil Cedex	Givaudan France SAS	■		■	■		
	19-23 Rue de la Voie des Bans, CS500024, 95102 Argenteuil Cedex	Givaudan France SAS		■	■	■		
Germany	Giselherstrasse 11, 44319 Dortmund	Givaudan Deutschland GmbH		■	■	■	■	
	Lehmweg 17, 20251 Hamburg	Givaudan Deutschland GmbH	■		■			

● Application only ▲ Flavour ingredients △ Flavour creation

Country	Address	Legal Entity name	Fragrances	Flavours	Sales	Creation/ Application	Production	Financing Services
Hungary	Seregély köz 11., 1037 Budapest	Givaudan International AG Hungary Commercial Representative Office		■	■			
	Királyhegyesi út 3, 6900 Makó	Givaudan Hungary Kft		■	■	■	■	
	Teréz körút 55-57, Eiffel Offices, Building C, 1062 Budapest	Givaudan Finance Services Kft						■
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, Karnataka 560 105	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 122001	Givaudan (India) Pvt Ltd	■	■	■			
Indonesia	Jl. Raya Jakarta-Bogor Km 35, Cimanggis Depok, 16951 West Java	PT. Givaudan Indonesia	■	■		■	■	
	Menara Anugrah 7th - 9th Floor, Kantor Taman E3.3, Jl. Mega Kuningan Lot 8.6 - 8.7, Kawasan Mega Kuningan, 12950 Jakarta	PT. Givaudan Indonesia	■	■	■	■		
Iran	P.O. Box 15175/534 - No.202 - 204, Gol Bld., Gol Alley, After Park Saei, Vali Asr, Tehran	Givaudan International 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, Pedro Escobedo, 76700 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 de México SA de CV		■	■			
	Av. Paseo de la Reforma #2620, piso 9 Edificio Reforma Plus, Col. Lomas Altas, 11950 Mexico, D.F	Givaudan de 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 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 27 Lima	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, Floor 7-8, 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	■	■	■	■	■	
	19 Chin Bee Road, Singapore 619833	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	■		■	●		

● Application only ▲ Flavour ingredients △ Flavour creation

Country	Address	Legal Entity name	Fragrances	Flavours	Sales	Creation/ Application	Production	Financing Services
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 Finance SA						■
	Überlandstrasse 138, 8600 Dübendorf	Givaudan Schweiz AG		■			■	
	Überlandstrasse 138, 8600 Dübendorf	Givaudan International AG		■	■	■		
	8310 Kemptthal	Givaudan Schweiz AG		■			■	
	8310 Kemptthal	Givaudan International AG		■		■		
	Chemin de la Parfumerie 5, 1214 Vernier	Givaudan Suisse SA	■				■	
	Chemin de la Parfumerie 5, 1214 Vernier	Givaudan International SA	■		■			■
Taiwan, Republic of China	7/F., No 303, Hsin Yi Road, Sec 4, Taipei 106	Givaudan Singapore Pte Ltd, Taiwan Branch	■	■	■	●		
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, 34335 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 International 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, CH62 4SU Merseyside	Givaudan UK Ltd		■	■	■	■	
Ukraine	Pimonenko Str. 13 6B/18, 04050 Kiev	Givaudan International SA, Representative Office		■	■			
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 1-2, 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 33801-3255	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	■		■	■		
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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