Prospectus dated 5 April 2018

Givaudan

Givaudan SA

CHF 150,000,000 Floating Rate Bonds 2018 – 2020 ("Tranche A")

CHF 200,000,000 0.375% Bonds 2018 – 2025 ("Tranche B")

(together the "Bonds")

Issuer's Name and registered office:	Givaudan SA, 5, chemin de la parfumerie, 1214 Vernier (the "**Issuer**")
Interest Rate:	Tranche A: 3-months CHF LIBOR flat (floored at 0.00% and capped at 0.05%), payable quarterly on 9 July, 9 October, 9 January and 9 April, for the first time on 9 July 2018. Tranche B: 0.375% p.a., payable annually in arrears on 9 April, for the first time on 9 April 2019.
Issue Price:	The Joint-Lead Managers have purchased the Tranche A Bonds at 100.815% of the nominal amount and the Tranche B Bonds at 100.017% (each before commission).
Placement Price:	The Placement Price of the Bonds will be fixed in accordance with supply and demand.
Payment Date:	9 April 2018
Maturity Date:	Tranche A: 9 April 2020, redemption at par. Tranche B: 9 April 2025, redemption at par.
Early Redemption:	For tax reasons only, at par in accordance with the terms of the Bonds.
Reopening of the Issue:	The Issuer reserves the right to reopen these issues according to the terms of the Bonds.
Denominations:	CHF 5,000 nominal and multiples thereof.
Form of the Bonds:	The Bonds will be issued as uncertificated securities (*Wertrechte*) in accordance with art. 973c of the Swiss Code of Obligations and, upon registration in the main register (*Hauptregister*) of SIX SIS Ltd., will constitute intermediated securities (*Bucheffekten*). Bondholders do not have the right to request the printing and delivery of definitive Bonds.
Assurances:	Pari Passu, Negative Pledge, Cross Default (with threshold amount), Change of Control.
Listing and Trading:	Listing will be applied for in accordance with the standard for Bonds of the SIX Swiss Exchange. The Bonds have been provisionally admitted to trading on the SIX Swiss Exchange on 5 April 2018. The last trading date will be the second business day prior to the respective Maturity Date.
Governing Law and Jurisdiction:	The Bonds are governed by, and construed in accordance with Swiss law. Place of jurisdiction for the Bonds and all related contractual documentation shall be Zurich.
Selling Restrictions:	In particular U.S.A., U.S. persons, European Economic Area (offer and sale to EEA retail clients prohibited) and United Kingdom.
Security Number/ ISIN/Common Code:	Tranche A: 40.780.975 / CH0407809752 / 179626594 Tranche B: 40.780.976 / CH0407809760 / 179626608

UBS Investment Bank **BNP Paribas (Suisse) SA** **Deutsche Bank AG London Branch, acting through Deutsche Bank AG Zurich Branch** **HSBC**

together the "**Joint-Lead Managers**"

United States of America and United States Persons

A) The Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), and may not be offered or sold within the United States or to or for the account or benefit of United States persons (except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act).

Each Joint Lead Manager represents, warrants and agrees that it has not offered or sold, and will not offer or sell, any Bonds constituting part of its allotment within the United States or to or for the account or benefit of United States persons except in accordance with Rule 903 of Regulation S under the Securities Act.

Each Joint Lead Manager represents and agrees that neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any selling efforts directed to the United States with respect to the Bonds.

Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

B) Each Joint Lead Manager represents, warrants and agrees that it has not entered and will not enter into any contractual arrangement with respect to the distribution or delivery of the Bonds, except with its affiliates or with the prior written consent of the Issuer.

United Kingdom

Each Joint Lead Manager represents and agrees that: (i) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom; and (ii) it has only communicated or caused to be communicated and it will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Bonds in circumstances in which section 21(1) of the FSMA does not apply to the Issuer.

European Economic Area

Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area, which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Joint Lead Manager represents and agrees that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Bonds to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Bonds to the public in that Relevant Member State at any time:

(i) to any legal entity which is a qualified investor as defined in the Prospectus Directive; or

(ii) to fewer than 150 natural or legal persons (other than "qualified investors" as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the Issuer and relevant bank or banks nominated by the Issuer for any such offer; or

(iii) in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of Bonds referred to in (i) to (iii) above shall require the Issuer or the Joint Lead Managers to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Bonds to the public**" in relation to any Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

Prohibition of Sales to EEA Retail Investors

Each Joint Lead Manager severally and not jointly nor jointly and severally represented, warranted and undertook with the Issuer and each other Joint Lead Manager that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds to any retail investor in the European Economic Area. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of MiFID II; (ii) a customer within the meaning of Directive 2002/92/EC (as amended), where that customer would not qualify as professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended the **PRIIPs Regulation**) for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

General

Neither the Issuer nor any of the Joint Lead Managers represents that Bonds may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale. The distribution of the Prospectus and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession the Prospectus comes are required by the Issuer to inform themselves about and to observe any such restrictions. The Prospectus does not constitute, and may not be used for or in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation and no action is being taken in any jurisdiction that would permit a public offering of the Bonds or the distribution of the Prospectus in any jurisdiction where action for that purpose is required.

FORWARD LOOKING STATEMENTS

This Prospectus (as defined below) contains certain forward-looking statements and information relating to Givaudan SA that are based on the current expectations, estimates, plans, strategic aims, vision statements, and projections of their management and information currently available to Givaudan SA.

These forward-looking statements involve known and unknown risks, uncertainties, and other factors that may cause the actual results of operations, financial condition, performance or achievements of the Issuer to be materially different from any future results, financial condition, performance or achievements expressed or implied by such forward-looking statements. Terms and phrases such as "will", "believe", "expect", "anticipate", "intend", "plan", "predict", "estimate", "project", "target", "assume", "may" and "could", and variations of these words and similar expressions, are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

Neither the Issuer nor the Joint-Lead Managers undertake an obligation to update any forward-looking statement, even if new information, future events or other circumstances have made them incorrect or misleading.

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Notice to Investors

The Swiss listing and issue prospectus (the "**Prospectus**") shall be read and construed on the basis that the annexes hereto are deemed to be incorporated in, and to form part of, this Prospectus.

The financial institutions involved in the issuance and offering of the Bonds are banks, which directly or indirectly have participated, or may participate, in financing transactions and/or other banking business with the Issuer, which are not disclosed herein.

Investors are advised to familiarise themselves with the entire content of this Prospectus.

Information to distributors for the purpose of MIFID II product governance regime

Solely for the purposes of the product governance requirements contained within (a) Directive 2014/65/EU (as amended, "**MiFID II**"), (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "**MiFID II Product Governance Requirements**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Bonds have been subject to the product approval process, which has led to the conclusion that: subject to any applicable selling restrictions (i) the target market for the Bonds is professional clients, eligible counterparties and (other than in the EEA) retail clients, each as defined in MiFID II; and (ii) all channels for distribution of the Bonds, as permitted by MiFID II are permissible (the "**Target Market Assessment**"). Any person offering, selling or recommending the Bonds (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, distributors are responsible for undertaking their own target market assessment in respect of the Bonds (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

Notwithstanding the Target Market Assessment, distributors should note that: an investment in the Bonds is compatible only with investors who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom.

The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the offer of the Bonds.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to Bonds or any other securities.

Auditor / Auditor Supervision

The auditor of the Issuer is Deloitte SA, Rue du Pré-de-la-Bichette 1, 1202 Geneva, Switzerland (the "**Auditor**").

The Auditor is supervised by and registered with the Swiss Federal Audit Oversight Authority (FAOA), and its register number currently is 500420.

Authorisation

Pursuant to a resolution of the Board of Directors of the Issuer dated 24 January 2018 and the Bond Purchase and Paying Agency Agreement dated 5 April 2018 between the Issuer on one side and UBS AG, acting through its business division UBS Investment Bank ("**UBS AG**") and BNP Paribas (Suisse) SA, Deutsche Bank AG London Branch, acting through Deutsche Bank AG Zurich Branch and HSBC Bank plc (together with UBS AG the "**Joint-Lead Managers**") on the other side, the Issuer has decided to issue the Floating Rate Bonds of CHF150,000,000 to be paid on 9 April 2018 and maturing on 9 April 2020 (the "**Tranche A Bonds**") and the 0.375% Bonds of CHF200,000,000 to be paid on 9 April 2018 and maturing on 9 April 2025 (the "**Tranche B Bonds**").

Use of Net Proceeds

The net proceeds of the Bonds, being the amount of CHF350,446,500 (the "**Net Proceeds**") will be used by the Issuer for its corporate purposes. None of the Joint-Lead Managers shall have any responsibility for, or be obliged to concern itself with, the application of the Net Proceeds of the Bonds.

Notices

All notices in relation to the Bonds will be published in electronic form on the internet site of the SIX Swiss Exchange under the section headed Official Notices
(currently: http://www.six-swiss-exchange.com/news/official_notices/search_en.html).

Representation

In accordance with Article 43 of the Listing Rules of the SIX Swiss Exchange, UBS AG has been appointed by the Issuer as representative to lodge the listing application with the SIX Swiss Exchange.

Documents Available

Copies of this Prospectus are available at UBS AG, Investment Bank, Swiss Prospectus Switzerland, P.O. Box, 8098 Zurich, Switzerland, or can be ordered by telephone +41-44-239 47 03 (voicemail), fax +41-44-239 69 14 or by e-mail swiss-prospectus@ubs.com.

Prospectus

This Prospectus is available in English language only and provides information about the Issuer and the Bonds. This Prospectus does not constitute an offer of, or an invitation to subscribe for or purchase, any Bonds.

No person has been authorized to give any information or make any representation in connection with the offering of the Bonds other than as stated herein and any other information or representation if given or made should not be relied upon as having been authorised by the Issuer or the Joint-Lead Managers. Neither the delivery of this Prospectus, nor the issue of the Bonds nor any sale thereof shall, in any circumstances, create any implication that there has been no material adverse change in the affairs of the Issuer since the date hereof.

INFORMATION ON THE ISSUER

Name, registered office, location, legislation, legal form

Givaudan SA (Givaudan AG, Givaudan Ltd) is a stock corporation with limited liability (*Aktiengesellschaft*), in accordance with art. 620 et seq. of the Swiss Code of Obligations. The Issuer is registered with the commercial register of the Canton of Geneva, Switzerland, under the number CH-660-0028929-4, its registered head office and administrative headquarters being at 5, chemin de la parfumerie, 1214 Vernier, Switzerland.

Purpose

The articles of association of Givaudan SA. are dated 10 March 2015. According to article 2 the object is as follows:

1. The purpose of the corporation is to hold interests in enterprises which:
    a. manufacture and trade in fragrance and flavour natural and synthetic raw materials or mixtures thereof as well as any other related products;
    b. provide services in connection with the use of such products;
    c. conduct technical and scientific research and development in connection with such products, the manufacture and use thereof and to acquire or file applications for and to exploit any trademarks, patents, licences, manufacturing processes and formulae.
2. The corporation may on incidental basis also conduct such activities itself.
3. The corporation may open branches and subsidiaries in Switzerland and abroad, and may acquire participations in other companies, either in Switzerland or abroad.
4. The corporation may acquire, hold, exploit and sell real estate and intellectual property rights.
5. The corporation may also engage in and carry out any commercial, financial or other activities which are related to the purpose of the corporation.

Group structure and principal activities

Givaudan SA is the parent company of the Givaudan Group.

Givaudan SA is the global leader in the flavor and fragrance industry, offering its products to global, regional and local food, beverage, consumer goods, fragrance and cosmetics companies. Givaudan SA operates around the world and has two principal divisions: Flavour and Fragrance. The Flavour Division consists of four business units: Beverages, Dairy, Savoury and Sweet Goods. The Fragrance Division has three business units: Fine Fragrances, consumer Products, as well as Fragrance Ingredients and Active Beauty.

For more information and the structure of the Givaudan Group, please refer to Annex A – Corporate Governance.

Board of Directors / Executive Committee

For information on the Board of Directors and the members of the Executive Committee please refer to Annex A – Corporate Governance and the media release in Annex C.

The business address of the members of the Board of Directors and the Executive Committee is Givaudan SA, 5,chemin de la parfumerie, 1214 Vernier.

Capital structure

For information on the capital structure, please refer to Annex A – Corporate Governance.

