Givaudan 2003 Results

Geneva, 2 March 2004 - In 2003 Givaudan recorded sales of CHF 2,715 million, resulting in an increase of 9.0% in local currencies and 1.5% in Swiss Francs. On a comparable basis, as if the FIS acquisition had occurred on 1 January 2002, sales increased by 4.2% in local currencies.

The solid operating performance was affected by temporary factors impacting the gross profit margin. The depreciating US dollar, sharp increases in some raw materials and the discontinuation of sunscreen filter production were factors which reduced the gross margin from 47.4% to 46.1 % in comparable terms. Manufacturing efficiency further improved. Operating costs remained well under control and slightly improved in percentage of sales.

The impact of the lower gross profit margin and the substantial increase in pension expenses, which increased from CHF 23 million in 2001 to CHF 68 million in 2003, were partially offset at the operating level due to synergies from recent acquisitions and strict cost management. Excluding restructuring charges, both the EBITDA and EBIT margins decreased in comparable terms slightly by 0.5 percentage points to 21.7% and 15.0% respectively. After restructuring charges, the operating profit declined to CHF 340 million, resulting in an operating margin of 12.5%. Operating cash-flow increased by 17% to CHF 481 million. The margin improvement programmes, announced on 22 January 2004, should generate annual operating savings of around CHF 67 million (CHF 47 million in 2004). Had the company consolidated its profit and loss statement in US dollars, sales would have risen by 12% and operating profit before restructuring charges by 9%, operating profit after restructuring charges would have decreased by 9%.

As a result of lower finance cost and an improved tax rate, net income before restructuring charges remained stable. After restructuring charges impact, net income decreased to CHF 216 million. Givaudan maintains a strong financial position with an equity ratio of 57%.

At the end of June 2003, Givaudan initiated its second share buyback programme for 10% of its shares, aiming to reduce the share capital from CHF 80 million to CHF 72 million. At the end of 2003, Givaudan has repurchased 45'000 shares. The programme will continue in 2004. The Board of Directors will propose to the Annual General Meeting of 16 April 2004 in Geneva a further dividend increase of 10% resulting in a dividend of CHF 8.90 per share. Additionally a special dividend of CHF 6.50 per share will be proposed in light of the cash generated by a partial liquidation of Givaudan's marketable securities.

Michael Carlos, previously global head of the Fragrance Consumer Products unit, has taken over the Fragrance Division, effective January 2004, replacing Errol Stafford who retired from Givaudan after more than 30 successful years within the industry. At the General Meeting of 16 April 2004, Chairman Dr Henri B. Meier will stand for re-election with a view to step down from the Board of Directors in 2005. Dietrich Fuhrmann who will retire from the Executive Committee in March 2004, will be proposed to join the Board of Directors in April 2004, replacing Michel Bonjour whose term of office expires.

In 2004 Givaudan aims at further outgrowing the market while focussing on improving its margins. Barring extraordinary events, Givaudan expects a good overall result for 2004.

Key figures 2003

in millions of Swiss francs, except per share data and number of employees	Actual			Pro forma *		
	2003	2002	Change in %	2003	2002	Change in %
Sales	2,715	2,674	1.5	2,715	2,796	(2.9)
Gross Profit	1,252	1,276	(1.9)	1,252	1,326	(5.6)
Gross Profit Margin	46.1%	*47.7%*		46.1%	*47.4%*	
EBITDA	521	579	(10.0)	521	620	(16.0)
EBITDA margin	19.2%	21.7%		19.2%	*22.2%*	
Operating profit	340	405	(16.0)	340	432	(21.3)
Operating profit margin	12.5	*15.2%*		12.5%	*15.5%*	
Operating profit excluding restructuring charge of CHF 68 million	408	431	(5.3)	408	432	(5.6)
Operating profit margin excluding restructuring charge of CHF 68 million	15.0%	*16.1%*		15.0%	15.5%	
Net Income	216	256	(15.6)	216	274	(21.2)
Net Income Margin	8.0%	9.6%		8.0%	9.8%	
Net income excluding restructuring charge of CHF 68 million	273	275	**(0.7)**	273	274	(0.4)
Net income margin excluding restructuring charge of CHF 68 million	10.1%	*10.3%*		10.1%	*9.8%*	
Earnings per share (in CHF)	27.03	30.06		27.03	31.48	
Total assets	4,548	4,561				
Total liabilities	1,962	1,795				
Total equity and minority interests	2,586	2,766				
Number of employees on 31 Dec	5,981	5,844				

* The 2002 income statement related figures shown in the table above are derived from the Pro forma Consolidated Income Statement as if the FIS acquisition had occurred on 1 January 2002.

Flavour Division

The flavour division recorded sales of CHF 1,611 million, representing a growth of 11.8% in local currencies and 3.5% in Swiss Francs. In comparable terms, including sales of the acquired flavour business from Nestlé (FIS), sales grew by 3.7% in local currencies and declined by 4.0% in Swiss Francs.

All regions and the major business segments, Beverages, Savoury, Confectionary and Dairy, contributed to this growth. Latin America grew at a double digit rate whilst Europe, Middle East and Africa grew in the high single digits, followed by Asia Pacific and North America. A favourable development of existing business combined with major project launches in all segments, as well as new business in the food service sector, have contributed to this success.

On a comparable basis and excluding the restructuring charges of CHF 54 million, operating profit amounted to CHF 247 million, representing an operating profit margin of 15.3%. Improvements in manufacturing efficiency had a positive effect, offset by negative exchange rate developments, changes in product mix and increased raw material prices.

Fragrance Division

In 2003, the fragrance division recorded sales of CHF 1,104 million, representing a growth of 5.0 % in local currencies and a decline of 1.2% in Swiss Francs, a result clearly above market growth. The local currency increase was led by a strong double-digit growth in Fine Fragrances and a high single digit growth in Consumer Products. In line with our strategy to move to higher value adding specialities, sales of the Fragrance Ingredients business continued to decline as commodity ingredients sales began to weigh less in the portfolio and sunscreen filters were phased out. The strong growth of the Fragrances Division's sales has been achieved in an environment of increased price pressure and market consolidation. Excluding the restructuring charges of CHF 14 million, the operating profit amounted to CHF 161 million, representing an operating margin of 14.6%. The reduction of 0.8 percentage points compared to 2002 is driven by a lower gross margin, due to a negative currency development in Europe, where Givaudan has a large production base. Operating expenses were in line with sales growth.

Available Documents and Links:

Annual Report 2003 Abridged Version (without images)
Annual Report 2003 Financial Section only
Full Year 2003 Results Presentation

For further information please contact:
Peter Wullschleger, Givaudan Investor Relations
5, chemin de la Parfumerie, CH-1214 Vernier
T +41 22 780 90 93, F +41 22 780 90 90
E-mail: peter_b.wullschleger@givaudan.com