

# Fragrance Division

The Fragrance Division recorded sales of CHF 1,988 million, an increase of 10.5% in local currencies and 9.0% in Swiss francs. After a double-digit performance in the first half year, sales continued to show a strong growth in the second half on top of stronger comparables.

Total sales for Fragrance compounds (Fine Fragrances and Consumer Products combined) increased 10.5% in local currencies and 9.0% in Swiss francs to CHF 1,719 million from CHF 1,576 million.

Fragrance Ingredients sales increased by 10.7% in local currencies thanks to an overall high level of demand, notably for specialities. All three business units performed very well in 2010. Particularly Fine Fragrances, which was affected by the reduction of inventories last year, rebounded strongly with an annual sales growth of 18.3%. The less cyclical Consumer Products business delivered an increase in sales of 8.3%. A certain element of restocking has been seen in both Fine Fragrances and Fragrance Ingredients sales.

EBITDA increased to CHF 398 million from CHF 333 million last year. In comparable terms, EBITDA increased to CHF 445 million from CHF 370 million reported last year. Favourable product mix due to higher sales in Fine Fragrances and a good utilisation of capacities due to higher production volumes across all business units helped to increase the gross profit margin. The EBITDA margin on a comparable basis increased to 22.4% compared to the 20.3% of last year.

The operating income increased by 25.1% to CHF 239 million from CHF 191 million last year due to a higher gross profit and stable operating expenses. The operating margin on a comparable basis increased to 14.9% from 12.5% reported last year, mainly as a result of higher gross margin and overall cost absorption. Operating income on a comparable basis was CHF 297 million, above the CHF 228 million reported last year.

The new multi-purpose manufacturing unit in Pedro Escobedo, completed in November 2009, became fully operational early in 2010 and helped meet the recent increase in demand for fragrance ingredients. In October, the closure of our compounding facility in Argenteuil was completed and its products are now being produced in Ashford, UK and Vernier, Switzerland. The fragrance ingredients site in Naarden, the Netherlands, is planned to cease its activities fully by 2012 and first product transfers to other productions sites have already started.

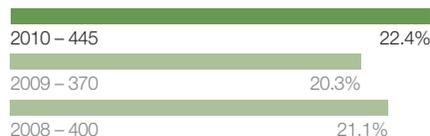
## Sales

in millions of Swiss francs



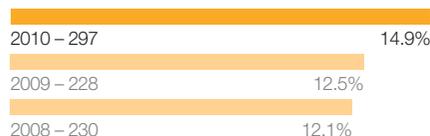
## EBITDA\*

in millions of Swiss francs



## Operating Income\*

in millions of Swiss francs



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

\* On a comparable basis.

The new Fragrance Creative Centre in São Paulo, Brazil, was officially opened in October 2010. This centre houses both the regional Fine Fragrances and Consumer Product teams with Perfumery, Applications laboratories and the latest evaluation facilities for Air care, Household, Fabric and Personal care. The new facility doubles the size of the current unit and offers the teams better capabilities in creation, application and technology to meet growing demand in Brazil and elsewhere in Latin America.

SAP was successfully implemented in Brazil, Argentina, Colombia and in the ingredients manufacturing sites of Mexico and Spain.

## Fine Fragrances

Fine Fragrance sales had a continued strong growth momentum throughout 2010, delivering 18.3% growth compared to 2009. Customers increased their inventories at the beginning of the year and returned to more normalised order patterns towards the end of the year. This performance was strongly supported by an inflow of new wins, in all key segments including prestige mass, specialty retail and direct sell.

On a regional basis Europe and North America delivered strong double-digit gains. In Latin America, the business delivered solid volume gains building on the exceptionally strong growth in 2009. The pipeline of briefs and new wins continuously improved throughout the year.

Givaudan had another strong showing at the annual award ceremonies in the USA, France, UK, Germany and Italy where the following products with Givaudan fragrances won awards:

- FiFi® Awards in the USA: Marc Jacob's Lola was the Fragrance of the Year, Women's Luxe; Victoria Secret's Love Rocks' won Women's Private Label Fragrance of the Year; John Varvatos Artisan and Yves Rocher Comme une Evidence were selected for Best Packaging Awards.
- Grand Prix du Parfum in France: Nina Ricci's, Ricci Ricci won the Best Women's Fragrance and Design; Paco Rabanne One Million won The Perfume Shop Fragrance of the Decade Award for Men.
- FiFi® Awards in the UK: Marc Jacob's Lola was the Best New Prestige Fragrance for Women; D&G Rose the One won the House of Fraser People's Choice Award for Women; Gucci by Gucci pour Homme won the House of Fraser People's Choice Award for Men; Paco Rabanne One Million won The Perfume Shop Fragrance of the Decade Award for Men.
- Cosmetic Executive Women's Beauty Awards in the USA: Marc Jacob's Lola won Women's Scent Prestige, John Varvatos Artisan won Men's Scent, Avril Lavigne Black Star won Women's Scent Mass.



### Using technology to inspire creation

Miriad® 2.0 is the portal into Givaudan's extensive portfolio of consumer understanding tools. Launched in 2009, Miriad® 2.0 uses Motion Analytics to unveil a stunning array of market history, current trends and olfactive preferences. Bridging the communication gap between consumer and perfumer, Miriad® 2.0 is designed to meet modern marketing challenges and brings a new level of consumer understanding to fragrance design for all product categories.



### Fragrance education

As fragrance industry leaders, we believe in sharing our knowledge and understanding. Through a series of events and the launch of iPerfumer, an iPhone application to help consumers choose perfumes, we have positioned ourselves as fragrance educators.

Our programme of consumer-facing events has included partnerships with Printemps in Paris, Harrods in London, Longwood Gardens in Philadelphia and O Boticário in São Paulo.