Dividends

In the last five business years Givaudan SA has paid the following dividends:

Financial Year	**2017**	**2016**	**2015**	**2014**	**2013**
Dividend (*CHF per share*)	58	56	54	50	47

Acquisition of Naturex SA

As part of its 2020 strategy to strengthen its capabilities in natural flavour solutions for its customers, Givaudan announced on 26 March 2018 that it has entered into an agreement to acquire 40.6% of the shares of Naturex SA, a French public listed company (ticker symbol NRX), for EUR 135 per share and a total consideration of EUR 522 million. The acquisition contemplated under this agreement is subject to, inter alia the receipt of all appropriate regulatory approvals.

This acquisition will be exclusively debt financed.

Givaudan intends to launch a mandatory cash tender offer for all remaining outstanding shares of Naturex SA, at a price of EUR 135 per share. The Board of Directors and Management of Naturex SA are fully supportive of the transaction.

For additional information, please refer to the media release of Givaudan dated 26 March 2018 enclosed herein as Annex D.

Court, arbitral and administrative proceedings

Save as disclosed in this Prospectus, the Issuer is not or has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have, or have had in the recent past, significant effects on the financial position or profitability of the Issuer.

Information on the Issuer's most recent business performance

Save as disclosed in this Prospectus there have been no significant changes in the performance of the Issuer's business since 31 December 2017.

Material changes since the most recent annual financial statements

Except as disclosed in this Prospectus, there has been no material adverse change in the financial condition or operations of the Issuer since 31 December 2017, which would materially affect its ability to carry out its obligations under the Bonds.

TAXATION

The following is a summary of certain tax implications under the laws of Switzerland as they may affect investors. It applies only to persons who are beneficial owners of Bonds and may not apply to certain classes of persons. The Issuer makes no representations as to the completeness of the information nor undertakes any liability of whatsoever nature for the tax implications for investors. Potential investors are strongly advised to consult their own professional advisers in light of their particular circumstances.

Swiss Federal Withholding Tax

Payments by the Issuer on Bonds which classify as interest (including payments reflecting accrued interest) will be subject to Swiss federal withholding tax (*Verrechnungssteuer*) at a rate of currently 35%.

A holder of a Bond who is an individual resident in Switzerland and who holds the Bond as private asset and who duly reports the gross amount of the taxable payment in his or her tax return and, a holder who is a legal entity or an individual holding the Bond in a Swiss business and who includes such payment as earnings in its income statement, and, who in each case is the beneficial owner of the taxable payment, is entitled to a full refund of or a full tax credit for the Swiss withholding tax, provided certain other conditions are met.

A holder of a Bond who is resident outside Switzerland and who during the taxation year has not engaged in a trade or business carried on through a permanent establishment in Switzerland to which such Bond is attributable may be able to claim a full or partial refund of the Swiss withholding tax by virtue of the provisions of a double taxation treaty, if any, between Switzerland and his or her country of residence.

On 4 November 2015, the Swiss Federal Council announced that it had mandated the Swiss Federal Finance Department to appoint a group of experts to prepare a proposal for a reform of the Swiss withholding tax system. The proposal is expected to, among other things, replace the current debtor-based regime applicable to interest payments, as disclosed above, with a paying agent-based regime for Swiss withholding tax. This paying agent-based regime is expected to be similar to the one contained in the draft legislation published by the Swiss Federal Council on 17 December 2014, which was subsequently withdrawn on 24 June 2015.

Swiss Federal Securities Turnover Tax

The issue and the sale of a Bond on the issuance day (primary market transaction) are not subject to Swiss federal securities turnover tax (*Umsatzabgabe*). Secondary market dealings in Bonds may be subject to the Swiss federal securities turnover tax at a rate of up to 0.15% of the purchase price of the Bonds, however, only if a securities dealer in Switzerland or Liechtenstein, as defined in the Swiss federal stamp duty act (*Bundesgesetz über die Stempelabgaben*), is a party or acts as an intermediary to the transaction and no exemption applies.

Income Taxation on Principal or Interest

a) Bonds Held by Non-Swiss Holders

Payments of interest and repayment of principal by the Issuer to, and any gain realized on the sale or redemption of Bonds by, a holder of Bonds who is not a resident of Switzerland and who during the current taxation year has not engaged in a trade or business through a permanent establishment in Switzerland to which such Bond is attributable will not be subject to any Swiss federal, cantonal or communal income tax in respect of such Bond.

For the potential new Swiss withholding tax legislation replacing the current issuer-based withholding tax system with a paying-agent based system, see above "*—Swiss Federal Withholding Tax*".

b) Bonds Held as Private Assets by a Swiss Resident Holder

Individuals who are resident in Switzerland and who hold Bonds as private assets are required to include all payments of interest on such Bonds in their personal income tax return for the relevant tax period and will be taxable on any net taxable income for such tax period.

A capital gain, including a gain relating to accrued interest realized on the sale or redemption of Bonds by such a Swiss resident holder, is a tax-free private capital gain, and, conversely, a respective loss on the Bond is a non-tax-deductible private capital loss.

Bonds without a "predominant one-time interest payment": Holders of Bonds without a predominant onetime interest payment (the yield-to-maturity predominantly derives from periodic interest payments and not from a onetime interest payment) who are individuals receive payments of interest on Bonds (either in the form of periodic interest payments or as a one-time-interest-payment such as an issue discount or a repayment premium) are required to include such payments in their personal income tax return and will be taxable on any net taxable income (including the payments of interest on the Bonds) for the relevant tax period.

Bonds with a "predominant one-time interest payment": In the case of bonds with a "predominant one-time interest payment" (the yield-to-maturity predominantly derives from a one-time-interest-payment such as an original issue discount or a repayment premium and not from periodic interest payments), the positive difference (including any capital and foreign exchange gain) between the amount received upon sale or redemption and the issue price (if the bonds were purchased thereafter) will be classified as a taxable interest payment, as opposed to a tax-free capital gain (differential taxation method). Losses realized on the sale of bonds with a "predominant onetime interest payment" may be offset against gains realized within the same tax period on the sale of any bonds with a "predominant one-time interest payment".

c) Bonds Held as Swiss Business Assets and by Private Persons Classified as Professional Securities Dealers

Individuals who hold Bonds as part of a business in Switzerland and Swiss resident corporate taxpayers and corporate taxpayers resident abroad holding Bonds as part of a permanent establishment in Switzerland, are required to recognize the payments of interest and any gain realized on the sale or redemption of such Bonds (including a gain relating to interest accrued) and any loss on such Bonds in their income statement for the respective tax period and will be taxable on any net taxable earnings for such period. The same taxation treatment also applies to Swiss resident individuals who, for income tax purposes, are classified as “professional securities dealers” for reasons of, inter alia, frequent dealings and leveraged investments in securities.

Automatic Exchange of Information in Tax Matters

On 19 November 2014, Switzerland signed the Multilateral Competent Authority Agreement (the MCAA). The MCAA is based on article 6 of the OECD/Council of Europe administrative assistance convention and is intended to ensure the uniform implementation of Automatic Exchange of Information (the AEOI). The Federal Act on the International Automatic Exchange of Information in Tax Matters (the AEOI Act) entered into force on 1 January 2017. The AEOI Act is the legal basis for the implementation of the AEOI standard in Switzerland.

The AEOI is being introduced in Switzerland through bilateral agreements or multilateral agreements. The agreements have, and will be, concluded on the basis of guaranteed reciprocity, compliance with the principle of speciality (i.e. the information exchanged may only be used to assess and levy taxes (and for criminal tax proceedings)) and adequate data protection.

Switzerland has concluded a multilateral AEOI agreement with the EU (replacing the EU savings tax agreement) and has concluded bilateral AEOI agreements with several non-EU countries.

Based on such multilateral agreements and bilateral agreements and the implementing laws of Switzerland, Switzerland will begin to collect data in respect of financial assets, including, as the case may be, Bonds, held in, and income derived thereon and credited to, accounts or deposits with a paying agent in Switzerland for the benefit of individuals resident in a EU member state or in a treaty state from, depending on the effectiveness date of the agreement, 2017 or 2018, as the case may be, and begin to exchange it from 2018 or 2019.

RESPONSIBILITY STATEMENT

The Issuer accepts responsibility for all information contained in this Prospectus and has taken all reasonable care to ensure that the facts stated herein are true and accurate in all material respects and that there are no other material facts, the omission of which would make any statement herein misleading, whether of fact or opinion.

Vernier, 5 April 2018

Givaudan SA

TERMS OF THE TRANCHE A BONDS

The Terms of the Bonds issued by Givaudan SA (the **Issuer**) according to the Bond Purchase & Paying Agency Agreement dated 5 April 2018 (the **Agreement**) between the Issuer on the one hand and BNP Paribas (Suisse) SA, Deutsche Bank AG London Branch, acting through Deutsche Bank AG Zurich Branch and HSBC Bank plc acting together with UBS AG as joint lead managers, on the other hand are as follows:

1. Amount and Reopening, Form of the Bonds, Denomination, Custodianship and Transfer of the Bonds

(a) The initial aggregate nominal amount of the Bonds of Swiss francs (**CHF**) 150,000,000 (in words: one hundred and fifty million Swiss francs) (the **Aggregate Nominal Amount**) is divided into bonds (each a **Bond** and collectively the **Bonds**) with denominations of CHF 5,000 (five thousand Swiss francs) per Bond.

The Issuer reserves the right to reopen (the **Reopening**) and increase the Aggregate Nominal Amount at any time and without prior consultation of or permission of the Holders (as defined below) through the issuance of further bonds which will be fungible with the Bonds (i.e. identical especially in respect of the Terms of the Bonds, security number, final maturity and interest rate).

(b) The Bonds are issued as uncertificated securities (*Wertrechte*) in accordance with art. 973c of the Swiss Code of Obligations. Such uncertificated securities will be entered by the Principal Paying Agent into the main register (*Hauptregister*) of SIX SIS as recognized intermediary for such purposes by SIX Swiss Exchange. The Bonds will remain in the book-entry system of SIX SIS until their final redemption. So long as the Bonds are Intermediated Securities (*Bucheffekten*), the Bonds may only be transferred by the entry of the transferred Bonds in a securities account of the transferee.

(c) The records of SIX SIS will determine the number of Bonds held through each participant in SIX SIS. In respect of Bonds held in the form of Intermediated Securities (*Bucheffekten*), the holders of such Bonds (the **Holders** and, individually, a **Holder**) will be the persons holding the Bonds in a securities account (*Effektenkonto*) which is in their name, or in case of intermediaries (*Verwahrungsstellen*), the intermediaries (*Verwahrungsstellen*) holding the Bonds for their own account in a securities account (*Effektenkonto*) which is in their name.

(d) The conversion of the uncertificated securities (*Wertrechte*) into a permanent global note (*Globalurkunde*) or individually certificated bonds (*Wertpapiere*) is excluded. Neither the Issuer nor the Holders nor the Principal Paying Agent nor any third party shall at any time have the right to effect or demand the conversion of the uncertificated securities (*Wertrechte*) into, or the delivery of a permanent global note (*Globalurkunde*) or individually certificated securities (*Wertpapiere*).

(e) Once the uncertificated securities (*Wertrechte*) are registered in the main register (*Hauptregister*) of SIX SIS, the Bonds will constitute intermediated securities (*Bucheffekten*) in accordance with the provisions of the Swiss Federal Intermediated Securities Act (*Bucheffektengesetz*).

2. Interest

(a) Interest Payment Dates

The Bonds bear interest on their principal amount from (and including) 9 April 2018 (the **Issue Date**) to (but excluding) the first Interest Payment Date and thereafter from (and including) each Interest Payment Date to (but excluding) the next following Interest Payment Date. Interest on the Bonds shall be payable on each Interest Payment Date.

Interest Payment Date means each 9 April, 9 July, 9 October and 9 January. If any Interest Payment Date would otherwise fall on a day which is not a Business Day, it shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event the Interest Payment Date shall be the immediately preceding Business Day (modified following).

Business Day means a day on which commercial banks are open for domestic business and foreign exchange (including dealings in Swiss Francs) in Zurich.

(b) Interest Rate

The rate of interest (the **Interest Rate**) for each Interest Period (as defined below) will, except as provided below, be the offered quotation (expressed as a percentage rate per annum) for deposits in Swiss Francs for that Interest Period (3-month CHF-LIBOR) which appears on the Screen Page (as defined below) as of 11.00 a.m. (London time) on the Interest Determination Date (as defined below) plus the Margin (as defined below), all as determined by the Principal Paying Agent.

Interest Period means each three month period from (and including) the Issue Date to (but excluding) the first Interest Payment Date and thereafter from (and including) each Interest Payment

Date to (but excluding) the next following Interest Payment Date.

Interest Determination Date means the second London Business Day prior to the commencement of the relevant Interest Period. "**London Business Day**" means a day on which commercial banks are open for business and foreign exchange markets settle payments generally in London.

Margin means 0 per cent. per annum.

Screen Page means Reuters screen page LIBOR02 or any successor page.

If the Screen Page is not available or if no such quotation appears as at such time, the Principal Paying Agent (as defined in Section 17 below) shall request each of the Reference Banks (as defined below) to provide a quotation of its rate at which it offers deposits in Swiss Francs for the relevant Interest Period to prime banks in the London interbank market at approximately 11.00 a.m. (London time) on the Interest Determination Date.

If at least two quotations are provided, the rate for that Interest Period will be the arithmetic mean (rounded if necessary to the nearest one hundred-thousandth of a percentage point, with 0.000005 being rounded upwards) of the quotations. If fewer than two quotations are provided, the rate for that Interest Period will be the arithmetic mean (rounded if necessary to the nearest one hundred-thousandth of a percentage point, with 0.000005 being rounded upwards) of the rates quoted by major banks in Zurich at approximately 12.00 a.m. (Zurich time) on that Interest Determination Date for loans in Swiss Francs to leading European banks for the relevant Interest Period.

As used herein, **Reference Banks** means four major banks in the London interbank market, selected by the Principal Paying Agent.

If the Interest Rate in respect of any Interest Period determined in accordance with the above provisions is less than 0.00 per cent. per annum, the Interest Rate for such Interest Period shall be 0.00 per cent. per annum.

The maximum Interest Rate is 0.05 per cent. per annum.

(c) Interest Amount

Each amount of interest shall be calculated by applying the Interest Rate and the Day Count Fraction (as defined below) to the nominal amount of the Bonds.

(d) Day Count Fraction

Day Count Fraction means, in respect of the calculation of an amount of interest on the Bonds for any period of time (the **Calculation Period**), the actual number of days in the Calculation Period divided by 360.

(e) Notification of Interest Rate and Interest Period

The Principal Paying Agent will cause the Interest Rate, each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, to SIX Swiss Exchange and to the Holders in accordance with Section 12. as soon as possible after their determination.

(f) Determinations Binding

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Section 2. by the Principal Paying Agent shall (in the absence of manifest error) be binding on the Issuer, the Principal Paying Agent and the Holders.

(g) Accrual of Interest

Each Bond will cease to bear interest where such Bond is to be redeemed or repaid pursuant to Sections 3(a), (b), (c) or Sections 6, 7 or 8, from and including the due date for redemption or repayment unless, upon due presentation, payment of principal is improperly withheld or refused; in such event such Bond shall continue to bear interest at the aforesaid rate (both before and after judgment) until but excluding the day on which all sums due in respect of such Bond up to that day are received by the Principal Paying Agent on behalf of the Holders.

3. Redemption

(a) Redemption at Maturity

Unless previously redeemed, the Issuer undertakes to repay all outstanding Bonds at par, without further notice on 9 April 2020 (the **Maturity Date**).

(b) Redemption at the Option of the Issuer

Subject to a period of not less than thirty (30) nor more than sixty (60) days' prior notice to the Principal Paying Agent, the Issuer may redeem the Bonds at any time after the Payment Date and prior to the Maturity Date, in whole, but not in part only, at par of their Aggregate Nominal Amount plus accrued interest, if any, on the date determined by the Issuer for early redemption, if eighty-five (85) percent or more of the Aggregate Nominal Amount have been redeemed or purchased and cancelled at the time of such notice.

(c) Purchases

The Issuer may, either directly or indirectly, at any time purchase Bonds at any price, for any purpose, in the open market or otherwise. Any purchase shall be made in accordance with applicable laws or regulations, including applicable stock exchange regulations. Such Bonds may be held, resold or, at the option of the Issuer, surrendered to the Principal Paying Agent for cancellation as set out below.

If purchases are made by public tender, such tender must be available to all Holders alike.

(d) Cancellation

All Bonds which are redeemed or surrendered shall forthwith be cancelled. All Bonds so cancelled shall be forwarded to the Principal Paying Agent and cannot be reissued or resold.

(e) Notice

Where the provisions of this Section 3. provide for the giving of notice by the Issuer to the Principal Paying Agent, such notice shall be deemed to be validly given if made in writing with all required information to the Principal Paying Agent within the prescribed time limit. Such notices shall be announced to the Holders as soon as practicable pursuant to Section 12. Such notices shall be irrevocable.

4. Payments

The amounts required for payments with respect to the Bonds (amounts of interest payments after deduction of the Swiss Withholding Tax of currently 35%) will be made available in good time in freely disposable CHF which will be placed at the free disposal of the Principal Paying Agent on behalf of the Holders. If the due date for any payment by the Issuer does not fall on a Business Day, the Issuer undertakes to effect payment for value the Business Day immediately following such due date (unless that day falls in the next calendar month, in which case the due date shall be the first preceding Business Day (modified, following)) and the Holders will not be entitled to any additional sum in relation thereto. All payments with respect to the Bonds will be made to the Holders in CHF without collection costs. No payments with respect to the Bonds shall be made at any office of the Issuer.

The receipt by the Principal Paying Agent of the due and punctual payment of the funds in CHF as above provided shall release the Issuer of its payment obligations under the Bonds to the extent of such payments.

If the Bonds are not redeemed when due, interest shall continue to accrue until (and including) the day when the Bonds are redeemed.

If, at any time during the life of the Bonds, the Principal Paying Agent shall resign or become incapable of acting as Principal Paying Agent or as Holders' Representative (as defined in Section 5. (b)) as contemplated by these Terms of the Bonds or shall be adjudged bankrupt or insolvent, the Principal Paying Agent may be substituted by a duly licensed major Swiss bank or branch of a major foreign bank chosen by the Issuer. In the event of such a replacement of the Principal Paying Agent, all references to the Principal Paying Agent shall be deemed to refer to such replacement.

Notice of such a replacement shall be published in accordance with Section 12.

5. Status of the Bonds and Negative Pledge

(a) Status of the Bonds

The Bonds constitute direct, unconditional, unsubordinated and, subject to Section 5. (b), unsecured obligations of the Issuer which will at all times rank *pari passu* among themselves and, subject as aforesaid, at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by statute, all limited by provisions of law that are both mandatory and of general application.

(b) Negative Pledge

So long as any of the Bonds remain outstanding the Issuer will not hereafter secure, by any mortgage, charge, pledge, lien or other encumbrance, on any of its present or future undertaking or assets (i) any Obligation of the Issuer or any other person or (ii) any guarantee or indemnity in respect of any Obligation of the Issuer or any other person without at the choice of the Issuer either at the same time securing the Bonds equally and rateably therewith to the satisfaction of UBS AG in its role as Holders' representative (the **Holders' Representative**) or providing other security therefor which the Holders' Representative in its absolute discretion shall deem satisfactory or as shall be approved by an extraordinary resolution of the Holders.

For the purpose of this Section 5., **Obligation** means any present or future indebtedness evidenced by bonds, debentures or other securities which are quoted or traded for the time being on any stock exchange or other organised market for securities which is denominated or contains a right or requirement for any payment in respect thereof to be made in any currency.

6. Sale, Dissolution, Merger and Reorganisation

In the event of

(a) a sale or assignment of all or substantially all of the assets of the Issuer; or

(b) a dissolution or merger involving the Issuer and as a result of which the Issuer is not the subsisting company, unless the successor company takes on all the Issuer's liabilities in respect of the Bonds; or

(c) a reorganisation of the Issuer which gives rise to a reduction of all or substantially all assets or in all or substantially all commercial activities of the Issuer,

and in so far as the relevant action has a material adverse effect on the capacity of the Issuer to meet its obligations under the Terms of the Bonds, the Holders' Representative shall be entitled, but not obliged, to declare on behalf of the Holders that all outstanding Bonds, including accrued interest thereon, if any, shall reach maturity forthwith and shall be redeemable and payable at their par value, unless the Holders' Representative considers the situation of the Holders as being adequately protected based on securities created or other steps taken by the Issuer.

The Issuer shall inform the Holders' Representative in good time and in full of any proceedings which could bring about the events under (a) to (c), so that the Holders' Representative may thereupon make an assessment according to (i) and (ii) above.

Principal and interest accrued shall become due on receipt of a notice in writing sent by the Holders' Representative to the Issuer, unless the reason for giving such notice has previously ceased to exist.

7. Events of Default

The Holders' Representative may on behalf of the Holders give notice to the Issuer that the Bonds are, and they shall accordingly immediately become, due and repayable at their principal amount, including accrued interest thereon, if any of the following events (each event an **Event of Default**) occurs and is continuing:

(a) if default is made for a period of 14 days or more in the payment of any principal or interest on the Bonds or any of them; or

(b) if:

 (i) an order is made for winding-up of the Issuer and is not set aside within 90 days of the date of such order or pursuant to an appeal lodged within 14 days of the date of such order; or

 (ii) an effective resolution is passed for the winding-up of the Issuer, except a winding-up of the Issuer the substantive terms of which have previously been approved in writing by the Holders' Representative; or

(c) if the Issuer stops payment of its debts or ceases to carry on its business or a major part thereof unless the cessation is for the purpose of a reconstruction or amalgamation the substantive terms of which have previously been approved in writing by the Holders' Representative; or

(d) if:

 (i) an encumbrancer takes possession of, or any administrative or other receiver or any manager is appointed for, the whole or substantially all of the undertaking or assets of the Issuer; or

 (ii) a distress or execution is levied or enforced upon or sued out against all or substantially all of the chattels or property of the Issuer, which is not discharged within 90 days; or

(e) if the Issuer is declared in suspension of payments; or

(f) if:

 (i) any indebtedness for Moneys Borrowed (as defined below) of the Issuer shall be or be declared due and payable prior to the date on which the same would otherwise become due and payable by reason of the occurrence of a default on the part of the Issuer in relation thereto; or

 (ii) the Issuer defaults in the repayment of any indebtedness for Moneys Borrowed at the maturity thereof or at the expiration of any applicable grace period; or

 (iii) any guarantee or any indebtedness for Moneys Borrowed given by the Issuer shall not be paid when due and called upon or at the expiry of any applicable grace period,

 save (x) in any such case where there is a *bona fide* dispute as to whether payment or repayment is due or (y) where the amount of the indebtedness for Moneys Borrowed in respect of which default is made does not exceed CHF 40,000,000 or its then equivalent in other currencies; or

(g) if default is made by the Issuer in the performance or observance of any material obligation, condition or provision binding on it under the Bonds (other than any obligation for the payment of principal or interest) and, except where such default is not capable of remedy (in which case the Bonds will, if the Holders' Representative has so certified as aforesaid, immediately become due and repayable), such default continues for 60 days after notice thereof by the Holders' Representative to the Issuer requiring the same to be remedied.

The Issuer undertakes to inform the Holders' Representative without delay if any event mentioned under para. (b) through (g) has occurred and to provide the Holders' Representative with all necessary documents and information in connection therewith.

Moneys Borrowed means (a) borrowed moneys and (b) liabilities under any bond, note, bill, debenture, loan stock or other security issued in respect of acceptance credit facilities or as consideration for assets or services but excluding such liabilities incurred in relation to the acquisition of goods or services in the ordinary course of trading.

8. Redemption at the option of Holders (Change of Control)

The Holders shall be entitled during the period beginning on 9 April 2018 and ending on the 180th day (including) prior to 9 April 2020 to require the redemption of the Bonds upon occurrence of a Change of Control Event (as defined below); whereas the Issuer undertakes to duly inquire the occurrence of a Change of Control Event.

If a Change of Control Event is deemed to have occurred, then each Holder is entitled to require the Issuer to redeem the Bonds at the Put Amount (as defined below) on the Put Date (as defined below); the Issuer may instead of redeeming the Bonds choose to purchase (or procure the purchase of) that Bond on the Put Date at the Put Amount.

Promptly upon the occurrence of a Change of Control Event, the Issuer shall give notice (a **Change of Control Notice**) to the Holders in accordance with Section 12. specifying the nature of the Change of Control Event and the procedure for exercising the option pursuant to this Section 8.

In this Section 8. the terms below shall have the following meaning:

A **Change of Control Event** shall be deemed to have occurred if according to publications based on stock exchange or similar requirements any person or any persons acting in concert or any person or persons acting on behalf of any such person(s) (the **Relevant Person**) at any time directly or indirectly own(s) or acquire(s) more than 50% of the voting rights of the Issuer whether exercisable or not (thereafter the **Change of Control**) and if the Issuer, within the Change of Control Period (as defined below), either (i) obtains a debt rating which is below an Investment Grade Rating (as defined below) or (ii) does not obtain an Investment Grade Rating for the Bonds. A Change of Control Event shall be deemed to have occurred as soon as one of the rating actions mentioned under (i) or (ii) above has taken place.

Investment Grade Rating means a credit rating of at least Baa3 by Moody's Investors Services, a division of Moody's Corporation (or any successor entity) or of at least BBB- by Standard & Poor's Rating Services, a division of The McGraw-Hill Companies Inc. (or any successor entity).

Change of Control Period means the period ending 90 days after the occurrence of a Change of Control Event;

Put Date means the 30th day after the end of the Put Exercise Period (as defined below).

Put Amount means the nominal amount of the Bonds registered for redemption with the Principal Paying Agent by or on behalf of the Holders, plus any interest (or, where purchased, an amount equal to such interest) accrued up to the Determination Date (as defined below).

Determination Date means 11:00 a.m. (CET) at the 5th Business Day prior to the Put Date.

To exercise the option to require redemption of a Bond under this Section 8 the Principal Paying Agent must receive at its Specified Office a duly completed notice of exercise in a form and with a contents acceptable to it (**Put Notice**) by or on behalf of the Holder on any Business Day falling within the period starting at the Change of Control Event and ending on the 30th Day after the Change of Control Event (the **Put Exercise Period**). Any amounts shall be payable against presentation of a Put Notice and surrender of the relevant Bond by book entry in accordance with applicable law and applicable rule of the Clearing System and relevant instructions of the Principal Paying Agent. The Issuer shall redeem or, at the option of the Issuer, purchase (or procure the purchase of) the relevant Bond on the 30th day after the end of the Put Exercise Period.

A Put Notice, once given, shall be irrevocable.

If, at the end of the Put Exercise Period, Holders representing more than two thirds of the nominal amount of the Bonds have exercised their option under this Section 8 the Issuer has the right to redeem the remaining Bonds at the Put Amount within 30 days after the end of the Put Exercise Period provided that the applicable legal requirements are met.

9. Substitution

The Issuer may without the consent of the Holders, at any time substitute itself in respect of all rights and obligations arising under or in connection with the Bonds with any Swiss legal entity of which all shares carrying voting rights are directly or indirectly held by the Issuer (the **New Issuer**), provided that the Issuer has issued an irrevocable and unconditional guarantee as per art. 111 of the Swiss Code of Obligations in respect to the obligations of the New Issuer under the Bonds in form and content reasonably satisfactory to the Holders' Representative.

Any substitution shall be published in accordance with Section 12.

In the event of such substitution, any reference to the Issuer shall be deemed to refer to the New Issuer.

10. Prescription

In accordance with Swiss law, claims for interest payments shall become time barred after a period of five (5) years and claims for the repayment or redemption of Bonds after a period of ten (10) years, calculated from their respective due dates.

11. Listing

Application will be made for the admission to trading and listing of the Bonds on the SIX Swiss Exchange.

The Issuer will use reasonable endeavors to have the Bonds listed on the SIX Swiss Exchange and to maintain such listing during the whole duration of the Bonds.

12. Notices

All notices regarding the Bonds shall be published by UBS AG on behalf and at the expense of the Issuer (i) on the internet site of the SIX Swiss Exchange (where notices are currently published under the address http://www.six-swiss-exchange.com/news/official_notices/search_en.html) or (ii) otherwise in accordance with the regulations of the SIX Swiss Exchange.

13. Governing Law and Jurisdiction

The Terms of the Bonds and the Bonds shall be governed by and construed in accordance with the substantive laws of Switzerland (i.e. without regard to the principles of conflict of laws).

Any dispute which might arise based on the Terms of the Bonds and the Bonds shall be settled in accordance with Swiss law and shall fall within the jurisdiction of the Ordinary Courts of the Canton of Zurich, Switzerland, venue being Zurich.

The above-mentioned jurisdiction is also exclusively competent for the declaration of cancellation of Bonds.

The Issuer shall be discharged by and to the extent of any payment made to a Holder recognised as creditor by an enforceable judgement of a Swiss court.

14. Role of UBS

UBS AG has been appointed by the Issuer as the Principal Paying Agent and as the Listing Agent with respect to the Bonds and it will or may also act on behalf of or for the benefit of the Holders as Holders' Representative, but only in such cases stated explicitly in these Terms of the Bonds. In any other cases, the Holders' Representative is not obliged to take or to consider any actions on behalf of or for the benefit of the Holders.

The Holders' Representative may consult with the Holders by way of calling a Holders' meeting pursuant to the Swiss Code of Obligations prior to taking a decision pursuant to Section 6., Section 7. and Section 8.

It is expressly agreed that all actions taken and any agreements or waivers or authorisations made by UBS AG in any of its roles under this Section 14. shall be, subject to the Terms of Bonds, be definitive and irrevocable and bind all parties without any necessity to obtain any confirmation or registration whatsoever.

15. Amendment to the Terms of the Bonds

The Terms of the Bonds may be amended by agreement between the Issuer and the Holders' Representative on behalf of the Holders provided that such amendment is of a formal, minor or technical nature, is made to correct a manifest error and is not prejudicial to the interests of the Holders. Notice of any such amendment shall be published in accordance with Section 12.

16. Severability

If at any time one or more of the provisions of the Terms of the Bonds is or becomes unlawful, invalid, illegal or unenforceable in any respect under any law, the validity, legality and enforceability of the remaining provisions shall not be in any way affected or impaired thereby.

17. Definitions

Business Day means a day (other than a Saturday or a Sunday) on which commercial banks are open the whole day for business in Zurich.

Listing Agent means UBS AG, appointed as recognized representative pursuant to art. 43 of the listing rules of the SIX Swiss Exchange to file the listing application (including the application for provisional admission to trading) for the Bonds with the SIX Swiss Exchange.

Principal Paying Agent means UBS AG in its function as principal paying agent.

SIX SIS means SIX SIS Ltd, the Swiss clearing and settlement organisation, Baslerstrasse 100, 4600 Olten, or any successor organisation accepted by the SIX Swiss Exchange.

SIX Swiss Exchange means SIX Swiss Exchange Ltd, Pfingstweidstrasse 110, 8005 Zurich (P.O. Box 8021 Zurich) or any successor regulatory body.

Specified Office means UBS AG, Bahnhofstrasse 45, 8001 Zurich.

TERMS OF THE TRANCHE B BONDS

The Terms of the Bonds issued by Givaudan SA (the **Issuer**) according to the Bond Purchase & Paying Agency Agreement dated 5 April 2018 (the **Agreement**) between the Issuer on the one hand and BNP Paribas (Suisse) SA, Deutsche Bank AG London Branch, acting through Deutsche Bank AG Zurich Branch and HSBC Bank plc acting together with UBS AG as joint lead managers, on the other hand are as follows:

1. Amount and Reopening, Form of the Bonds, Denomination, Custodianship and Transfer of the Bonds

(a) The initial aggregate nominal amount of the Bonds of Swiss francs (**CHF**) 200,000,000 (in words: two hundred million Swiss francs) (the **Aggregate Nominal Amount**) is divided into bonds (each a **Bond** and collectively the **Bonds**) with denominations of CHF 5,000 (five thousand Swiss francs) per Bond.

The Issuer reserves the right to reopen (the **Reopening**) and increase the Aggregate Nominal Amount at any time and without prior consultation of or permission of the Holders (as defined below) through the issuance of further bonds which will be fungible with the Bonds (i.e. identical especially in respect of the Terms of the Bonds, security number, final maturity and interest rate).

(b) The Bonds are issued as uncertificated securities (*Wertrechte*) in accordance with art. 973c of the Swiss Code of Obligations. Such uncertificated securities will be entered by the Principal Paying Agent into the main register (*Hauptregister*) of SIX SIS as recognized intermediary for such purposes by the SIX Swiss Exchange. The Bonds will remain in the book-entry system of the SIX SIS until their final redemption. So long as the Bonds are Intermediated Securities (*Bucheffekten*), the Bonds may only be transferred by the entry of the transferred Bonds in a securities account of the transferee.

(c) The records of SIX SIS will determine the number of Bonds held through each participant in SIX SIS. In respect of Bonds held in the form of Intermediated Securities (*Bucheffekten*), the holders of such Bonds (the **Holders** and, individually, a **Holder**) will be the persons holding the Bonds in a securities account (*Effektenkonto*) which is in their name, or in case of intermediaries (*Verwahrungsstellen*), the intermediaries (*Verwahrungsstellen*) holding the Bonds for their own account in a securities account (*Effektenkonto*) which is in their name.

(d) The conversion of the uncertificated securities (*Wertrechte*) into a permanent global note (*Globalurkunde*) or individually certificated bonds (*Wertpapiere*) is excluded. Neither the Issuer nor the Holders nor the Principal Paying Agent nor any third party shall at any time have the right to effect or demand the conversion of the uncertificated securities (*Wertrechte*) into, or the delivery of a permanent global note (*Globalurkunde*) or individually certificated securities (*Wertpapiere*).

(e) Once the uncertificated securities (*Wertrechte*) are registered in the main register (*Hauptregister*) of SIX SIS, the Bonds will constitute intermediated securities (*Bucheffekten*) in accordance with the provisions of the Swiss Federal Intermediated Securities Act (*Bucheffektengesetz*).

2. Interest

The Bonds bear interest from (and including) 9 April 2018 (the **Payment Date**) to (but excluding) the Maturity Date (as defined below) at the rate of 0.375% of their Aggregate Nominal Amount per annum, payable annually in arrear on 9 April of each year (the **Interest Payment Date**), for the first time on 9 April 2019.

When interest is required to be calculated for a period of less than one year, it shall be calculated on the basis of a 360-day year consisting of 12 months of 30 days each.

3. Redemption

(a) Redemption at Maturity

Unless previously redeemed, the Issuer undertakes to repay all outstanding Bonds at par, without further notice on 9 April 2025 (the **Maturity Date**).

(b) Redemption at the Option of the Issuer

Subject to a period of not less than thirty (30) nor more than sixty (60) days' prior notice to the Principal Paying Agent, the Issuer may redeem the Bonds at any time after the Payment Date and prior to the Maturity Date, in whole, but not in part only, at par of their Aggregate Nominal Amount plus accrued interest, if any, on the date determined by the Issuer for early redemption, if eighty-five (85) percent or more of the Aggregate Nominal Amount have been redeemed or purchased and cancelled at the time of such notice.

(c) Purchases

The Issuer may, either directly or indirectly, at any time purchase Bonds at any price, for any purpose, in the open market or otherwise. Any purchase shall be made in accordance with applicable laws or regulations, including applicable stock exchange regulations. Such Bonds may be held, resold or, at the option of the Issuer, surrendered to the Principal Paying Agent for cancellation as set out below.

If purchases are made by public tender, such tender must be available to all Holders alike.

(d) Cancellation

All Bonds which are redeemed or surrendered shall forthwith be cancelled. All Bonds so cancelled shall be forwarded to the Principal Paying Agent and cannot be reissued or resold.

(e) Notice

Where the provisions of this Section 3. provide for the giving of notice by the Issuer to the Principal Paying Agent, such notice shall be deemed to be validly given if made in writing with all required information to the Principal Paying Agent within the prescribed time limit. Such notices shall be announced to the Holders as soon as practicable pursuant to Section 12. Such notices shall be irrevocable.

4. Payments

The amounts required for payments with respect to the Bonds (amounts of interest payments after deduction of the Swiss Withholding Tax of currently 35%) will be made available in good time in freely disposable CHF which will be placed at the free disposal of the Principal Paying Agent on behalf of the Holders. If the due date for any payment by the Issuer does not fall on a Business Day, the Issuer undertakes to effect payment for value the Business Day immediately following such due date (unless that day falls in the next calendar month, in which case the due date shall be the first preceding Business Day (modified, following)) and the Holders will not be entitled to any additional sum in relation thereto. All payments with respect to the Bonds will be made to the Holders in CHF without collection costs. No payments with respect to the Bonds shall be made at any office of the Issuer.

The receipt by the Principal Paying Agent of the due and punctual payment of the funds in CHF as above provided shall release the Issuer of its payment obligations under the Bonds to the extent of such payments.

