



Givaudan Half Year Results 2003

Geneva, 14 August 2003 - In the first half of 2003, Givaudan continued to outgrow the market. Group sales grew by 12.2% in local currencies and 1.1% in Swiss Francs. Total fragrance sales grew by 5.5% in local currencies. Fine Fragrances and Fragrance Consumer Products together grew double digit and the speciality Fragrance Ingredients continued to show a good performance. Flavours grew by 17.2 % (including the FIS acquisition); the sales of all business segments of the division, except dairy, were up. All regions showed good growth, except flavours US, which had last year an exceptionally strong second quarter.

Currencies had a major impact on Givaudans performance in the first half year 2003. Had the company consolidated its profit and loss statement in US dollars, sales would have risen by 12%, gross profit by 9% and operating profit by 5%.

Gross profit

Despite improved manufacturing efficiency, the gross margin has been temporarily affected by raw materials purchased at times of deteriorating exchange rates, which made their way with some time lag through inventories to cost of goods sold. Additionally, changes in the portfolio mix, the still lower margin savoury business acquired with FIS, continued price pressure and strong price increase of some natural raw materials, had a negative impact. This resulted in Givaudan's gross margin decreasing in pro forma terms from 47.7% to 46.2% compared to the first half year 2002.

Operating Profit

Thanks to initial synergies from our recent acquisitions and tight cost management, the impact of the lower gross margin and the substantial increase in pension charges related to defined benefit plans – which increased from CHF 23 Million in 2001 to an estimated CHF 64 Million for the full year of 2003 (1.5 percentage points effect on EBIT over two years) – were partially offset at the operating level. With stable operating cost, the EBIT margin decreased only by 1.1 percentage points in comparable terms from 16.8% to 15.7. Givaudan will in the coming months aggressively launch new initiatives to improve margins.

Cash Flow

Givaudan remains strong in cash flow generation. By half year 2003, Givaudan reports an operating cash flow before investments of CHF 164 Million against CHF 94 Million in the same period of 2002, an increase of 74%. Capital spending amounted to CHF 40 Million against the depreciation charge of fixed assets of CHF 43 Million.

Net Profit

Reflecting the lower operating margin and higher net financial costs, mostly due to reduced income on financial investments, net profit in pro forma terms decreased from CHF 160 Million to CHF 130 Million against the first half of last year. This results in earnings per share of CHF 16.09 versus CHF 18.41 in the first half of 2002.

Share buy-back

After the first successful share buy-back, finalised in March 2003 and the subsequent cancelling of 8.3% of its outstanding shares, Givaudan started on 30 June 2003, a second share buy-back programme for up to 10% of the remaining 8 million registered shares. The strong balance sheet and the available liquid funds will allow Givaudan to give back funds to its shareholders and still pursue any potential value adding acquisition opportunities.

Outlook

Our outlook as the number one in fragrances and flavours indicates continued stable and profitable growth. This drive is supported by the enhanced product portfolio due to proprietary new molecules

and technologies, the increased competencies from recent acquisitions and our clear market leader position in Asia. Programmes to bring up the savoury margins to pre-FIS acquisition levels are under way, together with initiatives to further enhance efficiency. This will enable Givaudan to generate continuously strong free cash flow. Givaudan remains confident to deliver value to customers and shareholders.

Key Figures

in Mio CHF except per share data	Actual 2003	Pro Forma* 2002	Actual 2002
Sales	1,379	1,490	1,364
Gross Profit	637	711	659
as % of sales	46.2%	47.7%	48.3%
EBITDA	305	346	322
as % of sales	22.1%	23.2%	23.6%
Operating Profit	216	250	240
as % of sales	15.7%	16.8%	17.6%
Net Income	130	160	157
as % of sales	9.4%	10.7%	11.5%
Earnings per share - basic	16.09	18.41	18.67

in Mio CHF	Actual 30 June 2003	Actual 31 December 2002
Current Assets	2,071	1,850
Non-current Assets	2,688	2,711
Total Assets	4,759	4,561
Current liabilities	984	882
Non-current liabilities	1,209	913
Minority interest	5	5
Equity	2,561	2,761
Total liabilities, minority interest and equity	4,759	4,561

*) As if FIS would have been consolidated since 1 January 2001

To download the half year report 2003 as an electronic PDF file [click here](#).

This afternoon, 14 August 2003, at 15.00 CET a conference call between the company and analysts and investors will be broadcasted over the web, to listen [click here](#).

For further information please contact:

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