Givaudan
ENGAGING THE SENSES

Half Year Results 2009: Improved momentum and strong cash flow

- Sales of CHF 1,996 million, slight decline of 0.6% in local currencies, excluding divested business
- EBITDA margin on a comparable basis of 21.2%
- Improved momentum in the course of the first half year in both sales and profitability
- Net income of CHF 95 million
- Net debt reduced by CHF 732 million supported by strong operating cash flow of CHF 422 million and successful completion of rights issue
- Quest integration well on track to achieve CHF 170 million and CHF 200 million of synergies at end of 2009 and 2010 respectively

Geneva, 4 August 2009. In the first half year 2009, the business of Givaudan has proven resilient in a difficult economic environment.

Sales for the first six months of the year totalled CHF 1,996 million, a decrease of 0.9% in local currencies and 4.7% in Swiss francs. Excluding the impact of the divested business in the Flavours division, sales to June 2009 decreased by 0.6% in local currencies versus the same period in 2008. During the second quarter sales posted a slight growth of 0.9% in local currencies compared to a decline of 2.1% in the first quarter of this year.

The operating income margin on a comparable basis increased by 1.1 percentage points, mainly as a result of the lower amortisation of intangible assets, whilst the EBITDA margin on a comparable basis declined by 1.3 percentage points, driven by continued pressure on the gross margin.

Net income was CHF 95 million. Earnings per share were 12.62. Adjusted for the various elements of the Quest acquisition, earnings per share were CHF 24.15.

In a continuing weak economy, it remains difficult to reliably forecast the market growth. However, with the exception of Fine Fragrances and, to a lesser extent, other discretionary product segments, the majority of Consumer Products and Flavours are expected to remain resilient. For the full year 2009, Givaudan is confident to outgrow the underlying market, based on briefs pipeline and new wins.

Sales

The Fragrance Division recorded sales of CHF 899 million, a decrease of 2.3% in local currencies and 6.6% in Swiss francs. During the second quarter sales recovered and posted a slight growth of 0.9% in local currencies compared to the decline of 5.4% in the first quarter of this year.

Sales of Consumer Products showed a sales increase in local currencies during the first half of 2009, despite destocking throughout the supply chain. Fine Fragrances and Fragrance Ingredients sales declined, as these two units were particularly affected by the reduction of inventories. Fine Fragrance sales were additionally impacted by a contraction in the market at retail level, however sales in the second quarter improved compared to the first three months.

The Flavour Division recorded sales of CHF 1,097 million, an increase of 0.2% in local currencies and a decrease of 3.2% in Swiss francs. Excluding the impact of the divested St Louis business, sales in the first half year 2009 increased by 0.8% in local currencies versus the same period in 2008.

Sales in Asia Pacific increased at a single-digit rate supported by the double-digit growth of the developing markets. Growth in the mature markets showed encouraging signs of recovery towards the end of the reporting period.

Sales across Europe for both mature and developing markets declined at a mid single-digit rate. In North America they declined at a low single-digit rate. All segments in both regions have been impacted by lower consumption and destocking.

Sales in Latin America increased at a double-digit rate. Brazil, Argentina and Mexico continued to post strong growth.

Gross Profit

The gross profit margin declined to 44.9% from 46.5% as a result of strong increases in raw material, energy and transportation costs during the second semester of 2008. Although basic commodity and energy prices declined from the peak, the impact of this on Givaudan’s input costs will only be reflected once these reductions work through the supply chain.

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

EBITDA declined to CHF 388 million from CHF 444 million. On a comparable basis EBITDA was CHF 424 million, below the CHF 472 million reported last year. The lower gross profit was partially offset by integration savings and cost containment measures, limiting the decrease of the EBITDA margin on a comparable basis from 22.5% to 21.2%.

Operating Income

The operating income increased to CHF 245 million from CHF 238 million last year. The operating margin on a comparable basis increased to 14.1% from 13.0% reported last year, mainly as a result of the lower amortisation of intangible assets, as well as integration savings and other cost containment measures, partially offset by continued pressure on the gross profit margin. The operating income on a comparable basis was CHF 282 million, above the CHF 273 million reported last year.

Net Income

Net income was to CHF 95 million, resulting in a margin of 4.8%. Adjusted for the various elements of the Quest acquisition earnings per share were CHF 24.15.