If the Bonds are not redeemed when due, interest shall continue to accrue until (and including) the day when the Bonds are redeemed.

If, at any time during the life of the Bonds, the Principal Paying Agent shall resign or become incapable of acting as Principal Paying Agent or as Holders' Representative (as defined in Section 5. (b)) as contemplated by these Terms of the Bonds or shall be adjudged bankrupt or insolvent, the Principal Paying Agent may be substituted by a duly licensed major Swiss bank or branch of a major foreign bank chosen by the Issuer. In the event of such a replacement of the Principal Paying Agent, all references to the Principal Paying Agent shall be deemed to refer to such replacement.

Notice of such a replacement shall be published in accordance with Section 12.

5. Status of the Bonds and Negative Pledge

(a) Status of the Bonds

The Bonds constitute direct, unconditional, unsubordinated and, subject to Section 5. (b), unsecured obligations of the Issuer which will at all times rank *pari passu* among themselves and, subject as aforesaid, at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by statute, all limited by provisions of law that are both mandatory and of general application.

(b) Negative Pledge

So long as any of the Bonds remain outstanding the Issuer will not hereafter secure, by any mortgage, charge, pledge, lien or other encumbrance, on any of its present or future undertaking or assets (i) any Obligation of the Issuer or any other person or (ii) any guarantee or indemnity in respect of any Obligation of the Issuer or any other person without at the choice of the Issuer either at the same time securing the Bonds equally and rateably therewith to the satisfaction of UBS AG in its role as Holders' representative (the **Holders' Representative**) or providing other security therefor which the Holders' Representative in its absolute discretion shall deem satisfactory or as shall be approved by an extraordinary resolution of the Holders.

For the purpose of this Section 5., **Obligation** means any present or future indebtedness evidenced by bonds, debentures or other securities which are quoted or traded for the time being on any stock exchange or other organised market for securities which is denominated or contains a right or requirement for any payment in respect thereof to be made in any currency.

6. Sale, Dissolution, Merger and Reorganisation

In the event of

(a) a sale or assignment of all or substantially all of the assets of the Issuer; or

(b) a dissolution or merger involving the Issuer and as a result of which the Issuer is not the subsisting company, unless the successor company takes on all the Issuer's liabilities in respect of the Bonds; or

(c) a reorganisation of the Issuer which gives rise to a reduction of all or substantially all assets or in all or substantially all commercial activities of the Issuer,

and in so far as the relevant action has a material adverse effect on the capacity of the Issuer to meet its obligations under the Terms of the Bonds, the Holders' Representative shall be entitled, but not obliged, to declare on behalf of the Holders that all outstanding Bonds, including accrued interest thereon, if any, shall reach maturity forthwith and shall be redeemable and payable at their par value, unless the Holders' Representative considers the situation of the Holders as being adequately protected based on securities created or other steps taken by the Issuer.

The Issuer shall inform the Holders' Representative in good time and in full of any proceedings which could bring about the events under (a) to (c), so that the Holders' Representative may thereupon make an assessment according to (i) and (ii) above.

Principal and interest accrued shall become due on receipt of a notice in writing sent by the Holders' Representative to the Issuer, unless the reason for giving such notice has previously ceased to exist.

7. Events of Default

The Holders' Representative may on behalf of the Holders give notice to the Issuer that the Bonds are, and they shall accordingly immediately become, due and repayable at their principal amount, including accrued interest thereon, if any of the following events (each event an **Event of Default**) occurs and is continuing:

(a) if default is made for a period of 14 days or more in the payment of any principal or interest on the Bonds or any of them; or

(b) if:

  (i) an order is made for winding-up of the Issuer and is not set aside within 90 days of the date of such order or pursuant to an appeal lodged within 14 days of the date of such order; or

  (ii) an effective resolution is passed for the winding-up of the Issuer, except a winding-up of the Issuer the substantive terms of which have previously been approved in writing by the Holders' Representative; or

(c) if the Issuer stops payment of its debts or ceases to carry on its business or a major part thereof unless the cessation is for the purpose of a reconstruction or amalgamation the substantive terms of which have previously been approved in writing by the Holders' Representative; or

(d) if:

  (i) an encumbrancer takes possession of, or any administrative or other receiver or any manager is appointed for, the whole or substantially all of the undertaking or assets of the Issuer; or

  (ii) a distress or execution is levied or enforced upon or sued out against all or substantially all of the chattels or property of the Issuer, which is not discharged within 90 days; or

(e) if the Issuer is declared in suspension of payments; or

(f) if:

  (i) any indebtedness for Moneys Borrowed (as defined below) of the Issuer shall be or be declared due and payable prior to the date on which the same would otherwise become due and payable by reason of the occurrence of a default on the part of the Issuer in relation thereto; or

  (ii) the Issuer defaults in the repayment of any indebtedness for Moneys Borrowed at the maturity thereof or at the expiration of any applicable grace period; or

  (iii) any guarantee or any indebtedness for Moneys Borrowed given by the Issuer shall not be paid when due and called upon or at the expiry of any applicable grace period,

  save (x) in any such case where there is a *bona fide* dispute as to whether payment or repayment is due or (y) where the amount of the indebtedness for Moneys Borrowed in respect of which default is made does not exceed CHF 40,000,000 or its then equivalent in other currencies; or

(g) if default is made by the Issuer in the performance or observance of any material obligation, condition or provision binding on it under the Bonds (other than any obligation for the payment of principal or interest) and, except where such default is not capable of remedy (in which case the Bonds will, if the

Holders' Representative has so certified as aforesaid, immediately become due and repayable), such default continues for 60 days after notice thereof by the Holders' Representative to the Issuer requiring the same to be remedied.

The Issuer undertakes to inform the Holders' Representative without delay if any event mentioned under para. (b) through (g) has occurred and to provide the Holders' Representative with all necessary documents and information in connection therewith.

Moneys Borrowed means (a) borrowed moneys and (b) liabilities under any bond, note, bill, debenture, loan stock or other security issued in respect of acceptance credit facilities or as consideration for assets or services but excluding such liabilities incurred in relation to the acquisition of goods or services in the ordinary course of trading.

8. Redemption at the option of Holders (Change of Control)

The Holders shall be entitled during the period beginning on 9 April 2018 and ending on the 180th day (including) prior to 9 April 2025 to require the redemption of the Bonds upon occurrence of a Change of Control Event (as defined below); whereas the Issuer undertakes to duly inquire the occurrence of a Change of Control Event.

If a Change of Control Event is deemed to have occurred, then each Holder is entitled to require the Issuer to redeem the Bonds at the Put Amount (as defined below) on the Put Date (as defined below); the Issuer may instead of redeeming the Bonds choose to purchase (or procure the purchase of) that Bond on the Put Date at the Put Amount.

Promptly upon the occurrence of a Change of Control Event, the Issuer shall give notice (a **Change of Control Notice**) to the Holders in accordance with Section 12. specifying the nature of the Change of Control Event and the procedure for exercising the option pursuant to this Section 8.

In this Section 8. the terms below shall have the following meaning:

A **Change of Control Event** shall be deemed to have occurred if according to publications based on stock exchange or similar requirements any person or any persons acting in concert or any person or persons acting on behalf of any such person(s) (the **Relevant Person**) at any time directly or indirectly own(s) or acquire(s) more than 50% of the voting rights of the Issuer whether exercisable or not (thereafter the **Change of Control**) and if the Issuer, within the Change of Control Period (as defined below), either (i) obtains a debt rating which is below an Investment Grade Rating (as defined below) or (ii) does not obtain an Investment Grade Rating for the Bonds. A Change of Control Event shall be deemed to have occurred as soon as one of the rating actions mentioned under (i) or (ii) above has taken place.

Investment Grade Rating means a credit rating of at least Baa3 by Moody's Investors Services, a division of Moody's Corporation (or any successor entity) or of at least BBB- by Standard & Poor's Rating Services, a division of The McGraw-Hill Companies Inc. (or any successor entity).

Change of Control Period means the period ending 90 days after the occurrence of a Change of Control Event;

Put Date means the 30th day after the end of the Put Exercise Period (as defined below).

Put Amount means the nominal amount of the Bonds registered for redemption with the Principal Paying Agent by or on behalf of the Holders multiplied by the Relevant Value (as defined below) of the Bonds, plus any interest (or, where purchased, an amount equal to such interest) accrued up to the Determination Date (as defined below).

Determination Date means 11:00 a.m. (CET) at the 5th Business Day prior to the Put Date.

Mid-Market Price means the arithmetic middle of the bid and offer price of the Reference Bond at the SIX Swiss Exchange on the Determination Date. If a Mid-Market Price is not available the Holders' Representative will determine the Mid-Market Price taking into consideration the last paid price of the Reference Bond at the SIX Swiss Exchange.

Reference Bond means the 1.50% Swiss Government Bond due 24 July 2025 (ISIN: CH0184249990), or if such Reference Bond is no longer in issue such other Swiss Government bond with a maturity date closest to the Maturity Date of the Bonds the Holders' Representative or, after prior consultation and with the consent of the Holders' Representative, a leading investment bank of international standing selected by the Issuer may reasonably determine to be appropriate as a substitute for the Reference Bond.

Relevant Yield means the yield of the Reference Bond based on the Mid-Market Price plus a spread of 0.22% on the Determination Date.

Relevant Value means the value of the Bonds calculated by the Holders' Representative on the Determination Date expressed as a percentage (rounded to four decimal places, 0.00005 being rounded upwards) and based on (i) the Relevant Yield, (ii) the remaining life of the Bonds until the Maturity Date and (iii) the interest rate of the Bonds.

To exercise the option to require redemption of a Bond under this Section 8 the Principal Paying Agent must receive at its Specified Office a duly completed notice of exercise in a form and with a contents acceptable to it (**Put Notice**) by or on behalf of the Holder on any Business Day falling within the period starting at the Change of Control Event and ending on the 30th Day after the Change of Control Event (the **Put Exercise Period**). Any amounts shall be payable against presentation of a Put Notice and surrender of the relevant Bond by book entry in accordance with applicable law and applicable rule of the Clearing System and relevant instructions of the Principal Paying Agent. The Issuer shall redeem or, at the option of the Issuer, purchase (or procure the purchase of) the relevant Bond on the 30th day after the end of the Put Exercise Period.

A Put Notice, once given, shall be irrevocable.

If, at the end of the Put Exercise Period, Holders representing more than two thirds of the nominal amount of the Bonds have exercised their option under this Section 8 the Issuer has the right to redeem the remaining Bonds at the Put Amount within 30 days after the end of the Put Exercise Period provided that the applicable legal requirements are met.

9. Substitution

The Issuer may without the consent of the Holders, at any time substitute itself in respect of all rights and obligations arising under or in connection with the Bonds with any Swiss legal entity of which all shares carrying voting rights are directly or indirectly held by the Issuer (the **New Issuer**), provided that the Issuer has issued an irrevocable and unconditional guarantee as per art. 111 of the Swiss Code of Obligations in respect to the obligations of the New Issuer under the Bonds in form and content reasonably satisfactory to the Holders' Representative.

Any substitution shall be published in accordance with Section 12.

In the event of such substitution, any reference to the Issuer shall be deemed to refer to the New Issuer.

10. Prescription

In accordance with Swiss law, claims for interest payments shall become time barred after a period of five (5) years and claims for the repayment or redemption of Bonds after a period of ten (10) years, calculated from their respective due dates.

11. Listing

Application will be made for the admission to trading and listing of the Bonds on the SIX Swiss Exchange.

The Issuer will use reasonable endeavors to have the Bonds listed on the SIX Swiss Exchange and to maintain such listing during the whole duration of the Bonds.

12. Notices

All notices regarding the Bonds shall be published by UBS AG on behalf and at the expense of the Issuer (i) on the internet site of the SIX Swiss Exchange (where notices are currently published under the address http://www.six-swiss-exchange.com/news/official_notices/search_en.html) or (ii) otherwise in accordance with the regulations of the SIX Swiss Exchange.

13. Governing Law and Jurisdiction

The Terms of the Bonds and the Bonds shall be governed by and construed in accordance with the substantive laws of Switzerland (i.e. without regard to the principles of conflict of laws).

Any dispute which might arise based on the Terms of the Bonds and the Bonds shall be settled in accordance with Swiss law and shall fall within the jurisdiction of the Ordinary Courts of the Canton of Zurich, Switzerland, venue being Zurich.

The above-mentioned jurisdiction is also exclusively competent for the declaration of cancellation of Bonds.

The Issuer shall be discharged by and to the extent of any payment made to a Holder recognised as creditor by an enforceable judgement of a Swiss court.

14. Role of UBS

UBS AG has been appointed by the Issuer as the Principal Paying Agent and as the Listing Agent with respect to the Bonds and it will or may also act on behalf of or for the benefit of the Holders as Holders' Representative, but only in such cases stated explicitly in these Terms of the Bonds. In any other cases, the Holders' Representative is not obliged to take or to consider any actions on behalf of or for the benefit of the Holders.

The Holders' Representative may consult with the Holders by way of calling a Holders' meeting pursuant to the Swiss Code of Obligations prior to taking a decision pursuant to Section 6., Section 7. and Section 8.

It is expressly agreed that all actions taken and any agreements or waivers or authorisations made by UBS AG in any of its roles under this Section 14. shall be, subject to the Terms of Bonds, be definitive and irrevocable and bind all parties without any necessity to obtain any confirmation or registration whatsoever.

15. Amendment to the Terms of the Bonds

The Terms of the Bonds may be amended by agreement between the Issuer and the Holders' Representative on behalf of the Holders provided that such amendment is of a formal, minor or technical nature, is made to correct a manifest error and is not prejudicial to the interests of the Holders. Notice of any such amendment shall be published in accordance with Section 12.

16. Severability

If at any time one or more of the provisions of the Terms of the Bonds is or becomes unlawful, invalid, illegal or unenforceable in any respect under any law, the validity, legality and enforceability of the remaining provisions shall not be in any way affected or impaired thereby.

17. Definitions

Business Day means a day (other than a Saturday or a Sunday) on which commercial banks are open the whole day for business in Zurich.

Listing Agent means UBS AG, appointed as recognized representative pursuant to art. 43 of the listing rules of SIX Swiss Exchange to file the listing application (including the application for provisional admission to trading) for the Bonds with the SIX Swiss Exchange.

Principal Paying Agent means UBS AG in its function as principal paying agent.

SIX SIS means SIX SIS Ltd, the Swiss clearing and settlement organisation, Baslerstrasse 100, 4600 Olten, or any successor organisation accepted by the SIX Swiss Exchange.

SIX Swiss Exchange means SIX Swiss Exchange Ltd, Pfingstweidstrasse 110, 8005 Zurich (P.O. Box 8021 Zurich) or any successor regulatory body.

Specified Office means UBS AG, Bahnhofstrasse 45, 8001 Zurich.

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Governance report

We continuously strive to improve our robust framework of corporate governance in order to ensure the effective functioning of the governing bodies of the Company.

In this section:

New Chairman elected

Calvin Grieder was elected at the 2017 AGM and succeeds Dr Jürg Witmer

4 Board Committees

ensuring strategic coverage of material issues

3 women represented

on the Board of Directors and Executive Committee combined

Corporate governance
Our framework of checks and balances

The Governance chapter is aligned with international standards and has been prepared in accordance with the 'Swiss Code of Obligations', the 'Directive on Information Relating to Corporate Governance' issued by the SIX Swiss Exchange and the 'Swiss Code of Best Practice for Corporate Governance' issued by economiesuisse.

The internal corporate governance framework is based on Givaudan's Articles of Incorporation. The 'Board Regulations of Givaudan SA', the Company's organisational regulation, further clarifies the duties, powers and regulations of the governing bodies of the Company.

Except when otherwise provided by law, the Articles of Incorporation and Givaudan's Board Regulations, all areas of management are fully delegated by the Board of Directors, with the power to sub-delegate to the Chief Executive Officer, the Executive Committee and its members. The Board Regulations of Givaudan also specifies the duties and the functioning of its four Board Committees.

The Articles of Incorporation, Board Regulations of Givaudan and other documentation regarding Givaudan's principles of corporate governance can be found at:

www.givaudan.com – our company – corporate governance – rules and policies

1. Group structure and shareholders

1.1 Group structure

1.1.1 Description of the issuer's operational Group structure
Givaudan SA, the parent company of the Givaudan Group, with its registered corporate headquarters at 5 Chemin de la Parfumerie, 1214 Vernier, Switzerland ('the Company'), is a 'société anonyme', pursuant to art. 620 et seq. of the Swiss Code of Obligations. It is listed on the SIX Swiss Exchange under security number 1064593, ISIN CH0010645932.

The Company is the global leader in the flavour and fragrance industry, offering its products to global, regional and local food, beverage, consumer goods, fragrance and cosmetics companies. The Company operates around the world and has two principal divisions: Flavour and Fragrance. The Flavour Division consists of four business units: Beverages, Dairy, Savoury and Sweet Goods. The Fragrance Division has three business units: Fine Fragrances, Consumer Products, as well as Fragrance Ingredients and Active Beauty.

Both divisions have a sales and marketing presence in all major countries and markets as well as Research and Development organisations. They share resources and knowledge in the areas of research and consumer understanding, where applicable. Corporate functions include Finance, Procurement, Science and Technology, Legal, Compliance and Communications, as well as Human Resources (HR). In August 2017, the Company started the implementation of a new global organisational unit Givaudan Business Solutions (GBS) to provide best-in-class internal processes and services in the areas of Finance, Controlling, HR, Procurement, Supply Chain, Environment, Health & Safety (EHS), Enterprise Data Management, Information Management and Technology (IM&T), Sustainability and Continuous Improvement.

1.1.2 Listed companies within the scope of consolidation
The Company does not have any publicly listed subsidiaries.

1.1.3 Unlisted companies within the scope of consolidation

The list of principal consolidated companies, their domiciles and the shareholding is presented in appendix page 172 to the consolidated financial statements of the 2017 Financial Report. Note 1 to the consolidated financial statements as well as note 3 to the statutory financial statements offer more details regarding the structure of the Group. All unlisted subsidiaries are wholly-owned, unless otherwise indicated in notes 3 and 5 to the statutory financial statements mentioned above.
The 2017 Financial Report is printed in English as part of the 2017 Annual Report or can be downloaded on the Company website:

www.givaudan.com – investors –
online annual report – download centre

GRI Disclosure 102 – 1, 102 – 2, 102 – 3, 102 – 5, 102 – 45

1.2 Significant shareholders

To the knowledge of the Company, the following were the only shareholders holding more than 3% of the share capital of Givaudan SA as at 31 December 2017 (or as at the date of their last notification under article 20 of the Stock Exchange Act): The notifications can be viewed on the following site:

www.six-swiss-exchange.com – market data – shares –
givaudan – overview – significant shareholders

The Company has not entered into any shareholder agreements with any of its significant shareholders.

Significant shareholders

2017	in %
Beneficial owners	
William H. Gates III – Cascade Investment	13.86
BlackRock Inc	5.18
MFS Investment Management	5.04
Nominees	
Nortrust Nominees Ltd.	14.90
Chase Nominees Ltd.	5.21
Messieurs Pictet & Cie.	4.40

1.3 Cross-shareholdings

The Company does not have any cross-shareholdings with any other company.

2. Capital structure

2.1 Capital on the disclosure deadline

Ordinary share capital

As at 31 December 2017, the Company's ordinary share capital amounted to CHF 92,335,860 fully paid in and divided into 9,233,586 registered shares with a par value of CHF 10.00 each.

The market capitalisation of the Company at 31 December 2017 was CHF 20,794,035,672.

2.2 Authorised and conditional capital in particular

Authorised share capital

The Company does not have any authorised share capital.

Conditional share capital

The Company's share capital can be increased by:

- issuing up to 161,820 shares through the exercise of option rights granted to employees and/or the members of the Board of Directors of the Group.

- issuing up to 463,215 shares through the exercise of option or conversion rights granted in connection with bond issues of Givaudan SA or a Group company.

  The Board of Directors is authorised to exclude the shareholders' preferential right to subscribe to such bonds if the purpose is to finance acquisitions or to issue convertible bonds or warrants on the international capital market. In that case, the bonds or warrants must be offered to the public at market conditions, the deadline for exercising option rights must be not more than six years and the deadline for exercising conversion rights must be not more than 15 years from the issue of the bond or warrants and the exercise or conversion price for new shares must be at a level corresponding at least to the market conditions at the time of issue.

- issuing up to 123,163 shares through the exercise of option rights granted to the shareholders of Givaudan SA.

For the conditional share capital, the subscription rights of the shareholders are excluded.

The acquisition of shares through the exercise of option or conversion rights and the transfer of such shares are subject to restrictions as described in the next section.

2.3 Changes in capital

The information regarding the year 2015 is available in notes 9 and 10 to the statutory financial statements of the 2015 Financial Report. Details of the changes in equity for the years 2016 and 2017 are given in notes 8 and 9 to the statutory financial statements of the 2017 Financial Report.

2.4 Shares and participation certificates

The Company has one class of shares only. All shares are registered shares with a par value of CHF 10.00 each. Subject to the limitations described below, all shares have the same rights in all respects. Every share gives the right to one vote and to an equal dividend.

2.5 Dividend-right certificates

Other than the registered shares, dividend-right certificates and participation certificates do not exist.

2.6 Limitations on transferability and nominee registrations

2.6.1 Limitations on transferability for each share category; indication of statutory group clauses and rules for granting exceptions

At the Annual General Meeting of shareholders on 20 March 2014, the previously existing registration and voting rights restrictions were abolished. Today, the Company no longer has limitations on transferability of shares.

2.6.2 Reasons for granting exceptions in the year under review

This is not applicable because the Company has no limitations on transferability of shares.

2.6.3 Permissibility of nominee registrations; indication of any percent clauses and registration conditions

Subject to the provisions mentioned in the next paragraph, registration with voting rights in the Company's share register is conditional on shareholders declaring that they have acquired the shares in their own name and for their own account.

Based on a regulation of the Board of Directors, nominee shareholders may be entered with voting rights in the share register of the Company for up to 2% of the share capital without further condition, and for more than 2% if they undertake to disclose to the Company the name, address, nationality and number of shares held by the beneficial owners.

2.6.4 Procedure and conditions for cancelling statutory privileges and limitations on transferability

Limitations on transferability and nominee registrations may be changed by a positive vote of the absolute majority of the share votes represented at a shareholders' meeting.

2.7 Convertible bonds and warrants/options

There are no bonds or warrants outstanding that are convertible into shares of Givaudan SA.

LTR: Werner Bauer, Michael Carlos, Ingrid Deltenre, Calvin Grieder, Thomas Rufer, Lilian Biner, Victor Balli

3. Board of Directors

According to the Articles of Incorporation of Givaudan, the Board of Directors may consist of between seven and nine members.

Givaudan's seven Board members have an in-depth knowledge of their relevant areas of expertise, and provide contributions in the areas of strategy, the flavour and fragrance industry, finance, research and innovation, marketing and regulatory affairs. The Board's knowledge, diversity and expertise are an important asset in leading a company of Givaudan's size in a complex and fast-changing environment.

At the Annual General meeting in March 2017, Dr Jürg Witmer retired from the Board of Directors and from the position of Chairman. Calvin Grieder was elected new Chairman. Prof. Dr-Ing Werner Bauer was appointed Vice-Chairman by the Board.

As of 31 December 2017, the following were members of the Board of Directors:

3.1 Members of the Board of Directors

Calvin Grieder
Chairman

Engineer

Swiss national, born 1955 in the USA

Non-executive

First elected in 2014

In 1980, Calvin Grieder started his career as Marketing Manager with Georg Fischer Ltd in Switzerland and continued in various executive positions at Swiss and German companies including Bürkert Controls Ltd., Mikron Machines Ltd, Swiss Industrial Company (SIG) Ltd and Swisscom Telecom Ltd, where he served as Head of the Mobile and Internet business and Member of the Executive Board. He was CEO of the international engineering group Bühler from 2001 to 2016.

Until March 2017, Calvin Grieder held the following mandates in companies that are quoted on an official stock exchange: member and Vice-Chairman of the Board of Implenia AG.

Calvin Grieder holds the following mandates in companies that are non-quoted: Chairman of the Board of Bühler Group, member of the Board of Trustees of Avenir Suisse, owner and member of the Board of CGTech in Küsnacht (now Carivel7 AG), member of the Advisory Board of the ETH, Department of Mechanical and Process Engineering, member of the Steering Committee of digitalswitzerland and member of the Foundation Board of the Swiss Future Fund.

Calvin Grieder holds a Master of Science from the ETH Zurich and has completed an Advanced Management Program (AMP) at Harvard University.

Prof. Dr-Ing. Werner Bauer
Vice-Chairman

Businessman
German and Swiss national, born 1950
Non-executive
First elected 2014

Prof. Dr-Ing. Werner Bauer started his career as a university professor in chemical engineering at the Technical University in Hamburg, Germany. After serving as the Director of the Fraunhofer Institute for Food Technology & Packaging and as Professor in Food Processing Technology at the Technical University of Munich from 1985 to 1990, he joined Nestlé as Head of the Nestlé Research Centre in Lausanne in 1990. After heading commercially Nestlé South and East Africa he joined general management as Executive Vice-President in 2002, responsible for technical, production, environment and R&D. In 2007 he became Executive Vice-President and Head of Innovation, Technology, Research and Development, a position from which he retired in September 2013.

Prof. Bauer holds the following mandates in companies that are quoted on an official stock exchange: member of the Boards of Lonza Group AG and GEA Group AG. He holds the following mandates in companies that are non-quoted: Chairman of the Board of Trustees of the Bertelsmann Foundation, member and vice-chairman of the Board of Bertelsmann SE & Co. KGaA, Chairman of the Board of Nestlé Deutschland AG (until June 2017).

Prof. Dr-Ing. Werner Bauer received a Diploma and a PhD in Chemical Engineering from the University Erlangen-Nürnberg in Germany.

Victor Balli
Director

Businessman
Swiss national, born 1957
Non-executive
First elected in 2016

Victor Balli started his professional career in 1985, working as a Financial Analyst & Business Development Manager with EniChem International SA in Zurich and Milan. From 1991 to 1995, he worked as a Principal with Adinvest AG, a corporate finance advisory company with offices in Zurich, San Francisco, New York, and London. Victor Balli held various positions at Minibar between 1996 and 2005, most recently as Chief Executive Officer EMEA as of 2005. Since 2007 Victor Balli has been Chief Financial Officer and member of the Executive Committee of Barry Callebaut, a position he will leave at the end of February 2018.

Victor Balli holds the following mandates in companies that are quoted on an official stock exchange: Member of the Board of KWS Saat SE (as of 14 December 2017).

He holds the following mandates in companies that are non-quoted: Member of the Board of Niantic Finance AG. From 1 January 2018, Mr Balli will be member of the Board of the Federal Audit Oversight Authority.

Victor Balli has a Masters in Economics from the University of St. Gallen and a Masters in Chemical Engineering from the Swiss Federal Institute of Technology in Zurich.

Lilian Biner
Director

Businesswoman
Swedish national, born 1962
Non-executive
First elected 2011

Lilian Biner has senior management experience from retail and consumer goods companies. These posts have most recently included Chief Financial Officer and Executive Vice President with Axel Johnson AB in 2007 and Head of Strategic Pricing for Electrolux Major Appliances Europe, a company she joined in 2000 as head of HR and Organisational Development.

Lilian Biner holds the following mandates in companies that are quoted on an official stock exchange: Chairman of the Board of Cloetta AB, member of the Boards of LE Lundbergföretagen and Nobia AB. She left the Board of Thule Group AB in April 2017.

She holds the following mandates in companies that are non-quoted: member of the Board of a-connect (group) ag.

Lilian Biner is a graduate of the Stockholm School of Economics.

Michael Carlos
Director

Businessman
French national, born 1950
Non-executive
First elected 2015

Michael Carlos started his career with Givaudan in 1984 as General Manager in Hong Kong. He became Head of the European Creative Centre in Argenteuil in 1992 where he was in charge of integrating the creative resources from Givaudan and Roure. In 1999, he was appointed Global Head of Consumer Products and then President of the Fragrance Division in 2004, a position from which he retired in 2014.

Michael Carlos holds the following mandates in companies that are quoted on an official stock exchange: member of the Board of Deinove SA. He also holds the following mandates: Chairman of the International Fragrance Association (IFRA), Chairman of the Research Institute of Fragrance Materials, member of the Board of Manus Bio Inc. since April 2017, and Chairman of the Board of Scent Design SA.

Michael Carlos holds an MBA from the Indian Institute of Management and a degree in chemical engineering from the Indian Institute of Technology.

Ingrid Deltenre
Director

Businesswoman
Dutch and Swiss national, born 1960
Non-executive
First elected 2015

Ingrid Deltenre has held several executive positions in the press and media including Director of Publisuisse from 1999 to 2004, and Director of the leading public TV broadcaster in German-speaking Switzerland, Schweizer Fernsehen, from 2004 to 2009. In 2010, she became Director General of the Geneva-based European Broadcasting Union (EBU), a position she held until June 2017.

She holds the following mandates in companies that are quoted on an official stock exchange: member of the Board of Banque Cantonale Vaudoise, and member of the Supervisory Board of Deutsche Post/DHL.

She also is a member of the board of Agence France Presse and a member of the steering board of the Executive MBA of the University of Zurich.

Ingrid Deltenre holds a Bachelor of Arts in Journalism and Educational Sciences from the University of Zurich.

Thomas Rufer
Director

Certified Public Accountant
Swiss national, born 1952
Non-executive
First elected 2009

Thomas Rufer joined Arthur Andersen in 1976, where he held several positions in audit and business consulting (accounting, organisation, internal control and risk management). He was Country Managing Partner for Arthur Andersen Switzerland from 1993 to 2001. Since 2002, he has been an independent consultant in accounting, corporate governance, risk management and internal control.

He holds the following mandates in non-listed companies: Member of the Swiss Takeover Board. Until 31 December 2017 Chairman of the Board of Directors of the Federal Audit Oversight Authority.

Thomas Rufer has a degree in business administration (économiste d'entreprise HES) and is a Swiss Certified Public Accountant.

Board of Directors, its committees and election dates 2017

Board of Directors [1]

Calvin Grieder	Prof. Dr-Ing. Werner Bauer	Victor Balli	Lilian Biner
Chairman since March 2017 Swiss born 1955 Member since 2014	German and Swiss born 1950 Member since 2014	Swiss born 1957 Member since 2016	Swedish born 1962 Member since 2011
Dr. Jürg Witmer **Chairman until March 2017** [1] Swiss born 1948 Member since 1999	**Michael Carlos** French born 1950 Member since 2015	**Ingrid Deltenre** Dutch and Swiss born 1960 Member since 2015	**Thomas Rufer** Swiss born 1952 Member since 2009

Audit Committee

Thomas Rufer (Chairman), entire year
Lilian Biner, entire year
Victor Balli, entire year

- Assists the Board in its oversight responsibilities with respect to financial reporting
- Ensures effectiveness and efficiency of internal control, risk management and compliance systems
- Assesses and overviews the internal and external audit processes

Compensation Committee

Prof. Dr-Ing. Werner Bauer (Chairman), entire year
Ingrid Deltenre, entire year
Calvin Grieder, until March 2017
Victor Balli, from March 2017

- Reviews and recommends the compensation policies to the Board
- Approves the remuneration for the Executive Committee
- Prepares the Compensation Report

Nomination and Governance Committee

Dr Jürg Witmer (Chairman), until March 2017 [1]
Calvin Grieder (Chairman), from March 2017
Ingrid Deltenre, entire year
Lilian Biner, until March 2017
Michael Carlos, from March 2017

- Assists the Board in applying principles of good corporate governance
- Prepares appointments to the Board and the Executive Committee

Innovation Committee

Michael Carlos (Chairman), entire year
Calvin Grieder, entire year
Prof. Dr-Ing. Werner Bauer, entire year

- Assists the Board in scientific matters relating to the flavours, fragrances and cosmetics Industry
- Identifies opportunities, proposes and screens potential innovation partners

1. Dr. Jürg Witmer retired as Board member, as Chairman and as Chairman of the Nomination and Governance Committee on 23 March 2017.

3.2 Other activities and vested interests

Please refer to the biographies of the Board members described in section 3.1 for their other activities and vested interests.

Except for those described in section 3.1, no Board member of Givaudan SA holds any material permanent management or consultancy functions for significant domestic or foreign interest groups nor any significant official functions or political posts. The Board of Directors assesses the independence of its members.

As at 31 December 2017, all members of the Board of Directors were non-executive and, apart from Michael Carlos, all of the Board members were independent in accordance with article 14 of the Swiss Code of Best Practice for Corporate Governance. None of the Board members has important business connections with Givaudan SA or any of its affiliates. Michael Carlos was President of the Fragrance Division of the Company until the end of 2014.

3.3 Rules in the Articles of Incorporation on the number of permitted activities pursuant to Art. 12 para. 1 point 1 of the Ordinance against Excessive Compensation (OaEC)

Article 32 of the Articles of Incorporation of the Company permits the following external mandates for members of the Board of Directors:

- Members of the Board of Directors may not hold more than four additional mandates in companies that are quoted on an official stock exchange and seven additional mandates in non-quoted companies

- The following mandates are not subject to these limitations:
  - mandates in companies which are controlled by the corporation
  - mandates held by order and on behalf of the corporation or any controlled company. No member of the Board of Directors or of the Executive Committee shall hold more than ten such mandates
  - mandates in associations, foundations, charitable organisations, trusts, employee welfare foundations and other comparable structures. No member of the Board of Directors or of the Executive Committee shall hold more than 15 such mandates.

'Mandates' mean mandates in the supreme governing body of a legal entity which is required to be registered in the Swiss commercial register or a corresponding foreign register. Mandates in different legal entities which are under joint control are deemed one mandate.

3.4 Elections and terms of office

3.4.1 Principles of the election procedure, rules differing from the statutory legal provisions with regard to the appointment of the Chairman, the members of the Compensation Committee and the independent proxy

The Company amended its Articles of Incorporation at the Annual General Meeting 2014 to align with the new requirements of the OaEC. The rules regarding the appointment of the Chairman, the members of the Compensation Committee and the independent proxy do not deviate from the statutory legal provisions. All Board members, the Chairman, the members of the Compensation Committee and the independent proxy are elected annually and individually for one year, being the time from one ordinary Annual General Meeting to the next one.

3.4.2 For each Board member: date of first election to Board and attendance of meetings

For the dates of first election to the Board and attendance of Board and committee meetings, please refer to the tables on pages 66 and 68.

3.5 Internal organisational structure

3.5.1 Allocation of tasks among the Board members

The Chairman is elected annually at the Annual General Meeting. He prepares the agenda and chairs meetings of the shareholders, convenes, prepares and chairs the meetings of the Board of Directors, coordinates the work of the Board committees, prepares and supervises the implementation of resolutions of the Board of Directors (to the extent not delegated to a committee), supervises the course of business and the activities of the Executive Committee, proposes succession candidates for appointment to the Board of Directors or to the Executive Committee and proposes the global remuneration of the Chief Executive Officer and other members of the Executive Committee to the Compensation Committee.

The Chairman receives all invitations and minutes of Committee meetings and is entitled to attend these meetings. The Chairman further decides in cases which fall under the tasks and powers of the Board of Directors, but in which a timely decision of the Board of Directors cannot be made because of urgency. In such cases, the Chairman informs the members of the Board of Directors as quickly as possible and the corresponding resolution is minuted at the next Board meeting.

If the Chairman is unable to act, the Vice-Chairman exercises his functions, assuming all his tasks and powers.

Meetings: attendance 2017

Board member	Number of Board meetings / calls attended		Number of Audit Committee meetings attended		Number of Compensation Committee meetings attended		Number of Nomination and Governance Committee meetings attended		Number of Innovation Committee meetings attended	
	Jan – Mar	Mar – Dec	Jan –Mar	Mar – Dec	Jan – Mar	Mar – Dec	Jan – Mar	Mar – Dec	Jan – Mar	Mar – Dec
Dr Jürg Witmer	2	n/a					1	n/a		
Calvin Grieder	2	5			2	n/a	n/a	3	0	2
Victor Balli	2	5	1	3	n/a	2				
Prof. Dr-Ing. Werner Bauer	2	5			2	2			0	2
Lilian Biner	2	5	1	3			1	n/a		
Michael Carlos	2	5					n/a	3	0	2
Ingrid Deltenre	2	5			2	2	1	3		
Thomas Rufer	2	5	1	3						
Meetings held in period	**2**	**5**	**1**	**3**	**2**	**2**	**1**	**3**	0	**2**
Meetings held in the year	**7**		**4**		**4**		**4**		**2**	
Average length of meetings	**1.2 days**		**3 to 4 hours**		**1.5 to 2 hours**		**1 to 1.5 hour**		**4 hours**	

3.5.2 For each committee of the Board of Directors: list of members – tasks – areas of responsibility

The Board of Directors has established four Committees: an Audit Committee, a Nomination and Governance Committee, a Compensation Committee and an Innovation Committee. Each committee is led by a Committee Chairman whose main responsibilities are to organise, lead and minute the meetings. For the participation of the Board members in the committees, please refer to the table on page 66.

Audit Committee

The primary function of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities by reviewing the financial information, the systems of internal controls and the audit process. It carries out certain preparatory work for the Board of Directors as a whole. The Audit Committee currently consists of three members of the Board. All of them have the requisite financial experience.

The Audit Committee ensures that the Company's risk management systems are efficient and effective. It promotes effective communication among the Board, management, the internal audit function and external audit. It reviews and approves the compensation of the external auditors for the annual audit.

The Audit Committee met four times in 2017. Each meeting lasted approximately three to four hours. The Head of Internal Audit, the Chief Financial Officer, the Corporate Compliance Officer and the External Lead Audit Partner attended all meetings, apart from certain private sessions.

Compensation Committee

The Compensation Committee reviews and recommends the compensation policies to the Board of Directors. It approves the remuneration of the Chief Executive Officer and the other members of the Executive Committee as well as all performance-related remuneration instruments and pension fund policies. Since the OaEC came into force, the Committee prepares the Compensation Report to be established by the Board.

The Compensation Committee consists of three members of the Board. The Committee takes advice from external independent compensation specialists and consults with the Chairman and the Chief Executive Officer on specific matters where appropriate. Since the Annual General Meeting 2014, the members of the Compensation Committee are elected by the shareholders from the re-elected Board members.

In 2017, the Compensation Committee met four times. The average duration of each meeting was approximately 1.5 to 2 hours. During these meetings the Committee reviewed, among other things, the short and long term incentive plan parameters as well as the alignment of Executive Committee and Board of Directors compensation with the Company's principles and policy. Where appropriate, the Chairman, the Chief Executive Officer, the Chief Financial Officer, the Head of Global Human Resources and/or the Head of Compensation and Benefits attended the meetings.

2017 Compensation Report – page 80

Nomination and Governance Committee
The Nomination and Governance Committee assists the Board in applying the principles of good corporate governance. It prepares appointments to the Board of Directors and the Executive Committee and advises on the succession planning process of the Company. It consists of three members of the Board.

The Nomination and Governance Committee met four times during 2017 to prepare changes in the composition of the Board and the Board committees as well as senior management succession. It also reviewed the independence of the Board members. Each meeting lasted between one and one and a half hours.

Innovation Committee
The Innovation Committee advises the Board on scientific matters relevant to the flavour and fragrance and cosmetics industry, or other additional fields the Board may request. It acts as a sounding board to the Board of Directors, offering different perspectives and identifying opportunities in the innovation space. It also proposes and screens potential innovation partners and validates and reviews projects on request of management.

The Innovation Committee met twice during 2017 to discuss innovation strategies for different areas of the Company. Each meeting lasted approximately four hours. The Head of Global Science and Technology attended both meetings. Further members of senior management as well as external advisors also attended one or more of the meetings.

More information on the Board of Directors and the roles of the Committees are described in the following sections of Givaudan's website:

www.givaudan.com – our company – management – board of directors
www.givaudan.com – our company – management – board of directors – committees of the board

3.5.3 Work methods of the Board and its Committees
Board meetings are held periodically and also when matters require a meeting, or on the written request of one of the members of the Board. Ordinary Board meetings are held on average once a quarter plus one additional ordinary Board meeting to approve the Annual Report. The Chairman, after consultation with the Chief Executive Officer, sets the agenda for each Board meeting. Decisions may also be taken by circulation (in writing, including by PDF sent by e-mail) or by telecommunication (including telephone and video-conference), provided that none of the Board members requests a formal meeting.

Meetings of Board Committees are usually held in connection with Board meetings, with additional meetings scheduled as required. The Board of Directors receives regular reports from its Committees and the Chairman, as well as from the Executive Committee.

The minutes of all Committee meetings are prepared by the Board secretary and circulated to all Board members.

In preparation for Board and committee meetings, the Board members involved receive pertinent information for pre-reading via a secure electronic document sharing system.

In 2017, the Givaudan Board of Directors held seven meetings, including one constitutive meeting directly following the general meeting of shareholders and one extraordinary meeting by telephone. Regular meetings in Switzerland usually last for one to one and a half days, while Board meetings at Givaudan locations outside Switzerland last for two to three days, including visits to sites and strategic locations and discussion with the management of the visited region. Extraordinary meetings are usually shorter.

In October 2017, the Board visited the Company's flavour and fragrance sites in the United States.

Apart from the constitutive meeting directly following the general meeting of shareholders and the extraordinary meeting by telephone, the Company's operational and financial performance was presented by management and reviewed by the Board during each Board meeting. The Board was also informed about, and discussed, various aspects of the Company's future strategy, all major business development and investment projects, management succession planning and compensation and other major business items as well as the findings of Internal Audit and risk management. Except for the constitutive meeting and certain closed sessions, the Chief Executive Officer, the Chief Financial Officer and the presidents of the two divisions were present at all meetings. The other members of the Executive Committee attended two meetings. Selected senior managers were invited to address specific projects at regular Board meetings. The Head of Corporate Internal Audit and the Corporate Compliance Officer each reported once to the Board of Directors.

In 2017, the Board conducted one annual self-assessment and had continuous discussion of its own succession planning.

The attendance of Board members at Board and Committee meetings in 2017 as well as the average duration of the meetings can be seen in the table on page 68.

3.6 Definition of areas of responsibility

The Board of Directors is responsible for the ultimate direction, strategic supervision and control of the management of the Company, as well as other matters which, by law, are under its responsibility. This includes the establishment of medium- and long-term strategies and of directives defining Company policies and the giving of the necessary instructions in areas such as acquisitions, major investments and long-term financial commitments exceeding certain thresholds.

In accordance with Swiss law, the Articles of Incorporation and the Board Regulations of Givaudan, the duties of the Board of Directors include the following matters:

– the ultimate management of the Company and, in particular, the establishment of medium- and long-term strategies and of directives defining Company policies and the giving of the necessary instructions

– the establishment of the organisation

– the approval of the annual Group budget

– the structuring of the accounting system and of the financial controlling, as well as the financial planning

– the assessment of the Company's risk management

– the decision on investments in, or divestments of, fixed and tangible assets of a global amount exceeding the limit set by the corporate investment guidelines established by the Board of Directors

– the appointment and removal of the persons entrusted with the management and representation of the Company, in particular the Chief Executive Officer and the other members of the Executive Committee

– the ultimate supervision of the persons entrusted with the management, in particular with respect to compliance with the law, the Articles of Incorporation, regulations and instructions given in any areas relevant to the Company, such as working conditions, environmental protection, trade practices, competition rules, insider dealing and ad hoc publicity

– the preparation of the annual business report, as well as the preparation of the Annual General Meeting of shareholders and the implementation of its resolutions

– the notification of the court in case of insolvency

– the decisions regarding the subsequent performance of contributions on shares not fully paid in

– the ascertainment of share capital increases to the extent that these fall under the powers of the Board of Directors and resulting confirmations and modifications to the Articles of Incorporation

– the verification of the special professional qualifications of the auditors.

Except as otherwise provided by Swiss law, the Articles of Incorporation and the Board Regulations, all other areas of management are fully delegated by the Board of Directors to the Chief Executive Officer, the Executive Committee and its members.

The Board Regulations can be found at:

www.givaudan.com – our company – corporate governance – rules and policies

3.7 Information and control instruments vis-à-vis senior management

The Board recognises that in order to be able to carry out its tasks of ultimate direction of the Company and supervision of the management, it needs to be fully informed about all matters that materially impact Givaudan. To ensure this, the Board has at its disposal an information and control system which comprises the following instruments:

Management information system

The Board ensures that it has sufficient information for appropriate decision-making through a management information system with wide-ranging information rights for the Board members:

– the Chairman of the Board receives invitations and minutes of Executive Committee meetings on a regular basis and the Chief Executive Officer and the Chief Financial Officer report regularly to the Chairman of the Board of Directors

– the Chief Executive Officer and the Chief Financial Officer are present and report at all regular Board meetings and answer all requests for information by the Board members about any matter concerning Givaudan that is transacted. Other members of the Executive Committee and selected senior managers are regularly invited to address specific projects at regular Board meetings. All members of the Executive Committee have a duty to provide information at meetings of the Board of Directors on request

– the Head of Internal Audit and the Corporate Compliance Officer report to the Board once a year. The Board also receives annual reports on Environment, Health and Safety, Sustainability and Risk Management

– the Head of Internal Audit and the Corporate Compliance Officer are present and report at each meeting of the Audit

Committee. The Chief Financial Officer is also present at all meetings of the Audit Committee, as are the external auditors

- the Head of Human Resources, the Head of Compensation & Benefits and the Chief Executive Officer are present at each Compensation Committee meeting, except when questions of compensation for Executive Committee members are being deliberated. The Chairman also attends regularly the meetings of the Compensation Committee

- all Board members have access to all Committee meeting minutes

- the Board of Directors receives summarised monthly reports from the Executive Committee, which include performance against key performance indicators. All Board members are immediately informed on extraordinary events. They also have direct access to the Givaudan intranet where all internal information on key events, presentations and organisational changes are posted. In addition, the Board members receive relevant information, including media releases and information to investors and financial analysts

- in preparation for each Board meeting, the Board members receive information and reports from the Executive Committee and other members of senior management via a secure electronic document sharing system and other means of communication

- the Board of Directors visits at least one Givaudan country operation per year, where Board members meet members of senior local management. Additionally, Board members are encouraged to visit country operations when travelling and to meet local and regional senior management to allow Board members the opportunity of getting first-hand information on local and regional developments and interacting directly with management across the globe

- the Board has regular access to the Chief Executive Officer, Chief Financial Officer and the other members of the Executive Committee. Any Board member may request from the Chief Executive Officer and other members of the Executive Committee information concerning the course of the business.

Risk management
Givaudan has established an internal risk management process that is based on the Givaudan Enterprise Risk Management Charter. It focuses on identifying and managing/exploiting risks.

The Board of Directors defines the strategic risk management framework. This process is under the responsibility of the Executive Committee. The risk management process follows a structured assessment, review and reporting cycle that is coordinated by the Corporate Compliance Officer to ensure a harmonised Group-wide approach.

For each identified strategic top-level Company risk a member of the Executive Committee is designated as the risk owner with the responsibility to manage the risk on a Group-wide basis. Once a year the Executive Committee reports to the Board on the risk management process, the strategic risks and the mitigation actions. Corporate Internal Audit provides assurance on the effectiveness of the risk management process.

2017 Annual Report – differentiating business enablers – risk management – pages 49 – 52

Internal audit
The Corporate Internal Audit function is established as an independent and objective corporate function reporting directly to the Audit Committee.

Its role is to evaluate and contribute to the continuous improvement of the Company's risk management and control systems. This specifically includes the analysis and evaluation of the effectiveness of business processes and recommendations for adjustments where necessary.

Corporate Internal Audit uses a risk-based audit approach aimed at providing assurance on all relevant business processes across Givaudan entities. This approach follows a business process audit methodology that provides value to the local entities and to the Group's management.

Givaudan corporate strategy, risk management findings, past audit results, management input, changes in organisation and Corporate Internal Audit experience are the elements taken into account to build the annual internal audit plan. Effective communication and reporting ensure an efficient implementation of the audit recommendations. For specific audits of affiliates, the internal audit function is supported by dedicated staff from EY. The internal audit activity is reported to the full Board of Directors once a year.

GRI Disclosure 102 – 18, pages 63 – 71

4. Executive Committee

The Executive Committee, under the leadership of the Chief Executive Officer, is responsible for all areas of operational management of the Company that are not specifically reserved to the Board of Directors.

The Chief Executive Officer is appointed by the Board of Directors upon recommendation of the Nomination Committee. Subject to the powers attributed to him, he has the task of achieving the strategic objectives of the Company and determining the operational priorities. In addition, he leads, supervises and coordinates the other members of the Executive Committee, including convening, preparing and chairing the meetings of the Executive Committee.

LtR: Willem Mutsaerts, Mauricio Graber, Tom Hallam, Gilles Andrier, Maurizio Volpi, Anne Tayac, Simon Halle-Smith, