

# Business performance

Givaudan Group sales totalled CHF 4,239 million, an increase of 8.9% in local currencies and 7.1% in Swiss francs compared to the previous year.

Sales of the Fragrance Division were CHF 1,988 million, an increase of 10.5% in local currencies and 9.0% in Swiss francs.

Sales of the Flavour Division were CHF 2,251 million, an increase of 7.5% in local currencies and 5.4% in Swiss francs compared to the previous year.

## Gross Margin

The gross profit margin increased to 46.1% from 45.0% as a result of higher volumes, favourable product mix and relatively stable input costs.

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

EBITDA increased to CHF 887 million in 2010 from CHF 758 million last year. On a comparable basis, excluding integration and restructuring expenses, EBITDA increased to CHF 963 million from CHF 820 million reported last year. The comparable EBITDA margin was 22.7% in 2010, compared to the 20.7% reported in 2009. Higher sales and gross margin, as well as tightly controlled operating expenses, all contributed to this result. When measured in local currency terms, EBITDA on a comparable basis increased by 18.4%.

## Operating Income

Operating income increased to CHF 556 million from CHF 460 million last year. On a comparable basis, excluding CHF 99 million of integration and restructuring costs, operating income increased to CHF 655 million in 2010 from CHF 525 million in 2009. The operating

margin on a comparable basis increased to 15.5% in 2010 from 13.3% reported last year, mainly as a result of the higher sales and proportionally lower operating expenses. When measured in local currency terms, operating income on a comparable basis increased by 25.5%.

## Financial Performance

Financing costs were CHF 93 million in 2010, down from CHF 142 million in 2009. Other financial expenses, net of income, were CHF 26 million in 2010, versus CHF 51 million in 2009. In particular, the impairment charges incurred in the first half of 2009 were not repeated in 2010.

The Group's income taxes as a percentage of income before taxes were 22% in 2010, versus 25% in 2009.

## Net Income

Net income increased by 70.9% to CHF 340 million in 2010 from CHF 199 million in 2009. This represents 8.0% of sales in 2010, versus 5.0% in 2009. Basic earnings per share increased to CHF 37.87 in 2010 from CHF 25.07 in the previous year.

## Cash Flow

Givaudan delivered an operating cash flow of CHF 730 million, a reduction of CHF 8 million on 2009. The strong sales growth required a higher working capital but, as a percentage of sales, working capital remained stable.

Total net investments in property, plant and equipment were CHF 105 million, up from the CHF 85 million incurred in 2009, mainly driven by the investment in the new

### Sales

in millions of Swiss francs

2010	4,239
2009	3,959
2008	4,087

### EBITDA\*

in millions of Swiss francs

2010	963	22.7%
2009	820	20.7%
2008	842	20.6%

### Operating Income\*

in millions of Swiss francs

2010	655	15.5%
2009	525	13.3%
2008	486	11.9%

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.

savoury flavours production facility in Hungary. Intangible asset additions were CHF 72 million in 2010, a significant portion of this investment being in the Company's Enterprise Resource Planning (ERP) project based on SAP.

Implementation was completed in the remainder of Europe, South America and North America (Fragrances), with the project focus now moving to North America (Flavours) and Asia. Operating cash flow after investments was CHF 553 million, down 6.1% versus the CHF 589 million recorded in 2009. Free cash flow, defined as operating cash flow after investments and interest paid, was CHF 437 million in 2010, down from CHF 459 million in 2009, mainly driven by the working capital requirements and higher investments in 2010. Free cash flow as a percentage of sales was 10.3%, compared to 11.6% in 2009.

## Financial Position

Givaudan's financial position remained solid at the end of December 2010. A strong operating performance was only dampened by pressure on working capital, although as a percentage of sales, working capital remained constant. Net debt at December 2010 was CHF 1,353 million, down from CHF 1,499 million (excluding the Mandatory Convertible Securities – MCS) at December 2009. In March 2010, MCS with a value of CHF 750 million matured and the Givaudan shares were delivered to holders of these securities. In total 736,785 new shares were delivered to holders of MCS, increasing the total number of outstanding shares to 9,233,586. At the end of December 2010 the leverage ratio (defined as net debt divided by net debt plus equity) was 28%, compared to 30% at the end of 2009.

## Integration and Restructuring

In 2010 Givaudan successfully completed the integration of Quest International, which started in 2007. The integration process was completed as planned and met previously communicated financial

targets, transforming Givaudan into the leading player in the industry. Annual savings of CHF 230 million per year are being generated from the combined operations of the two companies, allowing the Group to achieve pre-acquisition profitability levels, and in particular an EBITDA margin in 2010 of 22.7%. Total integration costs were CHF 440 million.

In 2010 Givaudan announced the streamlining of its savoury manufacturing in the UK and Switzerland, as well as other efficiency programmes, and in the same year the Group incurred restructuring costs of CHF 27 million and impairments of CHF 10 million. Total costs of the restructuring programme are expected to be CHF 75 million, of which CHF 55 million are cash related. The restructuring is expected to be completed in 2011.

## Dividend Proposal

The Board of Directors of Givaudan will propose to the Annual General Meeting, on 24 March 2011, a cash dividend of CHF 21.50 per share for the financial year 2010. This is the 10th consecutive dividend increase in the past ten years, since Givaudan's listing at the SIX Swiss Exchange in 2000. The total amount of this dividend distribution will be made out of reserves for additional paid-in capital which Givaudan shows in its balance sheet as per the end of 2010. Pursuant to the new Swiss tax legislation, this dividend payment will not be subject to Swiss withholding tax and it will also not be subject to income tax on the level of the individual shareholders who hold the shares as part of their private assets and are resident in Switzerland for tax purposes.

## Board Succession Planning

In order to facilitate a smooth Board succession planning over the next years, the Board of Directors will propose to the Annual General Meeting, two changes to the Articles of Incorporation, allowing flexible terms of office between one and

three years and allowing to increase the number of Board members from seven to a maximum of nine.

The Board will propose the re-election of Prof Henner Schierenbeck for a term of one year. He will then have served for twelve years as a Board member and will no longer stand for re-election. In addition Ms Lilian Fossum Biner, a Swedish national, will be proposed as a new member for a term of three years. Ms Biner is a Board member of two companies listed in Sweden, Oriflame Cosmetics SA and RNB, Retail and Brands AB.

## Short-term Outlook

Given the recent sharp increase in some key raw material prices towards the end of 2010, the Company expects an overall strong raw material price increase in 2011. Givaudan will work in close collaboration with its customers to make the necessary adaptation of its prices.

## Mid-term Guidance

Mid-term, the overall objective is to grow organically between 4.5% and 5.5% per annum, assuming a market growth of 2-3%, and to continue on the path of market share gains over the next five years.

By delivering on the Company's five-pillar growth strategy – emerging markets, Health and Wellness as well as market share gains with targeted customers and segments – Givaudan expects to outgrow the underlying market and to continue to achieve its industry-leading EBITDA margin while improving its annual free cash flow to between 14% and 16% of sales by 2015.

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

# 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.

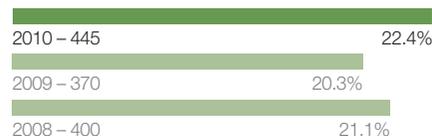
## Sales

in millions of Swiss francs



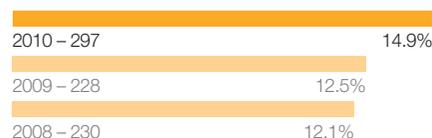
## EBITDA\*

in millions of Swiss francs



## Operating Income\*

in millions of Swiss francs



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\* 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.



#### 10 Years in Dubai

Givaudan was the first fragrance Company to establish a full office in Dubai in 2000 and has since built a strong presence in the region. The office is our regional hub, serving the huge area of Africa and the Middle East.

After ten years we are the fragrance specialist in this region. Having fragrance experts on the ground makes us the ideal partner for multinational brands looking for local knowledge and global expertise. The Middle East is also a region where understanding local needs and culture is vital. Our early investment has led to steady growth of an average of 16% in sales year on year.

- Duftstars in Germany: Marc Jacob's Lola won Parfum Exclusif Femme; Paco Rabanne One Million won Best Prestige Men and Grand Prix du Public Prestige; Jean-Paul Gaultier Le Male was Parfum Classique Homme.
- Accademia del Profumo in Italy: Marc Jacob's Lola won Best New Prestige Fragrance for Women; Acqua di Parma Magnolia Nobile won Best Olfactive Creation for Women; Calvin Klein CK Free won Best Perfume of the Year for Men.

In addition to the above mentioned awards, the Company further demonstrated its leadership position with Miriad® 2.0, which was the winner of this year's FiFi® Technological Breakthrough of the Year award for Fragrance Creation and Formulation. This was reinforced by the launch of iPerfumer, a new application for the iPhone to help consumers navigate the perfume market. This tool is available for free download from the Apple App Store.

New perfumes created by Givaudan during the year included:

## Women's Fragrances

### Avon

- Eternal Magic
- Herve Leger Femme

### Beauty Avenues

- Signature Orange Sapphire
- Victoria's Secret Bombshell

### Coty

- Beyonce Heat
- Love, Chloe

### Elizabeth Arden

- Peace, Love & Juicy Couture

### Estee Lauder

- Tommy Hilfiger Loud for Her

### Natura

- Amo Chamego
- Ekos Águas De Banho Ópera Amazonica Canto Vermelho

### Procter & Gamble

- Gucci Guilty
- Boss Orange Sunset

## Men's Fragrances

### Coty

- Davidoff Champion

### Estée Lauder

- Tommy Hilfiger Loud for Him

### L'Oreal

- Big Pony Collection No 2

### L.V.M.H.

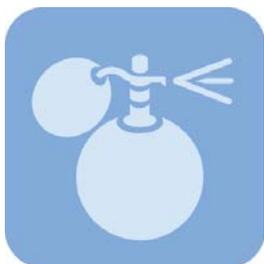
- 7 De Loewe

### Procter & Gamble

- Boss Bottled Night
- Gucci by Gucci Homme Sport

### Puig

- The Secret By Antonio Banderas



### Consumer connection

Whether visiting communities in Asia, Latin America and Eastern Europe to talk about washing laundry, or using technology to help people navigate the fine fragrance market, Givaudan engages with its consumers.

Our award-winning tools use a variety of techniques to collect information about the way that perfume is perceived by people around the world. Perfume Pulse, for example, is a database of fragrance insights based on true-life scent associations which can be interrogated by customers and perfumers to inspire fragrance creation.

Powered by Givaudan, the iPerfumer iPhone App launched in June as a consumer guide to perfume. Over five months, 30,000 people across 150 different countries have downloaded iPerfumer, and the community continues to grow.

iPerfumer is available for free download from Apple App Store, Android Market Link (with Android Browser) and as a Facebook app.

## Consumer Products

The Consumer Products business grew by 8.3% in local currencies driven by sales increases across all customer groups. Developing as well as mature markets contributed to this achievement.

Asia Pacific reported strong double-digit sales growth spread across all customer groups and all product segments, especially in India, Thailand and China.

Latin America posted significant growth driven by sales in the Fabric Care segment, led by Mexico and Venezuela. Local and regional customers' sales showed double-digit growth followed by international customers.

Europe, Africa and the Middle East reported a sales increase across developing and mature markets, driven by international customers. Local and regional customer sales reported a strong growth in the developing markets of the region.

Sales in North America increased, supported by the good performance in the Air care category and a solid sales volumes with international customers.

On a worldwide basis, all product segments posted a sales increase versus prior year. Fabric Care sales showed the strongest performance followed by a significant growth in Household. Within the Household segment, the air care category delivered a strong double-digit increase especially in North America and Asia Pacific. Sales in the Personal Care segment were also significantly above last year across all regions.

## Fragrance Ingredients

Sales for Fragrance Ingredients increased by 10.7% in local currencies, a performance achieved across all product categories. Givaudan specialties have shown a particularly strong sales increase thanks to a sustained high level of demand for innovative ingredients.

The multi-purpose production unit in our ingredients manufacturing site of Pedro Escobedo, Mexico, became fully operational in early 2010. To ensure the competitiveness of our ingredients, several key products were transferred to Pedro Escobedo.

The fragrance ingredients manufacturing unit in Naarden, the Netherlands, is scheduled to be closed by 2012 and products will be transferred to other Givaudan plants.

By the end of 2010, all ingredients manufacturing sites were using SAP.

# Flavour Division

The Flavour Division reported sales of CHF 2,251 million, representing a growth rate of 7.5% in local currencies and an increase of 5.4% in Swiss francs.

The strong momentum experienced in the first six months across all regions and segments continued on top of strong comparables in the second half of 2010. Growth has been strong due to the continued successful execution of the divisional growth strategies, such as the focus on developing markets, Health and Wellness initiatives and with targeted key accounts.

The Flavour Division saw an accelerating momentum in North America and Europe and continued strong growth across Asia Pacific and Latin America. All major segments posted gains with Beverage, Snacks and Sweet Goods delivering double-digit growth.

The briefs pipeline was strong throughout the year, supported by the continued focus of our customers on innovative products.

EBITDA increased to CHF 489 million from CHF 425 million last year. The comparable EBITDA increased to CHF 518 million from CHF 450 million reported last year. The comparable EBITDA margin increased to 23.0% in 2010 from 21.1% in 2009, mainly as a result of the higher sales, higher gross profit and tightly controlled expenses.

Operating income rose to CHF 317 million from CHF 269 million last year. The operating margin on a comparable basis increased to 15.9% from 13.9% reported last year. On a comparable basis, operating income was CHF 358 million, above the CHF 297 million reported last year.

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

## Asia Pacific

Sales in Asia Pacific achieved 8.4% growth in local currencies, a solid performance on top of high comparables. The developing markets of China, India and South-East Asia recorded double-digit increases coming from successful new wins and further customer penetration. Sales in mature markets increased with solid growth in Japan.

Growth was well balanced across all segments as new wins and organic customer growth helped each segment with particular strength coming from Snacks, Beverages and Confectionery.

## Europe, Africa, Middle East (EAME)

Sales grew at 5.6% in local currencies with the developing markets of Africa and the Middle East, as well as Eastern Europe (driven by Poland and Russia), delivering double-digit growth throughout the year. The mature markets of Western Europe also showed solid growth.

The region recorded growth across all segments supported by stronger customer collaboration translating into new wins and innovative flavour solutions. Expanded Health and Wellness offerings in the areas

### Sales

in millions of Swiss francs

2010 – 2,251
2009 – 2,135
2008 – 2,189

### EBITDA\*

in millions of Swiss francs

2010 – 518	23.0%
2009 – 450	21.1%
2008 – 442	20.2%

### Operating Income\*

in millions of Swiss francs

2010 – 358	15.9%
2009 – 297	13.9%
2008 – 256	11.7%

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.

of salt, sugar, fat and umami helped drive increased volumes as well. Double-digit growth was recorded in the Beverage and Snacks segment.

In August 2010, the Givaudan Board approved the investment for a new centralised savoury flavours production facility. In line with our strategy the new site will be located in Makó, Hungary, close to the fast-growing markets of Eastern Europe.

## North America

After a solid start in the first half, sales continued to accelerate and recorded double-digit growth in the second half, resulting in a 7.2% growth for the full year.

Growth was realised across most segments with Sweet Goods and Beverages posting double-digit gains. The Dairy and Savoury segments delivered solid performance. Supported by the economic recovery, customers increased their emphasis on the development of innovative products and technologies.

## Latin America

Sales increased at a strong double-digit growth rate of 13.5% in local currencies against high comparables. Organic growth at key customers as well as new wins from local and regional customers helped drive the results with the markets of Argentina, Brazil, Peru and Mexico leading the way. Increased sales can be attributed to Beverage, Savoury and Confectionery segments. The region successfully implemented the new global enterprise system based on SAP during the second half of the year while still delivering this outstanding result.



### ChefsCouncil™ Hong Kong

ChefsCouncil™ is a diverse and rotating panel of chefs, food scientists and flavourists focusing on culinary trends, creativity and innovation. In October, Michelin-starred restaurant chefs joined Givaudan experts for our global ChefsCouncil™ event in Hong Kong to inspire the group's artistry in developing consumer-relevant, 'chef-to-shelf' concepts for snacks, soups and ready-meals.

The event generated ideas which broadened the team's understanding of taste enhancement and how we taste. This, in turn, opened up new avenues to enrich our ingredients palette. The dishes presented and the inspiring translations shown by chefs and flavourists will be used to develop more enjoyable and healthy eating experiences for consumers.



### Argentina and Brazil Beef exploration

The first CulinaryTrek™ Beef experience in Latin America has been undertaken by our Flavours team to enhance our understanding of the culinary process and capture the sensory profiles of beef dishes that consumers love. The culinary exploration allowed our experts to research the beef cuisine authenticity through a trip around signature cuisine and traditional restaurants. Their special interest was in beef flavours based on their growing popularity and importance around the world – above all in relation to products such as sausages, processed meats and snacks.

# Research and development

The foundation of Givaudan's continued commercial success is a longstanding commitment to research and development programmes in both the Fragrance Division and the Flavour Division.

Creative and innovative programmes are a clear focus on the current and future needs of customers is essential for us to retain our competitive edge in the fragrance and flavour industry.

As part of these programmes, our scientists merge analytical precision with human sensory response in developing systems and technologies that help the business perform successfully in the market.

In 2010, Givaudan invested CHF 336 million in research and development, more than any other Company in the industry. This investment will allow us to deliver on short- and mid-term research initiatives. It also gives us an opportunity to invest in promising long-term programmes.

During the year, the Fragrance Division's global Research & Technology organisation focused on the discovery of new fragrance molecules and their applications in fine fragrances and consumer products, concentrating research resources and programmes in line with industry and consumer lifestyle trends.

The Science & Technology organisation of the Flavour Division continued its commitment to developing a strong programme which addressed business growth with a focused ingredient discovery pipeline, new process technologies and a creative approach to sensory science.

**R&D spend**  
in millions of Swiss francs

2010 – 336

2009 – 326

## Fragrance Division

During 2010, Fragrance Research & Technology worked to sustain a vibrant and relevant organisation in which innovation and discovery can thrive and reap rewards.

A review of the career structures within the technical functions of Givaudan revealed the need for a different approach in order to be commensurate with the experience and knowledge that is developed over a long career of dedicated research. The new Dual Career Ladder is specific to Research & Technology in Givaudan and reflects the value that the business places on technical understanding specific to fragrance, recognising that researchers generate value through expert knowledge.

Activity within Fragrance Research & Technology was repositioned under three pillars in 2010: Wellbeing, Hygiene and Delight. These three pillars provide focus for research activity and technology development to support consumer-perceptible benefits for fragrance. Together they provide a framework that encompasses the many and diverse areas of expertise within Givaudan.

## Well-being

The Sensory research team has developed multiple connections with academia to explore new fragrance benefits, aiming at determining methods and fragrance formulations to enhance mood and ultimately lead to consumer benefits such as improved sleep. The programme is in its early development phase and has already shown promising initial results.

On a day-to-day basis, Sensory Science continues to support the three business units of the Fragrance Division via its global network. Regional sensory teams in Singapore, São Paulo, Ridgedale (NJ), Paris and Ashford provide expertise in fragrance profile, longevity and odour masking properties to our business partners to support product claims.

## Hygiene

Our researchers have discovered gender differences in the composition of human sweat – a discovery that is now being utilised to refine fragrance design for deodorising and antiperspirant products.



**Fragrance ingredient design**

The latest findings from TecnoScent™, a collaboration between Givaudan and ChemCom SA, will radically change the way that future fragrance molecules are designed.

Screening of fragrance materials on several olfactory receptor cells simultaneously has verified that for every receptor there are odour molecules that are agonists and antagonists. This means that some materials will activate a receptor whilst others will shut it down.

The field of molecular olfaction is still young, but the new concepts being developed may be put in use already. The chemical processes in the human nose itself will define the design of fragrances and fragrance ingredients in the future.

This knowledge enables our fragrance development teams to create perfumes to specifically block, mask or even remove malodour from masculine or feminine sweat as we identify specific materials that work best for each gender. In the same arena our partnership with TecnoScent™ has identified routes for blocking the perception of malodour by nasal receptors – this discovery leads to the possibility of designing products to protect people from offensive odours that are inevitable in crowded areas, for example, or even to enable individuals to control what they smell.

**Delight**

The search for new ingredients for fragrance design remains the life blood of Givaudan and the ultimate quest for our research teams. Responding to the demands of the market today, however, our focus throughout 2010 has been to re-evaluate our current palette to identify how Research & Technology can support the macroeconomic climate and the sustainability of our industry. We are currently exploring innovative synthesis techniques of our lead ingredients to lower their cost and thus make them more accessible for use in developing markets.

On the discovery front, we have developed the first bio-converted Patchouli-like accord: Akigala. This material will open doors to new creative avenues for both masculine accords and signature feminine fragrances.

Two new captive ingredients were introduced to Givaudan perfumers in 2010: Cassyrane™ and Syllkolide™. Cassyrane™ is the first sulphur-free cassis top note and confers a very comfortable and pleasant character, whilst Syllkolide™ is a revolutionary musk. The latter is set to become a future classic musky note. It brings a modern musky backbone that is noticeable throughout a fragrance and combines wonderfully with the red fruit facets that characterise this ingredient.

Delivering fragrance at the key touch points of the product experience remains a key priority at Givaudan. Recent advances in polymer chemistry have helped us progress the performance of our lead technology, Mechacaps™ which is used in laundry products and fabric conditioners worldwide.

Last but not least, Givaudan is the key contributor from the fragrance industry to the development of in-vitro methods of testing ingredients for skin sensitisation. Our work was published this year and we hope this will set the standard for the industry as the 2013 ban on animal testing under the 7th amendment of the EU Cosmetic Directive draws closer. Our dedicated team in the Research & Technology hub in Dübendorf, Switzerland continues to lead research in this area.

“The ability to accurately predict which flavour will appeal to consumers is critical to food and beverage manufacturers around the world. Getting this right has significant economic value and the knowledge gained provides additional focus for Givaudan’s science & technology programme.”

### Flavour Division

Creation of high performance flavour systems requires a combination of artistry and technology. Leadership in the development of innovative solutions is considered essential to deliver differentiated and sustainable product offerings making foods and beverages taste better and improving quality of life.

The ability to accurately predict which flavour properties will appeal to consumers is critical to food and beverage manufacturers around the world. Getting this right has significant economic value and the knowledge gained provides additional focus for Givaudan’s science & technology programme.

Aided by its SmartTools sensory measurement technology, Givaudan sensory science, in conjunction with our analytical profiling team, continues to deliver a significant body of information on key global flavours as diverse as citrus, vanilla, mint, tea, coffee, dairy, cheese, beef and chicken. These consumer insights have resulted in a series of TasteEssentials® flavour product categories which address application-specific customer requirements from soups, sauces and snacks to beverages, ready-meals and foodservice menu items.

The emotional reaction to flavour stimuli can have a significant impact on purchasing decisions. Techniques to measure people’s cognitive response are being investigated to better calibrate the effect of emotion on decision-making. Investigation of genetic drivers of sensitivity to taste are of interest since these could suggest a rationale for dietary preference. A major study is under way with the USA National Institutes of Health (NIH) to provide detailed knowledge of this effect and there has been widespread interest in the initial findings across the scientific community.

Delivery of the appropriate flavour impression at the right moment with the precision required is a critical factor for marketplace success. Patented technologies within our PureDelivery® flavour encapsulation platform has employed advances in material science to address stability, authenticity and release dynamics which result in enhanced performance in customer food and beverage products.

Predictive modelling and simulation of materials interactions have accelerated the development of unique solutions such as our proprietary system for sequential release of distinct flavours in chewing gum applications. In addition, magnification of aroma release can be a source of positive product differentiation. The broad spectrum of application-tuned core encapsulation technologies available suggested a number of formula adaptations for fruitful development of engineered release of volatiles in food products that Givaudan is currently investigating.

A key element of our innovation strategy has been the development of a strong pipeline of unique, proprietary ingredients. A focused natural products discovery programme leverages TasteTrek™ expertise to investigate new sensory space –whether molecules arise from exotic botanicals in the rainforest or traditional cooking techniques. Our association with the University of California, Riverside has created an opportunity to explore and sustain the biodiversity of its citrus grove. The outcome has been identification of several orange-, lemon- and grapefruit-based molecules of interest for further development as ingredients in beverages and other applications.

Effective modification of taste attributes has become a major flavour development activity. There is increased global demand for products with lower levels of salt, sugar and fat leading to interest in salt reduction technology, sweetness modulation materials and bitterness-masking agents. Our investigation of solutions includes a rational design approach which utilises knowledge of molecular biology to integrate taste receptor-based bioassays into probes for novel tastant molecules. Powerful cheminformatics tools have been designed to expand upon this effort with in-silico modelling capabilities. Expertise in organic chemistry, biotechnology and process engineering are employed to translate these discoveries into TasteSolutions® for food and beverage applications.

Advanced bioprocesses such as fermentation and enzyme catalysis have become especially powerful tools for the creation of building blocks which address the growing demand for natural flavourants. In 2010, four novel taste molecules received the generally recognised as safe, or GRAS approval from the Flavour and Extract Manufacturers Association (FEMA) targeting sweetness modulation and umami character. These are expected to have a significant impact on future development efforts.

Body and mouthfeel deficiencies surface when healthy taste modulation alternatives are introduced. Therefore, the development of ingredients which can correct these problems has been a targeted area of investigation. A building block collection containing a series of dairy-type natural bioingredients to provide richness and body have been developed to rebalance finished products.

Besides having a strong internal discovery team, Givaudan has pursued open innovation objectives through collaboration with external academic and industrial partners. These networks focus on adjacent and complementary technologies and also serve as windows to emerging technologies with potential value.



#### **Flavourist training**

The area of taste technology which relates to salt, sugar, MSG and fat reduction poses considerable challenges to flavourists trying to reduce the level of these ingredients in foods and beverages – while maintaining the great tastes that consumers expect. Givaudan has established centres of excellence in Naarden, the Netherlands, Cincinnati, USA and Dübendorf, Switzerland to train experts who then acquire the expertise to train colleagues in Asia, Latin America and beyond. The new skills acquired are enabling lower-salt/sugar/fat/ MSG flavours to be created for new products for which consumers express a preference over the standard product. More than 25 flavourists have received intensive training which lasts from several weeks to several months.

# Sustainable business model

During the 12 months of 2010, Givaudan further increased its commitment to operating a sustainable business model. With the publication of our first Sustainability Report, we introduced our framework and our long-term vision. This challenging vision was developed together with our partner, the Natural Step, and is based on five pillars.

These five pillars span our product life cycle, from the sourcing of raw materials to the end-of-life of our customers' products.

Since March, we have made continuous progress within this holistic framework of our Company-wide Sustainability programme. As the leading Company in our industry, we have an important role to play in preserving resources we need, coupled with a commercial and ethical responsibility, to drive sustainable development in our industry.

Our next Sustainability Report, to be published in March 2011, will report in detail on the progress made in 2010. This section of the Annual Report will continue to provide easy access and information on other areas such as Compliance, Risk Management and Regulatory. It is our aim to combine this section with the Sustainability Report in the coming years and to provide one, comprehensive document.

## Compliance

As the leader in its industry, Givaudan is both expected and committed to adhere to high ethical standards in business conduct and to comply with all applicable laws and regulations in its relations with customers, suppliers, shareholders, employees, competitors, government agencies and the communities in which it works. These principles are enshrined in Givaudan's Principles of Business Conduct and are complemented by a system of internal policies, procedures and guidelines and overseen by a multilayered compliance organisation.

Given the nature of Givaudan's industry, compliance has many different facets, comprising general compliance as well as specialised fields of compliance, including product safety compliance and environment, health and safety. Compliance control in the special fields is assured by specialised corporate functions, including the regulatory product safety team (Regulatory) and the environment, health and safety team (EHS). The general compliance team assures compliance with the Principles of Business Conduct and coordinates with the different specialised compliance functions to ensure a harmonised compliance system.

Acknowledging the increase in Givaudan's size after the successful acquisition and integration of Quest International and the increased complexity of compliance due to ever-increasing regulations and stakeholder demands, Givaudan has in further strengthened its general compliance organisation by splitting the Compliance and Legal functions and creating a new function of Corporate Compliance Officer at the head of the general compliance organisation. The Corporate Compliance Officer was appointed on 1 September 2010. The Corporate Compliance Officer works with the existing local compliance officers and the Regulatory and EHS teams to further enhance Givaudan's compliance function.

Following the creation of the new function, the compliance team has focused on recent changes in general compliance requirements due to new legislation (including the UK Bribery Act 2010), increased demands for compliance reporting in the area of sustainability and

changed requirements through the increased use of social media. As part of this, Givaudan reviewed its general compliance training programme with a view to launching a new e-training programme in 2011.

The Principles of Business Conduct can be found on Givaudan's internet site: [www.givaudan.com](http://www.givaudan.com) – [our company] – [corporate governance] – [rules and policies]

## Shareholders

Since its spin-off in 2000 and until the end of 2010, Givaudan has created approximately CHF 6 billion in value for its shareholders in the form of dividend payments and share price appreciation.

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

Informing Givaudan's different stakeholders in a timely and responsible way is of key importance to ensure transparency and equal treatment. Through frequent press releases, teleconferences and publications on [www.givaudan.com](http://www.givaudan.com), the Company disseminates material information about its performance and activities widely and simultaneously, following the Art. 72 of the revised Listing Rules (Ad Hoc Publicity) of the SIX Swiss Exchange directives.



### Brazil Investor Event

The Latin American markets represent 12% of Givaudan's sales and activities in the region show strong growth. In November, over 20 sell-side analysts and fund managers attended a dedicated event hosted by Givaudan Brazil's Management Team and the Executive Committee. Taking place at the newly opened Fragrance Creative Centre in São Paulo, the participants learned about the promising outlook of the Latin American markets.

The event included in-depth presentations on the vibrant regional fragrance and flavour businesses and a visit to one of our fastest-growing fine fragrance customers.

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

At the close of 2010, Givaudan had 16,188 shareholders listed in the share register, owning 51.4% of the share capital. The top 20 shareholders, including nominees and funds, represent around 69% of the share capital. With little changes compared to last year, approximately 40% of the shareholders are based in North America.

In 2010, Givaudan's management team conducted 31 road shows, maintaining the high level of activity seen in 2009. Givaudan added Brazil to its roadshow destinations in 2010 and will in the future expand its activities into developing countries. In 2010 the Company met existing and potential shareholders in 38 financial centres. Thirty Group presentations and conferences with a total of more than 1,000 participants were given. Close to 400 individual meetings with fund managers globally contributed to improved awareness about Givaudan. In order to inform the financial community directly, Givaudan organised two conference calls to provide more details about the full and half year results. Together, they attracted 150 participants. Furthermore, 17 visits to Givaudan sites globally with a total of 152 participants, mainly fund managers, were organised to provide an in-depth view of Givaudan's activities. This year's site visit programme included a two-day investor event in Brazil. Over 20 sell-side analysts and fund managers participated in this event to learn about the promising future of the Latin American markets.

For the fifth time, Givaudan organised a year-end presentation in its fine fragrance creation studios in New York to satisfy the increasing demand to visit these important and fascinating facilities and to meet with our talents. Two similar visits were held in Paris, combined with the presentation of Roman Kaiser's new book, 'Scent of the Vanishing Flora'.

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

### Customers

In 2010, the top ten customers accounted for around 55% of fragrance sales and about 30% of flavour sales. Our customers are among the most successful consumer and luxury goods manufacturers. Being a reliable business partner lies at the heart of our success, as well as adhering to high professional standards.

Through close partnership with our customers in the creation process we engage the senses of consumers around the world. Being a key partner and adviser to our customers is a key factor for sustaining Givaudan long-term. We are committed to creating and manufacturing tastes and smells which will in turn enable our customers to be successful in their respective markets. As a result, a high innovation rate and an in-depth consumer understanding are vital for the sustainability of our strong relationships.

Dedicated teams, including a strong network of colleagues working across functional categories, as well as perfumers and flavourists, serve our customers across the world. These are decisive contributors in delivering the unmatched innovation needed to remain at the cutting-edge of today's market. This can only be achieved by knowing our clients and their markets while constantly challenging ourselves to exceed customer expectations.

## Sustainable business model

Givaudan's business model is based on a make-to-order process in a business-to-business environment. The Company serves its global, regional and local customers around the world through a global network of more than 40 subsidiaries and a world-spanning supply chain.

One of the key aspects of Givaudan's internal policies and practices is the commitment to maintain strict confidentiality on proprietary customer information and customer projects, as well as to fully protect their intellectual property.

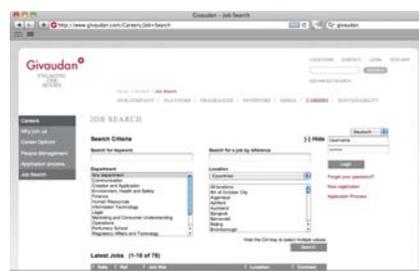
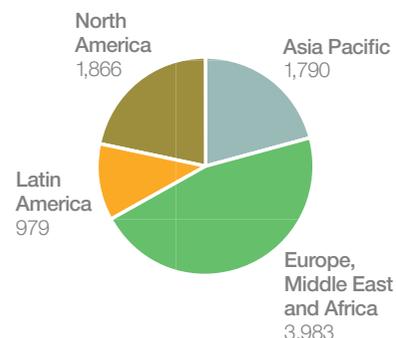
### Our People

In today's competitive environment, the success of an organisation is closely connected with the talented employees that it can recruit, retain and develop. As this long-term success is built with the strength of our people, Givaudan's Human Resources organisation has been successfully re-aligned over the past two years with the goal to develop, challenge and reward our talents to foster a performance-driven organisation while promoting respect, openness, and diversity.

### Bringing the Human Resources strategy to the next level

Two years after the launch of the Company's new Human Resources strategy, which is focused on building a competent internal network of HR Business Partners and completing the ongoing integration activities, we are launching the next phase of our strategic development. We want to provide industry leading services and programmes to sustain Givaudan's leadership position. Our success in this area will be measured by our department's ability to influence so called Strategic Talent Outcomes across the business. Our Human Resource Business Partners have been specifically trained to help support line management to improve their talent planning. In the end, it is our business leaders which have the most influence and control over improving talent management outcomes.

### Employees by region



### e-Recruitment

In August, a new online process for recruiting candidates was launched on the careers section of [www.givaudan.com](http://www.givaudan.com).

The new tool supports two key objectives: to provide improved transparency on open positions and to engage with internal and external talent pools.

In addition, the e-Recruitment programme underpins Givaudan's commitment to all employees to enable them to play an active role in their career development.

Through its common and consistent framework, the programme also provides improved efficiencies in handling the volume of applicants.

Head count development by region	Number of employees 31.12.2010		Number of employees 31.12.2009		Change from 2009 to 2010
		%		%	
Switzerland	1,551.5	18.0	1,494	17.6	3.8%
Other Europe, Africa, Middle East	2,431.5	28.2	2,475	29.1	-1.8%
North America	1,866.0	21.7	1,856	21.8	0.5%
Latin America	979.0	11.4	974	11.5	0.5%
Asia Pacific	1,790.0	20.8	1,702	20.0	5.2%
<b>Total</b>	<b>8,618.0</b>	<b>100.0</b>	<b>8,501</b>	<b>100.0</b>	<b>1.4%</b>

## People Management

People management starts with knowing where to find the best talents and how to be able to attract and retain them. It also covers on-boarding of new employees, setting clear and transparent performance targets which are aligned to the business priorities, educating our people to achieve their full potential through attractive developmental opportunities, and managing our talent pipeline to ensure the sustainability and leadership position of Givaudan.

The annual talent management programme is designed to review the personnel needs of the business and make sure we have thorough succession planning in place. Our pipeline of talent is identified through an in-depth Talent Planning and Succession Planning process, based on input from various management levels of the organisation. In these processes we are constantly assessing individuals' potential and competencies, matching them to their aspirations and the organisational needs while identifying any gaps that should be addressed.

Our Talent Planning process is strongly connected to the Individual Development Programme or IDP, which sits at the heart of the development programme in Givaudan. Individuals who have the potential, the performance level, and the aspiration are identified for various developmental opportunities in the Company and as successors for key positions.

Givaudan wants all employees to reach their maximum potential, achieve their aspirations and contribute to the success of our Company.

## Employee Value Proposition

Another important cornerstone of people management is our Employee Value Proposition, or EVP. The development of an EVP which is unique to Givaudan and summarises what an employee experiences while being part of our organisation, has been one of the key initiatives in 2010 for the HR organisation. In a 'bottom-up' approach we were able to gather a deep understanding of what our people thought about working at Givaudan. This was done through an online survey involving a significant sample of our employees globally and this was accompanied with focus groups engaging many more participants in the major sites worldwide.

Among the many different reasons, our employees identified five prime reasons on why they feel that working at Givaudan is unique.

### 1. What you do really matters

We feel lucky to be in an industry that really enhances our everyday engagement with the senses, as we experience the full pleasure of life through taste and smell. Much of our work is about finding novel solutions to improve our sensory well-being. Individuals are encouraged to find the best way. Ideas and suggestions are respected. We set new professional standards and we know we are making a difference – to our colleagues and to our customers. It is great to prove your worth and believe that you really count.

### 2. Always something new

Innovation is our lifeblood. Our creative teams and scientists have access to unique ingredients: we not only apply the very latest thinking – we invent it. Our renowned artistry is backed by tailor-made, modern business systems and modern production facilities. And we collaborate with the world's most talented thinkers at universities and in our imaginative research expeditions. We embrace new thinking and the spirit of adventure.

### 3. Teamwork across borders

We have all the benefits of industry-leading scale combined with the culture and friendliness of a small team. No one seems far away, even if they are on the other side of the world. You can always ask for help and know you will get it.

Colleagues share expertise and work in teams, across sites and countries. Teamwork is a way of life.

### 4. Believing in our products

Givaudan people believe in what they make and sell – from the fragrances that have such a positive impact on everyday personal and household care to the flavours that improve our diets by boosting the taste of healthy food. Backed by our unrivalled heritage, our extraordinary global supply chain team works with local populations to source raw materials sensitively and sustainably. Our consumer understanding operates hand-in-hand with our impressive quality regime, our marketing expertise and our centres of technical excellence. We are confident that we deliver on our promises.

### 5. Pride in working for a leader

It is a privilege to be a market leader in such a fascinating industry. We can act with confidence, yet we never stop challenging and improving. We can afford to try out new things, to push the boundaries of our science and research and to experiment with the latest thinking, in all aspects of our performance. We never stop building knowledge and redefining the frontiers of our industry. So it is great to be out there – at the front, but still striving.

## Sustainable business model

### Enhancing our online recruitment tools

Feedback gathered from the Employee Value Proposition outlined that one of the major requests expressed by our employees was to have a better view on career opportunities within the Company.

This need was addressed by launching a comprehensive and new e-Recruitment platform. It has been a significant step forward towards a more effective and efficient recruiting process used both internally and externally. The platform provides employees and external applicants with increased transparency on career opportunities through our online job postings.

This illustrates Givaudan's commitment to enable all the employees to play an active role in their career development in partnership with HR and their line manager.

### Continuous improvement ahead

In keeping with our strategic focus and in cooperation with the business leaders, our Human Resource Business Partners will continue to develop their ability to influence strategic talent outcomes across the business.

We will continue to invest in training and development of our HR professionals.

We will develop a competency framework as a platform for the People Management Programmes at Givaudan.

We will invest in our middle management Succession Planning and development which will be supported by Learning and Development programmes.

We will continue to look for opportunities to increase the effectiveness and efficiency of delivering HR services.

We will continue to strengthen the core HR Centre of Excellence (CoE) functions to provide best-fit programmes for Givaudan.

### Suppliers

As the largest individual ingredient buyer in the global fragrance and flavour industry, Givaudan is mindful of the need to invest responsibly in the supply chains of today in order to ensure availability tomorrow. Reliable suppliers and continuous supply are crucial in order to fulfil our customer commitments and provide the service to which we aspire.

Despite the economic recovery after the challenging year of 2009, fragility among our suppliers has been evident over the past two years. Significant de-stocking and re-stocking has hindered continuity and stability in the supply of some materials, whilst the 'on/off' environment has created challenges that have led to consolidation among some of our suppliers.

At the same time, unprecedented demand has meant that carry-over inventories have been used this year that will take years to rebuild. The unusual surge in demand has created material shortages in many areas and stock building along the chain.

Fortunately, Givaudan was able to mitigate most shortages through its own stocks and material planning, although an increasingly volatile price situation was evident in the latter part of the year.

Partnerships are always important, but never more so than during the challenging times recently experienced by our suppliers. In these circumstances, good relationships, long-term purchasing strategies and supplier alliances are of paramount importance. We continue to further grow and build these key relationships to support our future business. Looking ahead into 2011, we expect that demand for raw materials will continue to be firm, particularly from developing economies. Currency and price volatility continues and the lack of a stable environment, demand visibility and sustainable revenues in some supply chains are likely to lead to some forms of protectionism such as quotas on raw material supplies, allocations and unpredictable movements in short-term pricing structures.

### Environment, Health and Safety

Givaudan acknowledges that environmental issues as well as health and safety concerns shape the current and future sustainability of its business. As part of this awareness, our Environmental, Health and Safety (EHS) organisation has launched a number of initiatives to ensure the Company continues to innovate and perform without compromising the safety

Staff turnover by region	2010	%	2009	%
Asia Pacific	193	22	154	17
Europe, Middle East and Africa	417	47	448	50
Latin America	123	14	99	11
North America	152	17	194	22
<b>Total</b>	<b>885</b>	<b>100</b>	<b>895</b>	<b>100</b>

of our people, products, assets, and the environment. To support these initiatives, the EHS organisation has been strengthened by implementing a regional EHS network that ensures the effective management of all EHS activities, risks, and programmes. The EHS organisation benefits also from the unique know-how and support of a reinforced team of global experts in the areas of safety, hazardous materials, dangerous goods, reporting, auditing, and change management.

Key among the initiatives in 2010 has been the development of the first Global EHS Strategy and the strengthening of a safety culture that is starting to result in tangible advances and improved key performance indicators. The strategy has been designed to be easily actionable at regional and local levels and reflects various priorities, challenges and plans. It will be implemented worldwide in 2011.

During the year Givaudan continued to take actions as part of its behavioural-based safety initiative, 'Zero is Possible', with the introduction of SafeStart™ to raise the awareness among employees and further enhance a sounder safety culture. The SafeStart™ methodology is based on simple concepts that can be related to and applied to situations in everyday contexts. Our goal is to use SafeStart™ throughout our organisation and during the on-boarding process of new employees. Givaudan's overarching aspiration is to reach zero accidents. In line with our Sustainability targets, we have set a major milestone of less than one accident involving a lost time injury per 1,000 employees by 2020. In 2010, we have already achieved more than 16% reduction of lost time injury rate in our manufacturing sites worldwide compared to a year ago.

Givaudan has also expanded its audit programme beyond internal audit and major facility risk audit to include a global approach providing a comprehensive EHS external audit review of best practices, local regulations and compliance. The new programme formally started in October 2010 and will provide Givaudan with objective viewpoints on areas requiring further improvement and link them to the Company's EHS directives and policies. All locations are scheduled to be audited by the end of 2011, and each site will then be re-audited every two to four years, depending on a risk evaluation and outcomes from the initial audit.

Givaudan has successfully implemented in 2010 the United Nations mandated chemicals classification system called 'Globally Harmonized System'. This programme is globally recognised and includes new compatible labelling of products, redesigned safety data sheets and easily understandable hazard symbols. Givaudan successfully implemented these requirements, starting in Europe.

Givaudan's EHS organisation is part of the Sustainability initiative and is proud of their contribution in the everyday activities happening at the site level focused on employees' health, our products, everyone's safety and environmental protection. We believe that the decisive steps taken in 2010 will enable Givaudan to even better meet the environmental, health and safety needs of employees, customers and society.

Givaudan's sustainable development principles and values are detailed in our 2010 Sustainability Report, published separately and available from March 2011 on [www.givaudan.com](http://www.givaudan.com) – [sustainability] – [publications]

# ZERO IS POSSIBLE



Serious about safety

## Safety inheritance

The integration of Quest International led to many of its best practices being leveraged throughout Givaudan. Where Quest had a comprehensive behavioural-based safety programme, Givaudan's strengths lay in the technical, engineering and process applications areas of safety. With the completion of the integration, the combination of safety approaches has created a platform for the development of a solid programme.

In November 2010, Givaudan launched SafeStart™, a globally recognised safety awareness programme designed to promote techniques for minimising the risk of injury and to contribute to Givaudan reaching its ambitious accident reduction goals. Available to all employees, it is part of Givaudan's global behavioural-based safety programme 'Zero is Possible' which aims to further strengthen safety behaviour and awareness across the business.



## Mexico: Clean Industry Certification

Located in a rural area, our Pedro Escobedo fragrance ingredients manufacturing site in Mexico has developed strong relations with the local community and neighbouring villages over the years. This commitment was recognised in 2010 with a 'Clean Industry Certification' from the Mexican Environmental Protection Agency. The certification recognises the commitment of the site to reduce the impact of its activities on the environment and for its continuous improvement over the past few years. Pedro Escobedo is the largest chemical production plant in the Group and employs about 200 people, most of whom live near the site.

### Information Technology

Extending the implementation of the Outlook solution, an enterprise system based on SAP, continued to be the dominant activity for the Company and the Information Technology group during 2010. Outlook, which first went live at selected sites in 2008, was successfully implemented at the fragrance sites and at the finance organisation in North America. In addition, all fragrance and flavour sites in Spain and Latin America, including Mexico, Brazil, Argentina and Colombia, went live during 2010.

This work meant 1,360 new users were transferred, a record number in any one year, and brought the total number of users in the Company to 4,700, or 70% of all employees who will work with the Outlook solution. Roll-out in Asia Pacific has started and is scheduled to continue during 2011, with final deployments planned in 2012. The overall Outlook programme roll-out has been without significant problems and remains on schedule.

Internally, the IT organisation has been undergoing a structural re-alignment to better support the transition from the project implementation to an embedded SAP-based enterprise management system and to further align it with the SAP-based needs of the two divisions as well as the service organisations such as finance. This re-alignment, announced in 2010, will be implemented during 2011 in preparation for the move from the roll-out of Outlook to the day-to-day support of the new system and its associated SAP packages.

During the year, the IT teams continued to enhance their service offerings to the creation platforms in the Fragrance Division and the Flavour Division, including supporting marketing and consumer understanding with the development of

new tools. The implementation of a new business management and archiving tool to improve the preservation of key Company documents such as those relating to governance and compliance matters was also achieved during 2010.

In addition, the teams supported the introduction of IBIS, a global initiative for the improved management of Fragrance Division briefs. This new system, which will also soon be available to external partners, helps those in the fragrance briefing process in their day-to-day work. The expanding use of the iPhone encouraged the IT teams during the year, working with Fragrance Division, to develop iPerfumer, a free application available via the Apple Appstore that offers consumers online guidance when buying perfume.

### Risk Management

Managing risk is an integral part of Givaudan's business. The Company actively promotes the continuous monitoring and management of risks at the operational management level on a day-to-day basis. We also operate a structured and continuous process of identifying, assessing and deciding on responses to key strategic risks at the Group level.

Risk Management is the responsibility of the Board of Directors which empowers the Executive Committee to lead the overall risk management process. The Givaudan Risk Management Charter, established by the Board of Directors, focuses on detailing the objectives and principles of risk management within Givaudan and formalising roles and responsibilities. It offers a framework for a pragmatic and effective risk management process to deal with the most relevant key risks which may affect Givaudan's business ability to achieve its critical objectives.

This risk assessment and management process is set out to be comprehensive, organised and documented in order to further enhance compliance with corporate governance regulations, guidelines and good practices. It involves business managers from all business areas and allows understanding risk profiles and of the opportunities and threats they present for the Company. This then allows adequate management and mitigation plans to be put in place to address the different risks.

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

Givaudan's management at various levels is accountable for ensuring the appropriateness and adequacy of the risk mitigation decisions at individual and combined levels, as well as for ensuring timeliness of their implementation. It is also responsible for tracking and reporting on progress of the risk mitigation programmes to the Executive Committee on a regular basis, with an overall high level review of risk assessment and mitigation plan provided periodically to the Board of Directors. Please also consult pages 83 to 88 of the Financial Report regarding our financial risk management.

## Regulatory

With our regulatory expertise we not only provide an essential service of advice to our customers but also ensure that our products meet or exceed all requirements around the world.

Givaudan continued to drive the regulatory advocacy activities within the International Organization of the Flavor Industry (IOFI). This committee, chaired by Givaudan, is working closely with the European Union (EU) Food Safety Authority and the EU Commission to ensure a smooth implementation of the most important reforms to flavour regulations in the EU for the past 30 years.

Finalisation of this EU flavour regulation was expected by the end of 2010. Givaudan is well-positioned to support its customers to meet any new regulations as required.

As more developing market countries establish requirements for the introduction of new ingredients into their markets, Givaudan is also leading efforts to achieve harmonisation of regulations to the greatest extent possible. This effort is important as harmonised regulations allow for easy movement of our customers' products throughout the global marketplace.

There has been ongoing progress to further improve the integration of all regulatory and safety activities internally. In addition, we have continued to integrate the activities of our research and development organisation with the Strategic Business Development teams to ensure the rapid global commercialisation of new ingredients to aid innovative flavour creation and application for our customers. This has been especially important in supporting our clients' efforts in the growing market for products promoting Health and Wellness.

A major effort to establish a more integrated technology commercialisation process was completed this year, ensuring that regulatory and safety aspects are fully addressed for all new ingredients and technologies. This effort has minimised any potential negative effects of an increasingly complex global regulatory environment and helped us maintain our rapid introduction of new materials into the global market.

Improving our customer support and worker safety capabilities, SAP-based Environmental, Health and Safety (EHS) functions were successfully launched in Europe and Latin America this year and will be introduced in Asia Pacific and the USA in 2011. This will result in further improvements in the quality and timeliness of responses to customer requests for EHS information and documentation.

In 2010, we initiated a programme called 'Easy to do Business With' to better understand and implement ways we can make doing business with Givaudan even easier for our customers. From a regulatory perspective, this programme focuses on getting accurate regulatory information and documents to our customers rapidly and in a form that is most convenient for them.

Over 25 new ingredients or technologies were successfully introduced into the market this year focusing on the areas of Health and Wellness, in line with our global growth strategy. Important additions to the ingredient palette were made in the area of salt and sugar reduction as well as other key consumer focus areas, allowing our customers to develop more desirable and healthy products.

We have continued to invest in new methods for toxicological evaluation of raw materials. The development of KeratinoSense has achieved international recognition for its ability to identify dermal sensitisers of varying potency.

Givaudan also continues to develop customised approaches for determining biodegradation of volatile raw materials. We have started a new programme to investigate in-vitro systems for predicting bioaccumulation of materials in fish. The Fragrance Division provided leadership to the global industry in regulatory advocacy activities within the International Fragrance Association (IFRA) – both at the global and regional level and particularly in the USA.

We also played a leading role in engaging key stakeholders to address new questions on ingredient transparency and a push for more labelling requirements on finished products in the USA. This has the potential for direct impact on intellectual property protection of fragrance formula. To enable more information to be accessible to consumers while protecting product-specific formula disclosure, IFRA has published the list of fragrance ingredients used in commerce, amounting to some 3,123 materials, on its website [www.IFRAorg.org](http://www.IFRAorg.org).

In 2010 Givaudan met its obligations for the first phase of REACH registrations and has commenced phase II of the programme.