Cash Flow and Financial Position

Operating cash flow amounted to CHF 422 million compared to CHF 93 million in 2008, as a result of efficient working capital management. Capital expenditure was contained at CHF 43 million, or 2.2% of sales, compared to CHF 89 million (4.3% of sales) last year.

In June, Givaudan successfully completed its CHF 420 million rights issue, with 99.7% of rights being exercised.

As a result of a strong focus on cash generation, lower capital expenditures and the proceeds of the rights issue, net debt at the end of June 2009 was CHF 2,450 million, down from CHF 3,182 million at December 2008. Excluding the Mandatory Convertible Securities, net debt at the end of June 2009 was CHF 1,703 million, down from CHF 2,438 million at December 2008. In July 2009, Givaudan has used the full proceeds of the rights issue to reduce the syndicated loan facility arranged as part of the Quest acquisition. At 30 June 2009, the leverage ratio was 33%, compared to 46% at the end of 2008.

Integration of Quest International

Integration activities continued to be on track, with further progress to align the combined supply chain. Integration activities continued to be on track, with further progress to align the combined supply chain. Overall, Givaudan is well on track to achieve CHF 170 million and CHF 200 million of sustainable synergies at the end of 2009 and 2010 respectively. In the first half of 2009, the company incurred CHF 37 million of integration costs.

The global business transformation project Outlook (SAP-based ERP system) addressing the supply chain, regulatory and finance is progressing well on time and budget.

Outlook

For the full year 2009, Givaudan is confident to outgrow the underlying market, based on a solid briefs pipeline and new wins.

The integration achievements have reinforced Givaudan’s unique platform for accelerated growth and performance improvement. The company is confident to achieve the announced savings target of CHF 200 million by 2010 and therefore to reach its pre-acquisition EBITDA margin level of 22.7% by 2010.

In a challenging environment, Givaudan continues to focus on its growth initiatives to increase its share in developing countries and in key market segments over the coming five years.

Key Figures

in Mio CHF except per share data	**HY 2009**	**HY 2008**
Group sales	1,996	2,095
Fragrance sales	899	962
Flavour sales	1,097	1,133
Gross profit	896	974
as % of sales	*44.9%*	*46.5%*
EBITDA on a comparable basis 1)	424	472
as % of sales	*21.2%*	*22.5%*
EBITDA 2)	388	444
as % of sales	*19.4%*	21.2%
Operating income on a comparable basis 1)	282	273
as % of sales	*14.1%*	*13.0%*
Operating income	245	238
as % of sales	*12.3%*	*11.4%*
Net income	95	94
as % of sales	*4.8%*	*4.5%*
Earnings per share (basic) 3)	12.62	12.68
Adjusted earnings per share 4)	24.15	29.68

1) EBITDA on a comparable basis excludes acquisition related expenses. Operating Income at comparable basis excludes acquisition related expenses and impairment of long-lived assets.

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

3) The weighted average number of shares outstanding has been retrospectively increased as a result of the share capital increase for all periods before the capitalisation to consider the bonus element of the rights issue.

4) Adjusted for after tax effect of amortisation of intangible assets and integration costs.

in Mio CHF	30 June 2009	31 December 2008
Current assets	*2,778*	*2,180*
Non-current assets	*4,900*	*4,817*
Total Assets	**7,678**	**6,997**
Current liabilities	*2,115*	*1,109*
Non-current liabilities	*2,786*	*3,795*
Equity	*2,777*	*2,093*
Total liabilities and equity	**7,678**	**6,997**
Cash and Cash Equivalents	*1,110*	*419*
Short Term Debt	*1,262*	*282*
Long Term Debt	*2,298*	*3,319*
Net Debt including MCS	**2,450**	**3,182**
Net Debt excluding MCS	**1,703**	**2,438**
Leverage Ratio 5)	*33%*	*46%*

5) Leverage ratio is defined as net debt divided by total equity plus net debt. In this calculation the MCS are defined as equity equivalent.

On 4 August 2009 at 15.00 CET a conference call between the company and analysts and investors will be broadcasted on Givaudan's web site http://www.givaudan.com.

Available Documents as downloadable files:

Half Year Report 2009

Half Year Results 2009 Presentation

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