Consolidated income statement

For the year ended 31 December

in millions of Swiss francs, except for per share data	Note	2010	2009
Sales	5	4,239	3,959
Cost of sales		(2,283)	(2,179)
Gross profit		**1,956**	**1,780**
as % of sales		46.1%	45.0%
Marketing and distribution expenses		(606)	(596)
Research and product development expenses		(336)	(326)
Administration expenses		(138)	(137)
Amortisation of intangible assets	22	(194)	(176)
Share of loss of jointly controlled entities	8	-	(1)
Other operating income	9	8	9
Other operating expense	10	(134)	(93)
Operating income		**556**	**460**
as % of sales		13.1%	11.6%
Financing costs	12	(93)	(142)
Other financial income (expense), net	13	(26)	(51)
Income before taxes		**437**	**267**
Income taxes	14	(97)	(67)
Income for the period		**340**	**200**
Attribution			
Income attributable to non-controlling interests	31		1
Income attributable to equity holders of the parent		340	199
as % of sales		8.0%	5.0%
Earnings per share – basic (CHF)	15	**37.87**	**25.07**
Earnings per share – diluted (CHF)	15	**37.63**	**24.97**

The notes on pages 69 to 116 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	2010	2009
Income for the period		**340**	**200**
Available-for-sale financial assets			
Movement in fair value for available-for-sale financial assets, net		8	28
Movement in deferred taxes on fair value adjustments	14	-	1
(Gain) loss on available-for-sale financial assets removed from equity and recognised in the consolidated income statement		(7)	7
Cash flow hedges			
Fair value adjustments in year		(7)	(22)
Removed from equity			
- and recognised in the consolidated income statement		5	18
- and recognised in non-financial assets (inventories)	4.2.1.3	-	10
Exchange differences arising on translation of foreign operations			
Change in currency translation		(276)	51
Other comprehensive income for the period		**(277)**	**93**
Total comprehensive income for the period		**63**	**293**
Attribution			
Total comprehensive income attributable to non-controlling interests	31		1
Total comprehensive income attributable to equity holders of the parent		63	292

The notes on pages 69 to 116 form an integral part of these financial statements.

Consolidated statement of financial position

As at 31 December

in millions of Swiss francs	Note	2010	2009
Cash and cash equivalents	16	805	825
Derivative financial instruments	4	91	35
Derivatives on own equity instruments	25	26	14
Available-for-sale financial assets	4, 17	54	18
Accounts receivable – trade	4, 18	717	685
Inventories	19	735	633
Current income tax assets	14	44	73
Assets held for sale	20	10	12
Other current assets	4	127	94
Current assets		**2,609**	**2,389**
Property, plant and equipment	21	1,312	1,437
Intangible assets	22	2,705	3,014
Deferred income tax assets	14	91	47
Assets for post-employment benefits	6	98	71
Financial assets at fair value through income statement	4	24	
Jointly controlled entities	8	3	6
Other long-term assets	17	81	119
Non-current assets		**4,314**	**4,694**
Total assets		**6,923**	**7,083**
Short-term debt	23	314	791
Derivative financial instruments	4	40	29
Accounts payable – trade and others	4	344	322
Accrued payroll & payroll taxes		121	92
Current income tax liabilities	14	83	69
Financial liability: own equity instruments	25	30	30
Provisions	24	35	19
Other current liabilities		140	114
Current liabilities		**1,107**	**1,466**
Derivative financial instruments	4	55	54
Long-term debt	23	1,844	2,282
Provisions	24	90	100
Liabilities for post-employment benefits	6	120	130
Deferred income tax liabilities	14	202	186
Other non-current liabilities		59	53
Non-current liabilities		**2,370**	**2,805**
Total liabilities		**3,477**	**4,271**
Share capital	26	92	85
Retained earnings and reserves	26	4,632	3,741
Hedging reserve	26	(47)	(45)
Own equity instruments	25, 26	(112)	(132)
Fair value reserve for available-for-sale financial assets		9	8
Cumulative translation differences		(1,128)	(852)
Equity attributable to equity holders of the parent		**3,446**	**2,805**
Non-controlling interests	31		7
Total equity		**3,446**	**2,812**
Total liabilities and equity		**6,923**	**7,083**

The notes on pages 69 to 116 form an integral part of these financial statements.

Consolidated statement of changes in equity

For the year ended 31 December

2010 in millions of Swiss francs	Note	Share Capital	Retained earnings and reserves	Own equity instruments	Hedging reserve	Fair value reserve for available-for-sale financial assets	Currency translation differences	Equity attributable to equity holders of the parent	Non-controlling interests	Total equity
Note		26	26	25, 26					31	
Balance as at 1 January		**85**	**3,741**	**(132)**	**(45)**	**8**	**(852)**	**2,805**	**7**	**2,812**
Income for the period			340					340		340
Available-for-sale financial assets	4, 17					1		1		1
Cash flow hedges					(2)			(2)		(2)
Exchange differences arising on translation of foreign operations							(276)	(276)		(276)
Other comprehensive income for the period					**(2)**	**1**	**(276)**	**(277)**		**(277)**
Total comprehensive income for the period			**340**		**(2)**	**1**	**(276)**	**63**		**63**
Issuance of shares	26	7	734					741		741
Dividends paid	26		(187)					(187)	(1)	(188)
Changes in non-controlling interests			4					4	(6)	(2)
Movement on own equity instruments, net				20				20		20
Net change in other equity items		**7**	**551**	**20**				**578**	**(7)**	**571**
Balance as at 31 December		**92**	**4,632**	**(112)**	**(47)**	**9**	**(1,128)**	**3,446**		**3,446**

2009 in millions of Swiss francs	Note	Share Capital	Retained earnings and reserves	Own equity instruments	Hedging reserve	Fair value reserve for available-for-sale financial assets	Currency translation differences	Equity attributable to equity holders of the parent	Non-controlling interests	Total equity
Note		26	26	25,26					31	
Balance as at 1 January		**73**	**3,153**	**(157)**	**(51)**	**(28)**	**(903)**	**2,087**	**6**	**2,093**
Income for the period			199					199	1	200
Available-for-sale financial assets	4, 17					36		36		36
Cash flow hedges					6			6		6
Exchange differences arising on translation of foreign operations							51	51	-	51
Other comprehensive income for the period					**6**	**36**	**51**	**93**		**93**
Total comprehensive income for the period			**199**		**6**	**36**	**51**	**292**	**1**	**293**
Issuance of shares	26	12	460					472		472
Dividends paid	26		(71)					(71)	-	(71)
Movement on own equity instruments, net				25				25		25
Net change in other equity items		**12**	**389**	**25**				**426**		**426**
Balance as at 31 December		**85**	**3,741**	**(132)**	**(45)**	**8**	**(852)**	**2,805**	**7**	**2,812**

The notes on pages 69 to 116 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	2010	2009
Income for the period		340	200
Income tax expense	14	97	67
Interest expense	12	82	119
Non-operating income and expense		37	74
Operating income		**556**	**460**
Depreciation of property, plant and equipment	21	115	119
Amortisation of intangible assets	22	194	176
Impairment of long-lived assets and joint ventures	21, 22	22	3
Other non-cash items			
- share-based payments		10	11
- additional and unused provisions, net		105	71
- other non-cash items		14	(15)
Adjustments for non-cash items		**460**	**365**
(Increase) decrease in inventories		(152)	126
(Increase) decrease in accounts receivable		(37)	(7)
(Increase) decrease in other current assets		(48)	(10)
Increase (decrease) in accounts payable		53	(19)
Increase (decrease) in other current liabilities		71	(32)
(Increase) decrease in working capital		**(113)**	**58**
Income taxes paid		**(59)**	**(50)**
Other operating cash flows, net[a]		**(114)**	**(95)**
Cash flows from (for) operating activities		**730**	**738**
Increase in long-term debt		99	304
(Decrease) in long-term debt		(198)	(550)
Increase in short-term debt		1	16
(Decrease) in short-term debt		(34)	(295)
Interest paid		(116)	(130)
Dividends paid	26	(188)	(71)
Issuance of shares	26		472
Purchase and sale of own equity instruments, net		9	5
Others, net		13	2
Cash flows from (for) financing activities		**(414)**	**(247)**
Acquisition of property, plant and equipment	21	(120)	(95)
Acquisition of intangible assets	22	(72)	(64)
Proceeds from the disposal of property, plant and equipment	21	15	10
Interest received		3	5
Dividends received			-
Purchase and sale of available-for-sale financial assets, net		1	98
Purchase and sale of financial assets at fair value through income statement, net		(29)	
Purchase and sale of derivative financial instruments, net		11	1
Others, net		(35)	(38)
Cash flows from (for) investing activities		**(226)**	**(83)**
Net increase (decrease) in cash and cash equivalents		**90**	**408**
Net effect of currency translation on cash and cash equivalents		(110)	(2)
Cash and cash equivalents at the beginning of the period		825	419
Cash and cash equivalents at the end of the period		**805**	**825**

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

The notes on pages 69 to 116 form an integral part of these financial statements.

Notes to the consolidated financial statements

1. Group organisation

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

Givaudan is a leading supplier of creative fragrance and flavour products to the consumer goods industry. It operates in over 100 countries and has subsidiaries and branches in more than 40 countries. Worldwide, it employs 8,618 people. A list of the principal Group companies is shown in Note 31 to the consolidated financial statements.

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

2. Summary of significant accounting policies

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

2.1 Basis of preparation

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

Givaudan SA's Board of Directors approved these consolidated financial statements on 7 February 2011.

2.1.1 Changes in accounting policy and disclosures

Standards, amendments and interpretations effective in 2010

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2009, as described in the 2009 consolidated financial statements, with the exception of the adoption as of 1 January 2010 of the standards and interpretations described below:

- IFRS 3 Revised Business Combinations
- Amendments to IAS 27 Consolidated and Separate Financial Statements
- Amendments to IAS 39 Financial Instruments Recognition and Measurement. Eligible Hedged Items
- Improvements to IFRSs: May 2008
- Improvements to IFRSs: April 2009
- Amendments to IFRS 1: Additional Exemptions for First-time Adopters
- Amendments to IFRS 2: Group Cash-settled Share-based Payment Transactions
- IFRIC 17 Distribution of Non-cash Assets to Owners

IFRS 3 Revised Business Combinations continues to apply the acquisition method to business combinations, with some significant changes. This standard will apply prospectively to all future business combinations.

Amendments to IAS 27 Consolidated and Separate Financial Statements requires the effects of all transactions with a non-controlling interest to be recognised in equity if there is no change in control and these transactions will no longer result in adjustments to goodwill or recognition of gains and losses. The standard also specifies the accounting when control is lost. These amendments apply prospectively and affect future acquisitions or loss of control of subsidiaries and transactions with non-controlling interests. The appropriate accounting treatment was applied to the purchase of the remaining shares of Givaudan Thailand.

Amendment to IAS 39 Financial Instruments Recognition and Measurement. Eligible Hedged Items clarifies whether a hedged risk or portion of cash flows is eligible for hedge accounting. The adoption of this amendment did not have any impact on the consolidated financial statements of the Group but will be considered prospectively to relevant hedging relationships.

Improvements to IFRSs (May 2008) clarifies disclosure requirements when the entity is committed to a sale plan involving loss of control of a subsidiary when criteria and definitions are met in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Improvements to IFRSs (April 2009) set out amendments across 12 different standards, related basis for conclusions and guidance. They relate to IFRS 2 Share-based Payment, IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, IFRS 8 Operating Segments, IAS 1 Presentation of Financial Statements, IAS 7 Statement of Cash Flows, IAS 17 Leases, IAS 18 Revenue, IAS 36 Impairment of Assets, IAS 38 Intangible Assets, IAS 39 Financial Instruments: Recognition and Measurement, IFRIC 9 Reassessment of Embedded Derivatives, and IFRIC 16 Hedges of a Net Investment in a Foreign Operation. The adoption of these improvements did not have any impact on the consolidated financial statements of the Group, except for IFRS 8 Operating Segments where the Group has changed the segment assets disclosure (see Note 5).

Amendments to IFRS 2: Group Cash-settled Share-based Payment Transactions clarifies the scope and the accounting for such transactions in the separate or individual financial statements of the entity receiving the goods or services when that entity has no obligation to settle the share-based payment transaction. The adoption of this amendment did not have any impact on the consolidated financial statements of the Group.

IFRIC 17 Distribution of Non-cash Assets to Owners provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. This interpretation had no effect on the consolidated financial statements of the Group.

In addition, the Group voluntarily changed its accounting policy regarding the reporting of own equity instruments classified as derivatives. For the year ended 31 December 2010 the Group has modified the accounting policy with respect to the presentation of the change in fair value and realised gains or losses on own equity instruments classified as derivatives from the line other financial (income) expense, net to each relevant line of the operating expenses. These own equity instruments are used to hedge the cash-settled share option plans. The Group believes that subsequent measurements of the hedge item (the cash-settled payment liability) and the hedge instruments (the own equity instruments classified as derivatives) shall be both recorded in operating income to provide more relevant information of the hedge activities related to the share options plans and to provide more accurate information on the operating performance. This change in presentation does not significantly affect the operating income and, as such, no adjustment was deemed necessary to prior year comparative information.

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 2011

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

IAS 24 Related Party Disclosures (revised) removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities it also clarifies and simplifies the definition of a related party. The Group does not expect that this revision will have an impact on its consolidated financial statements.

Amendment to IAS 32: Financial Instrument – Presentation: Classification of Rights Issues eliminates volatility in profit and loss for rights issue denominated in a foreign currency. This amendment will not have impact on the Group's consolidated financial statements.

Amendment to IFRS 1: Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters provides first-time adopters with the same transition provision than existing IFRS prepares who were granted relief from presenting comparative information for the new disclosures requirements. This amendment will not have impact on the Group's consolidated financial statements.

Improvements to IFRSs (May 2010) sets out amendments across 7 different standards, related basis for conclusions and guidance. They relate to IFRS 1 First-time Adoption of IFRSs, IFRS 3 Business Combinations, IFRS 7 Financial instruments: Disclosures, IAS 1 Presentation of Financial Statements, IAS 27 Consolidated and Separate Financial Statements, IAS 34 Interim Financial Reporting, and IFRIC 13 Customer Loyalty Programmes. The Group does not expect that these improvements will have an impact on its consolidated financial statements.

Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement remove an unintended consequence of IFRIC 14 where entities are in some circumstances not permitted to recognise as an asset prepayments of minimum funding contributions. These amendments will not have impact on the Group's consolidated financial statements.

The following interpretation is mandatory for accounting periods beginning on 1 January 2011:

- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

The Group will apply this interpretation from 1 January 2011. This is not expected to have any impact on the Group's consolidated financial statements.

b) Issued and effective for 2012 and after

- IFRS 9 Financial Instruments
- Amendments to IFRS 7 Disclosures: Transfers of Financial Assets

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

2.2 Consolidation

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

The purchase 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, irrespective of the extent of any non-controlling interest and except for non-current assets (or disposal groups) that are classified as held for sale (see Note 2.17). 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.

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.3 Interest in a joint venture

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

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

2.4 Foreign currency valuation

Functional and presentation currency

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

Transactions and balances

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

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

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

Group companies

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

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

2.5 Segment reporting

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

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

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

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

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

2.6 Sales

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

2.7 Research and product development costs

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

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

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

2.8 Employee benefit costs

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

Pension obligations

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

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

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

Other post-retirement obligations

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

2.9 Share-based payments

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

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

Share options plans

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

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

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

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

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

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

Performance share plan

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

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

2.10 Taxation

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

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

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

2.11 Cash and cash equivalents

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

2.12 Financial assets

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

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

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

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

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

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

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

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

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

2.13 Derivative financial instruments and hedging activities

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

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

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

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

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

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

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

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

When the hedging instrument expires or is sold, terminated or exercised without replacement or roll over, or the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the ultimate forecast transaction occurs. If the forecast transaction is no longer expected to occur, any cumulative gain or loss existing in equity is immediately taken to the income statement.

c) 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.

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

2.14 Accounts receivable – trade

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

2.15 Inventories

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

2.16 Property, plant and equipment

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

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

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

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

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

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

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

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

2.17 Non-current assets held for sale

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

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

2.18 Leases

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

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

2.19 Intangible assets

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

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

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

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

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

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

2.20 Impairment of long-lived assets

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

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

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

2.21 Borrowing costs

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

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

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

2.22 Accounts payable – trade and others

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

2.23 Debt

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

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

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

2.24 Provisions

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

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

2.25 Own equity instruments

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

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

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

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

2.26 Share capital

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

2.27 Dividend distributions

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

3. Critical accounting estimates and judgments

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

3.1 Critical accounting estimates and assumptions

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

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

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

3.2 Critical judgment in applying the entity's accounting policies

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

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

4. Financial risk management

4.1 Capital risk management

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

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

The Group monitors its capital structure on the basis of a leverage ratio, defined as net debt divided by the total equity plus net debt. Net debt is calculated as the total of the consolidated short-term and long-term debt (2009: excluding the Mandatory Convertible Securities (MCS)), less cash and cash equivalents. Equity is calculated as total equity attributable to equity holders of the parent, non-controlling interests (and the MCS in 2009).

The Group has entered into several private placements and a syndicated loan which contain various covenants with externally imposed capital requirements. The Group was in compliance with these requirements as at 31 December 2010.

The leverage ratio as at 31 December was as follows:

in millions of Swiss francs	Note	2010	2009
Short-term debt (2009: excluding MCS)	23	314	42
Long-term debt	23	1,844	2,282
Less: cash and cash equivalents	16	(805)	(825)
Net Debt		**1,353**	**1,499**
Total equity attributable to equity holders of the parent		3,446	2,805
Mandatory Convertible Securities	23		749
Non-controlling interests	31		7
Equity (2009: including MCS)		**3,446**	**3,561**
Net Debt and Equity		**4,799**	**5,060**
Leverage ratio		**28%**	**30%**

The leverage ratio decreased to 28% in 2010 from 30% in 2009. 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. The Group maintains its medium term leverage ratio target at approximately 25%.

4.2 Financial risk management

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

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

Categories of financial instruments

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

2010 in millions of Swiss francs	Note	Loans and receivables	At fair value through the income statement	Derivatives used for hedge accounting	Available-for-sale	Other financial liabilities	Total
Current assets							
Available-for-sale financial assets	17				54		54
Accounts receivable – trade	18	717					717
Derivative financial instruments	4.3		91				91
Cash and cash equivalents	16	805					805
Other current assets[a]		57					57
Non-current assets							
Available-for-sale financial assets	17				40		40
Financial assets at fair value through income statement			24				24
Total assets as at 31 December		**1,579**	**115**		**94**		**1,788**
Current liabilities							
Short-term debt	23					314	314
Derivative financial instruments	4.3		40				40
Accounts payable		309					309
Non-current liabilities							
Long-term debt	23					1,844	1,844
Derivative financial instruments[b]	4.3		1	54			55
Total liabilities as at 31 December		**309**	**41**	**54**		**2,158**	**2,562**

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

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

2009 in millions of Swiss francs	Note	Loans and receivables	At fair value through the income statement	Derivatives used for hedge accounting	Available-for-sale	Other financial liabilities	Total
Current assets							
Available-for-sale financial assets	17				18		18
Accounts receivable – trade	18	685					685
Derivative financial instruments	4.3		35				35
Cash and cash equivalents	16	825					825
Other current assets[a]		73					73
Non-current assets							
Available-for-sale financial assets	17				87		87
Total assets as at 31 December		**1,583**	**35**		**105**		**1,723**
Current liabilities							
Short-term debt	23					791	791
Derivative financial instruments	4.3		29				29
Accounts payable		294					294
Non-current liabilities							
Long-term debt	23					2,282	2,282
Derivative financial instruments[b]	4.3		2	52			54
Total liabilities as at 31 December		**294**	**31**	**52**		**3,073**	**3,450**

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

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

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

4.2.1 Market risk

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

- Currency derivatives including forward foreign exchange contracts and options to hedge the exchange rate risk
- Interest rate swaps to mitigate the risk of interest rate increases
- Commodity swaps to mitigate the risk of raw material price increases

4.2.1.1 Foreign exchange risk

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

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

Currency exposure 2010 CCY1/CCY2[a]

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

Currency exposure 2009 CCY1/CCY2[a]

in millions of Swiss francs	EUR/CHF	USD/CHF	GBP/EUR	GBP/CHF	GBP/USD	EUR/USD
Currency exposure without hedge[b]	+590	+102	-30	+137	-7	-73
Hedged amount	-598	-178	+29	-139	+4	+49
Currency exposure including hedge	-8	-76	-1	-2	-3	-24

a) CCY = currency

b) + long position; – short position

In the exposure calculations the intra Group positions are included.

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

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

Currency risks 2010 in CCY1/CCY2[a]

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

Currency risks 2009 in CCY1/CCY2[a]

in millions of Swiss francs	EUR/CHF	USD/CHF	GBP/EUR	GBP/CHF	GBP/USD	EUR/USD
Reasonable shift	12%	18%	15%	20%	20%	18%
Impact on income statement if CCY1 strengthens against CCY2	(1)	(14)	0	0	(1)	(4)
Impact on income statement if CCY1 weakens against CCY2	1	14	0	0	1	4

a) CCY = currency

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

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

4.2.1.2 Interest rate risk

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

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

As at 31 December in millions of Swiss francs	2010 CHF interest rate	2009 CHF interest rate
Reasonable shift	150 basis points increase / 50 basis points decrease	150 basis points increase / 50 basis points decrease
Impact on income statement if interest rate increases	3	2
Impact on income statement if interest rate decreases	(1)	(1)
Impact on equity if interest rate increases	46	59
Impact on equity if interest rate decreases	(16)	(21)

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

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

In order to protect against the increase of interest rates related to the financing of the acquisition of the Quest International business, the Group has entered into a number of interest rate swaps, whereby it pays fixed and receives floating interest rate until the final maturity of the syndicated loan (see Note 23).

In order to hedge the series of interest payments resulting from the 5-year syndicated loan, Givaudan SA entered into a 5-year interest rate swap transaction, changing the LIBOR 6-month floating rate into a fixed rate. The total amount of the hedged transactions as at 31 December 2010 is CHF 800 million (2009: CHF 900 million). In January 2010 the Group reimbursed CHF 100 million (2009: CHF 400 million) of the syndicated loan. In order to adjust the hedging amount, the Group closed a CHF 100 million interest rate swap resulting in a charge of CHF 5.4 million (2009: CHF 11.6 million) to the consolidated income statement.

The Group has designated the above transaction as a cash flow hedge. The cash flow hedge was effective during the year.

In December 2007, the Group entered into a basis swap deal, changing the LIBOR 6-month floating rate into a LIBOR 1-month floating rate for a nominal value of CHF 1,100 million (2009: CHF 1,100 million). The Group received an upfront of CHF 2.8 million for this transaction. As a result of this transaction Givaudan SA has changed the basis of syndicated loan borrowing from 6-month to 1-month. The economic result of these transactions is that Givaudan SA pays an average fixed rate of 2.82% (2009: 2.82%) for the CHF 800 million (2009: CHF 900 million) tranche of the syndicated loan.

In order to protect against future increases of the current CHF interest rates and to fix the interest rates of highly probable future debt issuances, the Group has entered into several forward starting interest rate swaps starting in 2011, CHF 200 million with average rate 2.69% with five-year maturity and in 2012, CHF 250 million with average rate of 2.70% with five-year maturity, CHF 50 million with average rate of 2.45% with three-year maturity. The Group has designated these transactions as cash flow hedges. The cash flow hedges were effective during the year.

4.2.1.3 Price risk

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

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

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

Sensitivity analysis

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

The Group's equity portfolio is composed primarily of Swiss and US shares. The benchmark for the reasonable change is the SMI index historical volatility (20% for the last three years) and an average of historical volatility of US indexes (20% for the last three years). If equity prices had been 20% higher/lower, the total value would have increased or decreased by CHF 13 million (2009: CHF 10 million applying 20% change for Swiss and for US shares), with this movement being recognised in equity.

4.2.2 Credit risk

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

Generally, there is no significant concentration of trade receivables or commercial counter-party credit risk, due to the large number of customers that the Group deals with and their wide geographical spread with the exception of one single external customer that generates revenues, mainly attributable to the Fragrance Division, of approximately CHF 437 million (2009: CHF 419 million). Country and credit risk limits and exposures are continuously monitored.

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

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

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

	2010			2009		
	Total in Mio CHF	Max. with any individual bank in Mio CHF	Number of banks	Total in Mio CHF	Max. with any individual bank in Mio CHF	Number of banks
AA – range	207	79	3	88	88	1
A – range	639	143	6	656	185	6

4.2.3 Liquidity risk

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

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

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

2010

in millions of Swiss francs	Up to 6 months	6 – 12 months	1 – 5 years	Over 5 years	Total
Short-term debt (excluding bank overdraft)	(34)	(284)			(318)
Accounts payable	(309)				(309)
Net settled derivative financial instruments	(11)	(8)	(35)	(2)	(56)
Gross settled derivative financial instruments – outflows	(866)	(110)			(976)
Gross settled derivative financial instruments – inflows	913	115			1,028
Long-term debt	(30)	(15)	(1,890)	(53)	(1,988)
Balance as at 31 December	**(337)**	**(302)**	**(1,925)**	**(55)**	**(2,619)**

2009

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)	(74)				(74)
Accounts payable	(294)				(294)
Net settled derivative financial instruments	(11)	(9)	(35)	1	(54)
Gross settled derivative financial instruments – outflows	(1,372)				(1,372)
Gross settled derivative financial instruments – inflows	1,377				1,377
Long-term debt	(32)	(27)	(2,337)	(115)	(2,511)
Balance as at 31 December	**(406)**	**(36)**	**(2,372)**	**(114)**	**(2,928)**

4.3 Fair value measurements recognised in the statement of financial position

The following tables present the Group's assets and liabilities that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable:

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

2010

in millions of Swiss francs	Note	Level 1	Level 2	Level 3	Total
Financial assets at fair value through income statement					
Forward foreign exchange contracts			91		91
Corporate owned life insurance			24		24
Available-for-sale financial assets					
Equity securities	17	42	17		59
Debt securities	17	12	23		35
Total assets		**54**	**155**		**209**
Financial liabilities at fair value through income statement					
Forward foreign exchange contracts			40		40
Swaps (hedge accounting)			54		54
Basis swap			1		1
Total liabilities			**95**		**95**

2009

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			35		35
Available-for-sale financial assets					
Equity securities	17	16	39		55
Debt securities	17	8	42		50
Total assets		**24**	**116**		**140**
Financial liabilities at fair value through income statement					
Forward foreign exchange contracts			29		29
Swaps (hedge accounting)			52		52
Basis swap			2		2
Total liabilities			**83**		**83**

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 2010 and 2009, nor did it have any assets in this category at 31 December 2010 and 2009.

5. Segment information

Management has determined the operating segments based on the reports reviewed by the Executive Committee that are used to allocate resources to the segments and to assess their performance. The Executive Committee considers the business from a divisional perspective:

Fragrances

Manufacture and sale of fragrances into three global business units: Fine Fragrances, Consumer Products and Fragrance Ingredients, and

Flavours

Manufacture and sale of flavours into four business units: Beverages, Dairy, Savoury and Sweet Goods.

The performance of the operating segments is based on a measure of the operating income at comparable basis. This measure is computed as the operating income adjusted for non-recurring items.

Business segments

		Fragrances		Flavours		Group	
in millions of Swiss francs	Note	2010	2009	2010	2009	2010	2009
Segment sales		1,989	1,824	2,253	2,138	4,242	3,962
Less inter segment sales[a]		(1)	-	(2)	(3)	(3)	(3)
Segment sales to third parties	2.6	**1,988**	**1,824**	**2,251**	**2,135**	**4,239**	**3,959**
Operating income at comparable basis		**297**	**228**	**358**	**297**	**655**	**525**
as % of sales		14.9%	12.5%	15.9%	13.9%	15.5%	13.3%
Depreciation	21	(56)	(59)	(59)	(60)	(115)	(119)
Amortisation	22	(92)	(83)	(102)	(93)	(194)	(176)
Impairment of long-lived assets and joint ventures	21	(11)	-	(11)	(3)	(22)	(3)
Acquisition of property, plant and equipment	21	47	50	73	45	120	95
Acquisition of intangible assets	22	35	31	37	33	72	64
Capital expenditures		**82**	**81**	**110**	**78**	**192**	**159**

a) 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. The Group has removed communication on segment assets and liabilities to align the business segment information with management reporting that is focused mainly on free cash flow. The corresponding information of earlier periods has been restated.

Reconciliation table to Group's operating income

	Fragrances		Flavours		Group	
in millions of Swiss francs	2010	2009	2010	2009	2010	2009
Operating income at comparable basis	**297**	**228**	**358**	**297**	**655**	**525**
Integration and restructuring costs	(47)	(37)	(30)	(25)	(77)	(62)
Impairment of long-lived assets and joint ventures	(11)	-	(11)	(3)	(22)	(3)
Operating income	**239**	**191**	**317**	**269**	**556**	**460**
as % of sales	12.0%	10.5%	14.1%	12.6%	13.1%	11.6%
Financing costs					(93)	(142)
Other financial income (expense), net					(26)	(51)
Income before taxes					**437**	**267**
as % of sales					10.3%	6.7%

Entity-wide disclosures

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

in millions of Swiss francs	2010	2009
Fragrance Division		
Fragrance Compounds	1,719	1,576
Fragrance Ingredients	269	248
Flavour Division		
Flavour Compounds	2,251	2,135
Total revenues	**4,239**	**3,959**

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	2010	2009	2010	2009
Switzerland	51	50	935	959
Europe	1,313	1,311	1,481	1,756
Africa, Middle-East	315	279	88	92
North America	999	944	947	1,056
Latin America	515	459	169	179
Asia Pacific	1,046	916	400	415
Total geographical segments	**4,239**	**3,959**	**4,020**	**4,457**

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 437 million (2009: CHF 419 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	2010	2009
Wages and salaries	786	714
Social security costs	95	91
Post-employment benefits: defined benefit plans	45	64
Post-employment benefits: defined contribution plans	12	15
Equity-settled instruments	9	11
Cash-settled instruments	20	(1)
Change in fair value on own equity instruments	(6)	
Other employee benefits	55	70
Total employees' remuneration	**1,016**	**964**

Defined benefits plans

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

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

in millions of Swiss francs	Defined benefit plans 2010	Defined benefit plans 2009	Non-pension post-employment plans 2010	Non-pension post-employment plans 2009
Current service cost	39	44	3	2
Interest cost	69	68	4	5
Expected return on plan assets	(80)	(68)		
Effect of settlement / curtailment	(5)	3		
Effect on amount not recognised as an asset	-	-		
Termination benefits	5			
Recognition of past service cost	1			
Net actuarial (gains) losses recognised	9	9		1
Total included in employees' remuneration	**38**	**56**	**7**	**8**

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

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

in millions of Swiss francs	Defined benefit plans 2010	Defined benefit plans 2009	Non-pension post-employment plans 2010	Non-pension post-employment plans 2009
Funded obligations				
Present value of funded obligations	(1,622)	(1,537)	(8)	(8)
Fair value of plan assets	1,391	1,382	1	1
Net present value of funded obligations	**(231)**	**(155)**	**(7)**	**(7)**
Amount not recognised as an asset	-	-		
Unrecognised actuarial (gains) losses	305	200		(3)
Recognised asset (liability) for funded obligations, net	**74**	**45**	**(7)**	**(10)**
Unfunded obligations				
Present value of unfunded obligations	(47)	(51)	(66)	(69)
Unrecognised actuarial (gains) losses	12	11	7	11
Recognised (liability) for unfunded obligations	**(35)**	**(40)**	**(59)**	**(58)**
Total defined benefit asset (liability)	**39**	**5**	**(66)**	**(68)**
Deficit recognised as liabilities for post-employment benefits	(59)	(66)	(66)	(68)
Surplus recognised as part of other long-term assets	98	71		
Total net asset (liability) recognised	**39**	**5**	**(66)**	**(68)**

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:

	Defined benefit plans		Non-pension post-employment plans	
in millions of Swiss francs	2010	2009	2010	2009
Balance as at 1 January	**1,588**	**1,431**	**77**	**77**
Net current service cost	39	44	3	2
Interest cost	69	68	4	5
Employee contributions	9	9	1	1
Benefit payment	(69)	(73)	(4)	(4)
Effect of settlement / curtailment	(7)			
Termination benefits	5			
Actuarial (gains) losses	148	108	2	(1)
Past service cost	1			
Currency translation effects	(114)	1	(9)	(3)
Balance as at 31 December	**1,669**	**1,588**	**74**	**77**

The effect of a 1.0% movement in the assumed medical cost trend rate is as follows:

in millions of Swiss francs	Increase	Decrease
Effect on the aggregate of the current service cost and interest cost	-	-
Effect on the defined benefit obligation	3	2

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

	Defined benefit plans		Non-pension post-employment plans	
in millions of Swiss francs	2010	2009	2010	2009
Balance as at 1 January	**1,382**	**1,159**	**1**	**1**
Expected return on plan assets	80	68		
Actuarial gains (losses)	11	105	-	-
Employer contributions	72	115	3	3
Employee contributions	9	9	1	1
Benefit payment	(69)	(73)	(4)	(4)
Effect of settlement	-	(4)		
Termination benefits				
Currency translation effects	(94)	3		
Balance as at 31 December	**1,391**	**1,382**	**1**	**1**

The actual return on plan assets is a gain of CHF 91 million (2009: gain of CHF 173 million).

Plan assets are comprised as follows:

in millions of Swiss francs		2010		2009
Debt	503	36%	478	35%
Equity	537	39%	587	42%
Property	179	13%	176	13%
Other	173	12%	142	10%
Total	**1,392**	**100%**	**1,383**	**100%**

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

The expected return on plan assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the statement of financial position date. Expected returns on equity and property investments reflect long-term real rates of return experienced in the respective markets.

Expected contributions to post-employment benefit plans for the year ending 31 December 2011 are CHF 66 million.

As at 31 December in millions of Swiss francs	2010	2009	2008	2007[a]	2006
Present value of defined benefit obligation	1,743	1,665	1,508	1,639	1,289
Fair value of plan asset	1,392	1,383	1,160	1,439	1,060
Deficit / (surplus)	**351**	**282**	**348**	**200**	**229**
Experience adjustments on plan liabilities	7	1	22	2	6
Experience adjustments on plan assets	11	105	(269)	(12)	(3)

a) The final valuation of the Quest related intangible assets occurred within the 12 months of the date of acquisition resulting in adjustments to the 2007 financial results.

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

Weighted percentage	2010	2009
Discount rates	4.0%	4.6%
Projected rates of remuneration growth	2.9%	2.8%
Expected rates of return on plan assets	5.7%	5.9%
Healthcare cost trend rate	4.9%	5.4%

The overall discount rate and the overall projected rates of remuneration growth are calculated by weighting the individual rates in accordance with the defined benefit obligation of the plans. The expected rates of return on individual categories of plan assets are determined by reference to relevant indices published by the respective stock exchange of each country where assets are managed. The overall expected rate of return is calculated by weighting the individual rates in accordance with the assets allocation of the plans.

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory. Mortality assumptions for the most important countries are based on the following post-retirement mortality tables:

(i) Switzerland: EVK2000

(ii) United States of America: RP2000

(iii) United Kingdom: PA2000

(iv) Netherlands: GB2010G

Allowance for future improvements in mortality have been allowed for as appropriate in each country. In Switzerland a provision of 5% of the computed pension liabilities has been included. In the United States of America the published rates have been projected in accordance with the AA scale as required by local funding rules. In the United Kingdom the base rates have been projected in accordance with the long cohort with a 1% minimum underpin. In the Netherlands the generational rates have been employed.

7. Share-based payments

Performance share plan

Performance shares shown in the table below have been granted in 2008. No further plan was granted after 2008. These performance shares are converted into tradable and transferable shares of Givaudan S.A. after the vesting period, subject to performance conditions. The performance metric is the comparison of the business plan to the actual cumulative cash flow. Participation in this plan is mandatory.

Year of grant	Commencing date	Vesting date	Number of shares expected to be delivered at vesting date 31 Dec 2010	Weighted average fair value (CHF)	Number of shares expected to be delivered at vesting date 31 Dec 2009	Weighted average fair value (CHF)
2008	1 Jan 2008	31 Dec 2012	13,850	889.3	18,005	889.3

The cost of the equity-settled instruments of CHF 1 million (2009: CHF 2 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 2010	Number of options 2009
2005	21 Mar 2010	21 Mar 2007	772.5	9.6:1	10.74		60,650
2006	7 Mar 2011	6 Mar 2008	1,007.6	9.6:1	12.07	114,050	374,600
2007	5 Mar 2012	5 Mar 2009	1,199.5	9.6:1	14.18	357,250	555,000
2008	4 Mar 2013	4 Mar 2010	1,113.6	12.5:1	14.23	389,100	587,800
2009	3 Mar 2014	3 Mar 2011	700.5	8.6:1	14.98	427,400	427,150
2010	3 Mar 2015	3 Mar 2012	925.0	9.5:1	15.16	429,800	

a) Strike price and ratios of options have been adjusted consecutively to the approval by the shareholders, at the Annual General Meetings held on 27 April 2005, to distribute extraordinary dividends, and in 2009, subsequent to the share capital increase related to the rights issue.

The cost of these equity-settled instruments of CHF 6 million (2009: CHF 8 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	2010	Weighted average exercised price (CHF)	2009	Weighted average exercised price (CHF)
As at 1 January	**199,768**	**1,019.1**	**173,062**	**1,113.0**
Effect of the change in ratios subsequent to the share capital increase related to the rights issue			7,150	(44.5)
Granted	45,416	924.2	49,458	700.5
Sold	(70,007)	1,069.8	(28,708)	857.4
Lapsed/cancelled	(145)	700.5	(1,194)	1,087.5
As at 31 December	**175,033**	**974.3**	**199,768**	**1,019.1**

Of the 175,033 outstanding options expressed in equivalent shares (2009: 199,768), 80,303 options (2009: 103,192) were exercisable. For these plans, the Group has at its disposal either treasury shares or conditional share capital up to an amount of CHF 1,618,200, representing 161,820 registered shares with a par value of CHF 10 per share. When held or sold, an option does not give rights to receive a dividend nor to vote.

Equity-settled instruments related to restricted shares

Restricted shares shown in the table below have been granted on a yearly basis. These shares are tradable and transferable after the vesting period. Participation in these plans is mandatory.

Restricted shares outstanding at the end of the year have the following terms:

Year of grant	Maturity date	Vesting date	Restricted share at grant date (CHF)	Number of restricted share 2010	Number of restricted share 2009
2009	3 Mar 2014	3 Mar 2012	595.0	6,148	6,232
2010	3 Mar 2015	3 Mar 2013	806.2	3,942	

Of the 10,090 outstanding restricted shares (2009: 6,232), no share (2009: none) were deliverable. The cost of these equity-settled instruments of CHF 2 million (2009: CHF 1 million) has been expensed in the consolidated income statement.

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

Number of restricted shares	2010	2009
As at 1 January	**6,232**	
Granted	3,942	6,258
Sold		
Lapsed/cancelled	(84)	(26)
As at 31 December	**10,090**	**6,232**

For this plan, the Group has at its disposal treasury shares.

Cash-settled instruments related to shares options

Options rights shown in the table below have been granted on a yearly basis. These rights are not tradable and transferable after the vesting period. Participation in these plans is mandatory.

Year of grant	Maturity date	Vesting date	Strike price[a] (CHF)	Ratio[a] (option: share)	Option value at grant date (CHF)	Number of options 2010	Number of options 2009
2005	21 Mar 2010	21 Mar 2007	772.5	9.6:1	10.74		83,300
2006	7 Mar 2011	6 Mar 2008	1,007.6	9.6:1	12.07	70,500	476,700
2007	5 Mar 2012	5 Mar 2009	1,199.5	9.6:1	14.18	358,400	604,400
2008	4 Mar 2013	4 Mar 2010	1,113.6	12.5:1	14.23	438,900	589,900
2009	3 Mar 2014	3 Mar 2011	700.5	8.6:1	14.98	424,100	420,100
2010	3 Mar 2015	3 Mar 2012	925.0	9.5:1	15.16	493,350	

a) Strike price and ratios of options have been adjusted consecutively to the approval by the shareholders, at the Annual General Meetings held on 27 April 2005, to distribute extraordinary dividends, and in 2009, subsequent to the share capital increase related to the rights issue.

The change of the fair value and the executions of these cash-settled instruments resulted to a charge of CHF 18 million (2009: credit of CHF 2 million) in the consolidated income statement. The liability element of the cash-settled instruments of CHF 21 million (2009: 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	2010	Weighted average exercised price (CHF)	2009	Weighted average exercised price (CHF)
As at 1 January	**217,268**	**1,021.2**	**184,308**	**1,112.2**
Effect of the change in ratios subsequent to the share capital increase related to the rights issue			7,679	(44.7)
Granted	53,021	921.2	49,151	703.6
Exercised	(86,118)	1,060.5	(23,353)	827.9
Lapsed/cancelled	(3,257)	900.8	(517)	1,044.4
As at 31 December	**180,914**	**976.3**	**217,268**	**1,021.2**

Of the 180,914 outstanding options expressed in equivalent shares (2009: 217,268), 79,877 options (2009: 121,340) were exercisable. The Group has at its disposal treasury shares to finance these plans. When held or sold, an option right does not give rights to receive a dividend nor to vote.

Cash-settled instruments related to restricted shares

Options rights shown in the table below have been granted on a yearly basis. These rights are not tradable and transferable after the vesting period. Participation in these plans is mandatory.

Year of grant	Maturity date	Vesting date	Option value at grant date (CHF)	Number of options 2010	Number of options 2009
2009	3 Mar 2014	3 Mar 2012	595.0	3,277	3,348
2010	3 Mar 2015	3 Mar 2013	806.2	1,965	

The change of the fair value and the executions of these cash-settled instruments resulted to a charge of CHF 2 million (2009: CHF 1 million) in the consolidated income statement. The liability element of these cash-settled instruments of CHF 3 million (2009: CHF 1 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	2010	2009
As at 1 January	**3,348**	
Granted	1,965	3,348
Exercised		
Lapsed/cancelled	(71)	
As at 31 December	**5,242**	**3,348**

The Group has at its disposal treasury shares to finance this plan. When held or sold, an option right does not give rights to receive a dividend nor to vote.

8. Jointly controlled entities

Name of joint venture	Principal activity	Country of incorporation	Ownership interest	Joint venture with
TecnoScent	Olfactory receptor research	Belgium	50%	ChemCom
Pacific Aid	Flavour compounds	United States of America	50%	Myron Root & Company

Summarised financial information in respect of the Group's joint venture is set out below. The following net assets represent 100% of the jointly controlled entities:

As at 31 December in millions of Swiss francs	2010	2009
Current assets	7	5
Non-current assets	2	12
Current liabilities	(3)	(2)
Non-current liabilities	-	(2)
Total net assets of joint venture	**6**	**13**

in millions of Swiss francs	2010	2009
Income	(10)	-
Expenses	19	3

As the substantial part of the loss in the joint venture results from an impairment of the assets, the Group has reflected this in impairment of assets (see note 10).

9. Other operating income

in millions of Swiss francs	2010	2009
Gains on fixed assets disposal	1	1
Interest on accounts receivable-trade	1	1
Royalty income	-	1
Other income	6	6
Total other operating income	**8**	**9**

10. Other operating expense

in millions of Swiss francs	2010	2009
Impairment of long-lived assets and joint ventures	22	3
Losses on fixed assets disposals	2	3
Business related information management project costs	7	10
Integration related expenses and restructuring related expenses	77	62
Other business taxes	9	9
Other expenses	17	6
Total other operating expense	**134**	**93**

In the year ended 31 December 2010, the Group incurred significant expenses in connection with the combination with Quest International. Integration related charges of CHF 50 million (2009: CHF 62 million) and assets impairment of CHF 8 million (2009: CHF 3 million) have been recognised in the other operating expense. Refer also to Note 21 on property, plant and equipment and Note 24 on provisions. In addition, the Group announced plans to streamline its savoury manufacturing in the United Kingdom and Switzerland. These planned closures resulted in various restructuring related charges of CHF 27 million and assets impairment of CHF 10 million (2009: none). The Group also re-evaluated its joint venture investment in TecnoScent, incurring an impairment of CHF 4 million (2009: none).

11. Expenses by nature

in millions of Swiss francs	Note	2010	2009
Raw materials and consumables used		1,536	1,525
Employee benefit expense	6	1,016	964
Depreciation, amortisation and impairment charges	21,22	331	298
Transportation expenses		59	51
Freight expenses		103	81
Consulting and service expenses		113	125
Other expenses		525	455
Total operating expenses by nature		**3,683**	**3,499**

12. Financing costs

in millions of Swiss francs	2010	2009
Interest expense	82	119
Derivative interest (gains) losses	5	(1)
Mandatory conversion feature of the Mandatory Convertible Securities	4	17
Amortisation of debt discounts	2	7
Total financing costs	**93**	**142**

13. Other financial (income) expense, net

in millions of Swiss francs	2010	2009
Fair value and realised (gains) losses from derivatives instruments, net (at fair value through income statement)	(75)	24
Fair value and realised (gains) losses from own equity instruments, net	-	6
Exchange (gains) losses, net	96	2
Impairment of available-for-sale financial assets		8
Gains from available-for-sale financial assets	(1)	-
Losses from available-for-sale financial assets		2
Realised gains from available-for-sale financial assets removed from equity	(7)	(3)
Realised losses from available-for-sale financial assets removed from equity	-	3
Unrealised (gains) from fair value through income statement financial instruments	(3)	
Unrealised losses from fair value through income statement financial instruments	4	
Interest income	(3)	(5)
Capital taxes and other non business taxes	8	8
Other (income) expense, net	7	6
Total other financial (income) expense, net	**26**	**51**

14. Income taxes

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

in millions of Swiss francs	2010	2009
Current income taxes	116	61
Adjustments of current tax of prior years	10	(14)
Deferred income taxes		
- origination and reversal of temporary differences	(29)	19
- changes in tax rates	-	-
- reclassified from equity to income statement	-	1
Total income tax expense	**97**	**67**

Since the Group operates globally, it is liable for income taxes in many different tax jurisdictions. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Differences between the final tax outcome and the amounts that were initially recorded impact the current and deferred taxes in the period in which such determinations are made.

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

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

	2010	2009
Group's average applicable tax rate	**21%**	**23%**
Tax effect of		
Income not taxable	(2)%	(2)%
Expenses not deductible	2%	2%
Other adjustments of income taxes of prior years	1%	2%
Other differences	-	-
Group's effective tax rate	**22%**	**25%**

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	2010	2009
Current income tax assets	44	73
Current income tax liabilities	(83)	(69)
Total net current income tax asset (liability)	**(39)**	**4**

As at 31 December in millions of Swiss francs	2010	2009
Deferred income tax assets	91	47
Deferred income tax liabilities	(202)	(186)
Total net deferred income tax asset (liability)	**(111)**	**(139)**

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 2011.

Deferred income tax assets are recognised for tax loss carry forwards only to the extent that the realisation of the related tax benefit is probable. Of the deferred income tax assets of CHF 91 million, deferred tax assets of CHF 8 million have been recognised on loss carry forwards (2009: CHF 8 million). To the extent that the utilisation of these deferred tax assets is dependent on future taxable profits in excess of the reversal of existing temporary differences, management considers it is probable that these tax losses can be used against additional future taxable profits based on its business projections for these entities. The Group has no material unrecognised tax losses.

Deferred income tax liabilities have not been established for withholding tax and other taxes that would be payable on the unremitted earnings of certain foreign subsidiaries, as such amounts are currently regarded as permanently reinvested. The related temporary differences amount to CHF 240 million at 31 December 2010 (2009: CHF 177 million).

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

2010 in millions of Swiss francs	Property, plant & equipment	Intangible assets	Pension plans	Tax loss carry forward	Other temporary differences	Total
Net deferred income tax asset (liability) as at 1 January	**(102)**	**(107)**	**39**	**8**	**23**	**(139)**
Reclassification			(14)		14	
(Credited) charged to consolidated income statement	(1)	13	(6)	1	22	29
(Credited) debited to other comprehensive income					-	-
Currency translation effects	9	3	(3)	(1)	(9)	(1)
Net deferred income tax asset (liability) as at 31 December	**(94)**	**(91)**	**16**	**8**	**50**	**(111)**

2009 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	**(85)**	**(128)**	**46**	**20**	**27**	**(120)**
Reclassification	(6)		5		1	
(Credited) charged to consolidated income statement	(11)	20	(11)	(11)	(6)	(19)
(Credited) debited to other comprehensive income					1	1
Currency translation effects	-	1	(1)	(1)	-	(1)
Net deferred income tax asset (liability) as at 31 December	**(102)**	**(107)**	**39**	**8**	**23**	**(139)**

15. Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the net income attributable to shareholders by the weighted average number of shares outstanding:

	2010	2009
Income attributable to equity holder of the parent (CHF million)	**340**	**199**
Weighted average number of shares outstanding[a]		
Ordinary shares	9,120,545	8,097,674
Treasury shares	(143,324)	(161,438)
Net weighted average number of shares outstanding[a]	**8,977,221**	**7,936,236**
Basic earnings per share (CHF)	**37.87**	**25.07**

a) The issuance of 736,785 shares in 2010 related to MCS conversion decreased the EPS.

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:

	2010	2009
Income attributable to equity holder of the parent (CHF million)	**340**	**199**
Weighted average number of shares outstanding for diluted earnings per share of 57,133 (2009: 32,291)[a]	**9,034,354**	**7,968,527**
Diluted earnings per share (CHF)	**37.63**	**24.97**

a) The issuance of 736,785 shares in 2010 related to MCS conversion decreased the EPS.

16. Cash and cash equivalents

in millions of Swiss francs	2010	2009
Cash on hand and balances with banks	361	349
Short-term investments	444	476
Balance as at 31 December	**805**	**825**

17. Available-for-sale financial assets

in millions of Swiss francs	2010	2009
Equity securities[a]	59	55
Bonds and debentures	35	50
Balance as at 31 December	**94**	**105**
Current assets	54	18
Non-current assets[b]	40	87
Balance as at 31 December	**94**	**105**

a) In 2010 and 2009 no equity securities were restricted for sale.

b) Available-for-sale financial assets are included in Other long-term assets in the Statement of Financial Position.

18. Accounts receivable – trade

in millions of Swiss francs	2010	2009
Accounts receivable	713	698
Notes receivable	11	4
Less: provision for impairment	(7)	(17)
Balance as at 31 December	**717**	**685**

Ageing list:

in millions of Swiss francs	2010	2009
Neither past due nor impaired	646	608
Less than 30 days	51	64
30 – 60 days	11	15
60 – 90 days	8	6
Above 90 days	8	9
Less: provision for impairment	(7)	(17)
Balance as at 31 December	**717**	**685**

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

in millions of Swiss francs	2010	2009
Balance as at 1 January	**(17)**	**(20)**
Increase in provision for impairment recognised in consolidated income statement	(2)	(4)
Amounts written off as uncollectible	7	2
Reversal of provision for impairment	4	5
Currency translation effects	1	-
Balance as at 31 December	**(7)**	**(17)**

No significant impairment charge has been recognised in the consolidated income statement in 2010 or 2009. Past due and impaired receivables are still considered recoverable. The carrying amount of accounts receivable trade is considered to correspond to the fair value.

19. Inventories

in millions of Swiss francs	2010	2009
Raw materials and supplies	388	344
Work in process	28	32
Finished goods	347	290
Less: allowance for slow moving and obsolete inventories	(28)	(33)
Balance as at 31 December	**735**	**633**

In 2010, the amount of write-down of inventories was CHF 33 million (2009: CHF 18 million). At 31 December 2010 and 2009 no significant inventory was valued at net realisable value.

20. Assets held for sale

As a result of the Quest acquisition, the Group has a number of unused facilities, principally in the United States of America which it intends to sell. These facilities were reclassified as assets held for sale during 2009. Sales of these assets (only property, plant and equipment for an amount of CHF 10 million) which were expected to take place during 2010 were postponed due to unfavourable market conditions. An impairment loss of CHF 1 million was recognised in 2010.

21. Property, plant and equipment

2010 in millions of Swiss francs	Land	Buildings and land improvements	Machinery, equipment and vehicles	Construction in progress	Total
Net book value					
Balance as at 1 January	**116**	**675**	**594**	**52**	**1,437**
Additions	2	3	30	85	120
Disposals		(4)	(2)		(6)
Transfers		15	32	(47)	
Impairment		(7)	(10)		(17)
Depreciation		(28)	(87)		(115)
Currency translation effects	(13)	(51)	(39)	(4)	(107)
Balance as at 31 December	**105**	**603**	**518**	**86**	**1,312**
Cost	105	973	1,490	86	2,654
Accumulated depreciation		(348)	(958)		(1,306)
Accumulated impairment		(22)	(14)		(36)
Balance as at 31 December	**105**	**603**	**518**	**86**	**1,312**

2009 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	**125**	**692**	**586**	**83**	**1,486**
Additions		3	12	80	95
Disposals	(6)	(2)	(4)		(12)
Transfers		23	89	(112)	
Impairment	-	(2)	(1)		(3)
Depreciation		(29)	(90)		(119)
Reclassified as assets held for sale	(3)	(9)	-		(12)
Currency translation effects	-	(1)	2	1	2
Balance as at 31 December	**116**	**675**	**594**	**52**	**1,437**
Cost	116	1,029	1,537	52	2,734
Accumulated depreciation		(338)	(936)		(1,274)
Accumulated impairment		(16)	(7)		(23)
Balance as at 31 December	**116**	**675**	**594**	**52**	**1,437**

In 2010, the Group continued the integration of Quest International business activities by concentrating resources and locations. The recoverable amount of Quest International impacted assets has been determined based on value in use calculations. The discount rate used to discount the estimated future cash flows of the assets held in the various locations is on average 13%. These actions resulted in various asset impairment losses of CHF 7 million (2009: CHF 3 million). In addition, the Group announced plans to streamline its savoury manufacturing in the United Kingdom and Switzerland. The recoverable amount has been determined based on value in use calculations. The discount rate used to discount the estimated future cash flows of the assets held in United Kingdom and Switzerland is on average 11%. These planned closures resulted in various asset impairment losses of CHF 10 million (2009: none).

During 2010, new qualifying assets related to the investment in Hungary for which borrowing costs were directly attributable to its acquisition or construction were recognised (2009: nil). At 31 December 2010 the capitalised borrowing costs were not significant.

Fire insurance value of property, plant and equipment amounted to CHF 4,012 million in 2010 (2009: CHF 3,548 million).

22. Intangible assets

2010 in millions of Swiss francs	Goodwill	Intellectual property rights	Process-oriented technology and other	Software/ ERP system	Clients relationships	Total
Net book value						
Balance as at 1 January	**1,931**	**209**	**411**	**202**	**261**	**3,014**
Additions				72		72
Disposals						
Impairment						
Amortisation		(17)	(124)	(32)	(21)	(194)
Currency translation effects	(187)					(187)
Balance as at 31 December	**1,744**	**192**	**287**	**242**	**240**	**2,705**
Cost	1,744	339	766	287	322	3,458
Accumulated amortisation		(147)	(479)	(45)	(82)	(753)
Balance as at 31 December	**1,744**	**192**	**287**	**242**	**240**	**2,705**

2009 in millions of Swiss francs	Goodwill	Intellectual property rights	Process-oriented technology and other	Software/ ERP system	Clients relationships	Total
Balance as at 1 January	**1,888**	**226**	**534**	**153**	**282**	**3,083**
Additions			1	63		64
Disposals				-		
Impairment						
Amortisation		(17)	(124)	(14)	(21)	(176)
Currency translation effects	43				-	43
Balance as at 31 December	**1,931**	**209**	**411**	**202**	**261**	**3,014**
Cost	1,931	339	766	215	322	3,573
Accumulated amortisation		(130)	(355)	(13)	(61)	(559)
Balance as at 31 December	**1,931**	**209**	**411**	**202**	**261**	**3,014**

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 480 million (2009: CHF 544 million) to the Fragrance Division and CHF 1,264 million (2009: CHF 1,387 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 12.0% (2009: 10.8%) was applied to cash flow projections of the Fragrance Division and to cash flow projections of the Flavour Division. Cash flows of both divisions beyond the five-year period have not been extrapolated using a growth rate per annum. These discount rates are pre-tax.

No impairment loss in either division resulted from the impairment tests for goodwill. The outcome of the impairment test was not sensitive to reasonable changes in the cash flows and in the discount rate in the periods presented.

Intellectual property rights

As part of the acquisition of Food Ingredients Specialties (FIS), the Group acquired intellectual property rights, predominantly consisting of know-how being inseparable processes, formulas and recipes.

Process-oriented technology and other

This consists mainly of process-oriented technology, formulas, molecules and delivery systems acquired when the Group purchased IBF and Quest International.

Software/ERP system

This consists of Group ERP system development costs and computer software costs.

Client relationships

As part of the acquisition of Quest International, the Group acquired client relationships in the Flavour and Fragrance Divisions, mainly consisting of client relationships with key customers.

The residual useful lives of the acquired intangible assets carried at cost, being their fair value at acquisition date, are determined in accordance with the principles set out in Note 2.19.

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

- Software/ERP system 5.5 years
- Process-oriented technology 11.2 years
- Client relationships 11.2 years
- Intellectual property rights 17.2 years

In 2009, the Group terminated the research collaboration and licensing agreement with Redpoint Bio Corporation. Any further obligations ceased at the same time. The related intangible assets have been tested for impairment. The recoverable amount has been determined based on value in use calculations and is higher than the carrying value. The intangible asset is amortised as from the date of termination on a straight-line basis over the estimated economic useful life of the asset, being 10 years. The carrying value at 31 December 2010 is CHF 6 million (2009: CHF 7 million).

23. Debt

2010 in millions of Swiss francs	Within 1 to 3 years	Within 3 to 5 years	Thereafter	Total long-term	Short-term within 1 year	Total
Floating rate debt						
Bank borrowings						
Syndicated loan – unhedged part	26			26		26
Bank overdrafts					6	6
Total floating rate debt	**26**			**26**	**6**	**32**
Fixed rate debt						
Straight bonds	299	298		597	275	872
Private placements	203	167	51	421	33	454
Syndicated loan – hedged part	800			800		800
Total fixed rate debt	**1,302**	**465**	**51**	**1,818**	**308**	**2,126**
Balance as at 31 December	**1,328**	**465**	**51**	**1,844**	**314**	**2,158**

2009 in millions of Swiss francs	Within 1 to 3 years	Within 3 to 5 years	Thereafter	Total long-term	Short-term within 1 year	Total
Floating rate debt						
Bank borrowings					2	2
Syndicated loan – unhedged part	25			25		25
Bank overdrafts					9	9
Total floating rate debt	**25**			**25**	**11**	**36**
Fixed rate debt						
Straight bonds	573	297		870		870
Private placements	36	342	109	487	31	518
Syndicated loan – hedged part	900			900		900
Mandatory Convertible Securities (MCS)					749	749
Total fixed rate debt	**1,509**	**639**	**109**	**2,257**	**780**	**3,037**
Balance as at 31 December	**1,534**	**639**	**109**	**2,282**	**791**	**3,073**
Balance as at 31 December (excluding MCS)	**1,534**	**639**	**109**	**2,282**	**42**	**2,324**

On 7 February 2003, the Group entered into a private placement for a total amount of CHF 50 million. The private placement was made by Givaudan SA. It was redeemed in 2009.

On 28 May 2003, the Group entered into a private placement for a total amount of USD 220 million. The private placement was made by Givaudan United States, Inc. It is redeemable by instalments at various times beginning on May 2008 through May 2015 with annual interest rates ranging from 3.65% to 5.00%. There are various covenants contained in the transaction covering conditions on net worth, indebtedness and disposition of assets of Givaudan United States, Inc. Until now, Givaudan United States, Inc has been in full compliance with the covenants set. Givaudan United States, Inc. redeemed USD 30 million of this placement in May 2010, the total outstanding at 31 December 2010 being USD 160 million (equivalent to CHF 150 million).

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

On 16 April 2004, the Group entered into a private placement for a total amount of USD 200 million. The private placement was made by Givaudan United States, Inc. It matures at various times in instalments beginning May 2009 through May 2016 with annual interest rates ranging from 4.16% to 5.49%. There are various covenants contained in the transaction covering conditions on net worth, indebtedness and disposition of assets of Givaudan United States, Inc. Until now, Givaudan United States, Inc has been in full compliance with the covenants set. Givaudan United States, Inc. redeemed USD 35 million of this placement in May 2009, the total outstanding at 31 December 2010 being USD 165 million (equivalent to CHF 154 million).

On 11 May 2005, the Group issued a 2.25% straight bond 2005-2012 with a nominal value of CHF 300 million. The bond was issued by Givaudan Finance SA and is guaranteed by Givaudan SA.

The acquisition of Quest International was financed through a 5-year syndicated loan of CHF 1.9 billion granted to Givaudan SA, a Mandatory Convertible Securities (MCS) of CHF 750 million issued by Givaudan Nederland Finance BV; and cash received from the sale of shares previously purchased under a share buy back programme.

On 1 March 2007, Givaudan Nederland BV issued the MCS. The principal amount of the MCS was CHF 750 million and matured on 1 March 2010. The MCS was converted into 736,785 registered shares, with the shares being delivered to the holders of the securities.

On 2 March 2007, the Group entered into a syndicated loan agreement for a total amount of CHF 1.9 billion through its holding company, Givaudan SA. The outstanding amount of the syndicated loan at 31 December 2010 is CHF 826 million (2009: CHF 925 million) of which CHF 800 million (2009: CHF 900 million) is based on a fixed rate of 2.82% (2009: 2.82%) in average, CHF 26 million (2009: CHF 25 million) is based on 1-month CHF LIBOR, the weighted average interest rate of the total syndicated loan borrowing is 3.00% (2009: 3.10%) at 31 December 2010. This syndicated loan contains a covenant with externally imposed capital requirements. The Group was in compliance with these requirements as at 31 December 2010.

On 23 May 2007, the Group entered into a private placement for a total amount of CHF 50 million with maturity 21 May 2014, with an annual interest rate of 3.125%. The private placement was made by Givaudan SA.

On 18 October 2007, the Group issued a 3.375% 4-year public bond (maturity 18 October 2011) with a nominal value of CHF 275 million. The bond was issued by Givaudan SA.

On 19 February 2009, the Group issued a 4.25% 5-year public bond (maturity 19 March 2014) with a nominal value of CHF 300 million. The bond was issued by Givaudan SA. The proceeds of CHF 297 million were mainly used to repay private placements at maturity for a total amount of CHF 90 million and to repay a portion of the syndicated loan for a total amount of CHF 174 million.

On 25 June 2009, the Group issued 999,624 fully paid-in registered shares from authorised capital. The proceeds, net of transaction costs, of CHF 398 million have been fully used to pre-pay a portion of the syndicated loan.

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

in millions of Swiss francs	2010	2009
Swiss Franc	1,848	2,695
US Dollars	306	368
Euro		6
Other currencies	4	4
Total debt as at 31 December	**2,158**	**3,073**

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

	2010	2009
Amounts due to banks and other financial institutions	3.0%	3.1%
Private placements	4.5%	4.5%
Straight bond	3.3%	3.3%
Mandatory Convertible Securities[a]		5.4%

a) An amount corresponding to the interest rate of 3.1125% is recognised as interest expense and the mandatory conversion feature of the coupon of 2.2625% is recognised separately in financing costs (see Note 12).

24. Provisions

2010 in millions of Swiss francs	Restructuring from Quest acquisition	Other restructuring	Claims and litigation	Environmental	Others	Total
Balance as at 1 January	**33**	**11**	**27**	**19**	**29**	**119**
Additional provisions	33	25	11	13	-	82
Unused amounts reversed	(5)	-	(2)	(2)	(1)	(10)
Utilised during the year	(29)	(4)	(18)	(3)	(1)	(55)
Currency translation effects	(5)	(1)	(1)	(3)	(1)	(11)
Balance as at 31 December	**27**	**31**	**17**	**24**	**26**	**125**
Current liabilities	21	2	6	5	1	35
Non-current liabilities	6	29	11	19	25	90
Balance as at 31 December	**27**	**31**	**17**	**24**	**26**	**125**

2009 in millions of Swiss francs	Restructuring from Quest acquisition	Other restructuring	Claims and litigation	Environmental	Others	Total
Balance as at 1 January	**39**	**15**	**15**	**22**	**26**	**117**
Additional provisions	32	5	52	3	3	95
Unused amounts reversed	(2)	(1)		(2)	-	(5)
Utilised during the year	(36)	(8)	(42)	(4)	(4)	(94)
Currency translation effects	-	-	2	-	4	6
Balance as at 31 December	**33**	**11**	**27**	**19**	**29**	**119**
Current liabilities	6	2	6	4	1	19
Non-current liabilities	27	9	21	15	28	100
Balance as at 31 December	**33**	**11**	**27**	**19**	**29**	**119**

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

Restructuring provisions from Quest International acquisition

Provisions for the Quest International acquisition have been recognised for compensating Quest International employees as a result of termination of their employment and closing Quest International facilities.

Other restructuring provisions

Other restructuring provisions correspond to former Quest International restructuring programmes, as well as Givaudan restructuring provisions which are not considered directly linked to the Quest International acquisition.

Claims and litigation

These provisions are made in respect of legal claims brought against the Group and potential litigations. Related estimated legal fees are also included in these provisions.

Environmental

The material components of the environmental provisions consist of costs to sufficiently clean and refurbish contaminated sites and to treat where necessary.

Other provisions

These consist largely of provisions related to ‘make good’ on leased facilities and similar matters.

25. Own equity instruments

Details on own equity instruments are as follows:

2010 As at 31 December	Settlement	Category	Maturity	Strike price[a] (CHF)	in equivalent shares	Fair value in millions CHF
Registered shares		Equity			139,136	140
Written calls	Gross shares	Equity	2011 - 2015	700.5 - 1,199.5	528,625	55
Purchased calls	Net cash	Derivative	2011 - 2015	700.5 - 1,199.5	191,380	26
Purchased calls	Gross shares	Equity	2011 - 2014	772.5 - 1,199.5	36,825	7
Written puts	Gross shares	Financial liability	2011	790.0 - 867.0	36,472	-

a) Strike price of options have been adjusted consecutively to the approval by the shareholders, at the Annual General Meetings held on 16 April 2004 and on 27 April 2005, to distribute extraordinary dividends, and in 2009, subsequent to the share capital increase related to the rights issue.

2009 As at 31 December	Settlement	Category	Maturity	Strike price[a] (CHF)	in equivalent shares	Fair value in millions CHF
Registered shares		Equity			158,245	131
Written calls	Gross shares	Equity	2010 - 2014	700.5 - 1,199.5	541,254	35
Purchased calls	Net cash	Derivative	2010 - 2014	700.5 - 1,199.5	221,223	14
Purchased calls	Gross shares	Equity	2010 - 2012	772.5 - 1,199.5	40,672	4
Written puts	Gross shares	Financial liability	2011	790.0 - 867.0	36,472	5

a) Strike price of options have been adjusted consecutively to the approval by the shareholders, at the Annual General Meetings held on 16 April 2004 and on 27 April 2005, to distribute extraordinary dividends.

26. Equity

Share capital

As at 31 December 2010, 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. The Board of Directors was authorised until 7 April 2008 to increase the share capital by up to CHF 10,000,000 through the issuance of a maximum of 1,000,000 fully paid-in registered shares with a par value of CHF 10.00 per share. At the Annual General Meeting on 25 March 2010, the shareholders approved the extension of the existing authorised capital of CHF 10,000,000 until 26 March 2012.

At the Annual General Meeting held on 25 March 2010 the distribution of an ordinary dividend of CHF 20.60 per share (2009: in the form of cash, CHF 10.00, and one warrant, CHF 10.00) was approved. The warrants were tradable and were exchanged with a ratio of 31:1 for Givaudan shares within a limited period. In total, 226,837 shares were issued from conditional capital. In April 2009 this resulted in an increase of CHF 2,268,370 in share capital and an increase of CHF 72,587,840 of reserves corresponding to the total value of the net proceeds received from the warrant executions.

On 11 June 2009, the Board of Directors announced an increase in the share capital through the issuance of 999,624 fully paid-in registered shares from authorised capital with a nominal value of CHF 10.00 each. The new shares were offered to all shareholders by the way of a rights issue which were traded from 17 June 2009 to 23 June 2009 on SIX Swiss Exchange. The exercise of 15 rights entitled the holder to subscribe for two new shares at a subscription price of CHF 420 per new share. On 29 June 2009, 999,624 shares were issued from the authorised capital. This resulted in an increase of CHF 9,996,240 in share capital and an increase of CHF 388,003,760 of reserves corresponding to the total value of the net proceeds received from the rights executions, and transactions costs of CHF 22 million.

On 26 February 2010, the share capital was increased through the issuance of 736,785 fully paid-in registered shares from conditional capital with a nominal value of CHF 10.00 each. These shares were delivered to holders of the MCS in March 2010. This resulted in an increase of CHF 7,367,850 in share capital and an increase of CHF 733,859,745 in reserves.

Movements in own shares are as follows:

2010	Number	High	Average	Low	Total in millions of Swiss francs
		Price in Swiss francs			
Balance as at 1 January	**158,245**				**132**
Purchases at cost					
Sales and transfers	(19,109)	1,219.31	798.49	772.49	(15)
Issuance of shares					
(Gain) loss, net recognised in equity					4
Movement on derivatives on own shares, net					**(20)**
Balance as at 31 December	**139,136**				**112**

2009	Number	High	Average	Low	Total in millions of Swiss francs
		Price in Swiss francs			
Balance as at 1 January	**158,245**				**157**
Purchases at cost					
Sales and transfers					
Issuance of shares					
(Gain) loss, net recognised in equity					
Movement on derivatives on own shares, net					**(25)**
Balance as at 31 December	**158,245**				**132**

27. Commitments

At 31 December, the Group had operating lease commitments mainly related to buildings. Future minimum payments under non-cancellable operating leases, are as follows:

in millions of Swiss francs	2010	2009
Within one year	26	21
Within two to five years	39	38
Thereafter	16	21
Total minimum payments	**81**	**80**

The 2010 charge in the consolidated income statement for all operating leases was CHF 38 million (2009: CHF 42 million).

The Group has capital commitments for the purchase or construction of property, plant and equipment totalling CHF 83 million (2009: CHF 2 million).

28. Contingent liabilities

From time to time and in varying degrees, Group operations and earnings continue to be affected by political, legislative, fiscal and regulatory developments, including those relating to environmental protection, in the countries in which it operates.

The activities in which the Group is engaged are also subject to physical risks of various kinds. The nature and frequency of these developments and events, not all of which are covered by insurance, as well as their effect on the future operations and earnings are not predictable.

Givaudan Group companies are involved in various legal and regulatory proceedings of a nature considered typical of its business, including contractual disputes and employment litigation.

Our US subsidiary Givaudan Flavors Corporation is named as a defendant in several lawsuits brought against it and other flavour companies. The plaintiffs are alleging that they sustained pulmonary injuries due to diacetyl-containing butter flavours manufactured by one or more of the flavour company defendants. A large number of the original lawsuits have been settled or dismissed prior to the end of 2010. The Group has already recovered or is pursuing the recovery of amounts disbursed under the terms of its insurance policies. The Group believes that any potential financial impact of the remaining lawsuits cannot be predicted and that related insurance coverage is adequate.

29. Related parties

Transactions between Givaudan SA and its subsidiaries, which are related parties of Givaudan SA, have been eliminated on consolidation and are not disclosed in this note.

Compensation of key management personnel

The compensation of the Board of Directors and the Executive Committee during the year was as follows:

in millions of Swiss francs	2010	2009
Salaries and other short-term benefits	9	9
Post-employment benefits	1	1
Share-based payments	7	2
Total compensation	**17**	**12**

No related party transactions have taken place during 2010 (2009: 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	2010	2009	2010	2009	2010	2009
Salaries and other short-term benefits	9	9	(3)	(2)	6	7
Post-employment benefits	1	1	-	-	1	1
Share-based payments	7	2	(1)	4	6	6
Total compensation	**17**	**12**	**(4)**	**2**	**13**	**14**

a) IFRS information is adjusted mainly by the underlying assumptions, accrual basis versus cash basis, and to the recognition of the share-base payments, IFRS 2 versus economic value at grant date. IFRS information also includes security costs.

In 2007, the Group entered into a joint venture agreement with ChemCom SA, a leader in the field of olfactory receptor technology. Givaudan invested CHF 10 million in this joint venture named TecnoScent.

In 2007, the Group acquired a joint venture named Pacific Aid through the Quest acquisition.

There are no other significant related party transactions.

30. Board of Directors and Executive Committee compensation

Compensation of members of the Board of Directors

Compensation of Board members consists of Director Fees and Committee fees. These fees are paid shortly after the Annual General Meeting for year in office completed. In addition, each Board member is entitled to participate in the stock option plan of the company. 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 options are also granted for the same period.

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

in Swiss francs	Jürg Witmer Chairman	André Hoffmann	Irina du Bois [a]	Dietrich Fuhrmann [b]	Peter Kappeler	Thomas Rufer	Nabil Sakkab	Henner Schierenbeck	Total remuneration 2010	Total remuneration 2009
Director fees	320,000	80,000		80,000	80,000	80,000	80,000	80,000	800,000	800,000
Other cash compensation										30,000
Committee fees	30,000	50,000		20,000	40,000	20,000	20,000	40,000	220,000	220,000
Total cash	**350,000**	**130,000**		**100,000**	**120,000**	**100,000**	**100,000**	**120,000**	**1,020,000**	**1,050,000**
Number of options granted [c]	26,800	6,700			3,350	3,350	3,350	3,350	46,900	50,250
Value at grant [d]	406,288	101,572			50,786	50,786	50,786	50,786	711,004	752,745
Number of restricted shares [e]			134		67	67	67	67	402	440
Value at grant [f]			108,031		54,015	54,015	54,015	54,015	324,091	261,800
Total remuneration	**756,288**	**231,572**	**108,031**	**100,000**	**224,801**	**204,801**	**204,801**	**224,801**	**2,055,095**	**2,064,545**

a) Joined the Board of Directors on 25 March 2010.

b) Retired from the Board of Directors on 25 March 2010.

c) Options vest on 2 March 2012.

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

e) Restricted shares vest on 1 March 2013.

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

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

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

No additional compensation or fees were paid to any member of the Board.

No Board member had any loan outstanding as at 31 December 2010.

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

No such compensation was incurred during the reporting period.

The compensation of the Executive Committee during the year was as follows:

in Swiss francs	Gilles Andrier CEO	Executive Committee members (excl. CEO)[a]	Total remuneration 2010	Total remuneration 2009
Base salary	905,441	2,348,908	3,254,349	3,278,700
Annual incentive[b]	402,687	941,381	1,344,068	1,743,908
Total cash	**1,308,128**	**3,290,289**	**4,598,417**	**5,022,608**
Pension benefits[c]	127,580	376,009	503,589	732,260
Other benefits[d]	176,839	537,070	713,909	739,858
Number of options granted[e]	60,000	160,000	220,000	220,000
Value at grant[f]	909,600	2,425,600	3,335,200	3,295,600
Number of restricted shares granted[g]		400	400	526
Value at grant[h]		322,480	322,480	312,970
Number of performance shares granted[i]	3,000	6,900	9,900	9,900
Annualised value at grant[j]	533,580	1,227,234	1,760,814	1,760,814
Total remuneration	**3,055,727**	**8,178,682**	**11,234,409**	**11,864,110**

a) Represents full year compensation of five Executive Committee members.
b) Annual incentive paid in March 2010 based on year 2009 performance.
c) Company contributions to broad-based pension and retirement savings plans and annualised expense accrued for supplementary executive retirement benefit.
d) Represents annualised value of health & welfare plans, international assignment benefits and other benefits in kind. Contributions to compulsory social security schemes are excluded.
e) Options vest on 2 March 2012.
f) Economic value at grant based on a Black & Scholes model, with no discount applied for the vesting period.
g) Restricted share vest on 1 March 2013.
h) Economic value at grant according to IFRS methodology, with no discount applied for the vesting period.
i) Performance shares are granted in March 2008 for the 5 year period 2008-2012 and vest on 1 March 2013.
j) Annualised value at grant calculated according to IFRS methodology, and assuming 100% achievement of performance target.

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

No other compensation or fees were accrued for or paid to any member or former member of the Executive Committee during the reporting period.

No member or former member of the Executive Committee had any loan outstanding as at 31 December 2010.

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 2010:

2010						Share options / Option rights	
in number	Shares	Restricted Shares	Maturity 2011	Maturity 2012	Maturity 2013	Maturity 2014	Maturity 2015
Jürg Witmer, Chairman	1,000			26,800	26,800	26,800	26,800
André Hoffmann[a]	86,929		6,700	6,700	6,700	6,700	6,700
Irina du Bois	39	134					
Peter Kappeler	10	155				3,350	3,350
Thomas Rufer	58	155				3,350	3,350
Nabil Sakkab		155			6,700	3,350	3,350
Henner Schierenbeck	476	67		6,700	6,700	6,700	3,350
Total Board of Directors	**88,512**	**666**	**6,700**	**40,200**	**46,900**	**50,250**	**46,900**
Gilles Andrier, CEO					60,000	60,000	60,000
Matthias Währen		926				20,000	20,000
Mauricio Graber	116					40,000	40,000
Michael Carlos				40,000	40,000	40,000	40,000
Joe Fabbri	117				30,000	30,000	30,000
Adrien Gonckel	20				30,000	30,000	30,000
Total Executive Committee	**253**	**926**		**40,000**	**160,000**	**220,000**	**220,000**

a) The following Givaudan derivatives were also held by Mr Hoffmann as at 31 December 2010:
- 30,000 call warrants UBS – Givaudan 20.08.2013 (ISIN value no. CH 011 659 55 10)

The company is not aware of any ownership of shares, share options, option rights or restricted shares as at 31 December 2010 by persons closely connected to the Board of Directors.

One person closely connected to a member of the Executive Committee owned 6,000 option rights (3,000 maturing in 2014 and 3,000 maturing in 2015) as at 31 December 2010.

One person closely connected to a member of the Executive Committee owned 98 shares as at 31 December 2010.

The company is not aware of any other ownership of shares, share options, option rights or restricted shares as at 31 December 2010 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 2010:

Year of grant	Maturity date	Vesting date	Ticker	Strike price[a] (CHF)	Ratio[a] (option: share)	Option value at grant date (CHF)	Number of options held
2006	7 Mar 2011	6 Mar 2008	GIVLP	1,007.6	9.6:1	12.07	6,700
2007	5 Mar 2012	5 Mar 2009	GIVCD	1,199.5	9.6:1	14.18	40,200
2008	4 Mar 2013	4 Mar 2010	GIVEF	1,113.6	12.5:1	14.23	46,900
2009	3 Mar 2014	3 Mar 2011	GIVLM	700.5	8.6:1	14.98	50,250
2010	3 Mar 2015	3 Mar 2012	GIVNT	925.0	9.5:1	15.16	46,900

a) Strike price and ratios of options have been adjusted consecutively to the approval by the shareholders, at the Annual General Meetings held on 16 April 2004 and on 27 April 2005, to distribute extraordinary dividends, and, in 2009, subsequent to the share capital increase related to the rights issue.

The following share options are owned by the CEO, the other members of the Executive Committee and by persons closely connected to them as at 31 December 2010:

Year of grant	Maturity date	Vesting date	Ticker	Strike price[a] (CHF)	Ratio[a] (option: share)	Option value at grant date (CHF)	Number of options held
2006	7 Mar 2011	6 Mar 2008	GIVLP	1,007.6	9.6:1	12.07	
2007	5 Mar 2012	5 Mar 2009	GIVCD	1,199.5	9.6:1	14.18	40,000
2008	4 Mar 2013	4 Mar 2010	GIVEF	1,113.6	12.5:1	14.23	160,000
2009	3 Mar 2014	3 Mar 2011	GIVLM	700.5	8.6:1	14.98	223,000
2010	3 Mar 2015	3 Mar 2012	GIVNT	925.0	9.5:1	15.16	223,000

a) Strike price and ratios of options have been adjusted consecutively to the approval by the shareholders, at the Annual General Meetings held on 16 April 2004 and on 27 April 2005, to distribute extraordinary dividends, and, in 2009, subsequent to the share capital increase related to the rights issue.

31. List of principal group companies

The following are the principal companies of the Group. 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	300,000
	Givaudan International SA	CHF	100
	Givaudan Trading SA	CHF	100
Argentina	Givaudan Argentina SA	ARS	3,010
Australia	Givaudan Australia Pty Ltd	AUD	10
Austria	Givaudan Austria GmbH	EUR	40
Bermuda	FF Holdings (Bermuda) Ltd	USD	12
	Givaudan International Ltd	USD	12
	FF Insurance Ltd	USD	170
Brazil	Givaudan Do Brasil Ltda	BRL	133,512
Canada	Givaudan Canada Co	CAD	12,901
Chile	Givaudan Chile Ltda	CLP	5,000
China	Givaudan Fragrances (Shanghai) Ltd	USD	7,750
	Givaudan Flavors (Shanghai) Ltd	USD	10,783
	Givaudan Specialty Products (Shanghai) Ltd	USD	12,000
	Givaudan Hong Kong Ltd	HKD	7,374
Colombia	Givaudan Colombia SA	COP	6,965,925
Czech Republic	Givaudan CR, S.R.O.	CZK	200
Denmark	Givaudan Scandinavia A/S	DKK	1,000
Egypt	Givaudan Egypt SAE	USD	2,000
France	Givaudan Participation SAS	EUR	41,067
	Givaudan France Fragrances SAS	EUR	12,202
	Givaudan France Arômes SAS	EUR	2,028
Germany	Givaudan Deutschland GmbH	EUR	4,100
Hungary	Givaudan Hungary Kft	HUF	500
India	Givaudan (India) Private Ltd	INR	75,755
Indonesia	P.T. Quest International 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
Philippines	Quest International Philippines Inc	PHP	11,266
Poland	Givaudan Polska Sp. Z.o.o.	PLN	50
Russia	Givaudan Rus LLC	RUB	9,000
Singapore	Givaudan Singapore Pte Ltd	SGD	24,000
South Africa	Givaudan South Africa (Pty) Ltd	ZAR	140,002
Spain	Givaudan Iberica, SA	EUR	8,020
Sweden	Givaudan North Europe AB	SEK	120
Thailand	Givaudan (Thailand) Ltd	THB	107,90
Turkey	Givaudan Aroma Ve Esans Sanayi Ve Ticaret Limited Sirketi	TRL	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	VEB	4,500

In 2010, The Group has acquired the shares owned by external shareholders for Givaudan Thailand and liquidated Quest Venezuela. At 31 December 2010, all companies are fully owned by the Group.

32. Disclosure of the process of risk assessment

Risk management in Givaudan is an integral part of the business. It is a structured and continuous process of identifying, assessing and deciding on responses to risks. The reporting of the opportunities and threats that these risks create and how they might hinder the business in achieving its objectives is also part of managing risks.

Risk management is the responsibility of the Board of Directors, which empowers the Executive Committee to manage the overall company risk management process. The Group actively promotes the continuous monitoring and management of risks at the operational management level.

The Givaudan Risk Management Charter, established by the Board of Directors, focuses on formalising the process of dealing with the most relevant risks which may affect the business. The charter details the objectives and principles of risk management and offers a framework for a pragmatic and effective risk management process.

This process aims to be comprehensive, organised and documented in order to improve compliance with corporate governance regulations, guidelines and good practices; better understand the risk profile of the business; and provide additional risk-based management information for decision making.

The objectives of the Risk Management process are to continuously ensure and improve compliance with good corporate governance guidelines and practices as well as laws and regulations, where applicable; facilitate disclosure to key stakeholders of potential risks and the company's philosophy for dealing with them. At the same time, the process creates the awareness of all key executives of the magnitude of risks; provides risk-based management information for effective decision-making; and safeguard the values of the company and its assets, and protect the interests of shareholders.

Givaudan's management, at various levels, is accountable for ensuring the appropriateness, timeliness and adequacy of the risk analysis. Mitigation decisions are taken at individual and combined levels. This management is also responsible for implementing, tracking and reporting the risk mitigation directives of the Executive Committee, including periodic reporting to the Board.

The assessment continued to be performed through the collaboration of Internal Audit and the divisional management teams.

The Board of Director's Audit Committee also promotes the effective communication between the Board, Givaudan's Executive Committee, Corporate Internal Audit in order to foster openness and accountability.

Givaudan has carried out its annual review of internal controls over accounting and financial reporting. A risk assessment is performed throughout the Internal Control System for those identified risks which may arise from the accounting and financial reporting.
Then, relevant financial reporting controls are defined for each risk.

Report of the statutory auditors

On the consolidated financial statements

Deloitte.

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Report of the statutory auditor
to the General Meeting of
Givaudan SA, Vernier

Report on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of the Givaudan SA presented on pages 64 to 116, 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 31 December 2010.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law, Swiss Auditing Standards and International Standards on Auditing (ISA). Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2010 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, 7 February 2011

Audit. Fiscalité. Conseil. Corporate Finance.

Member of Deloitte Touche Tohmatsu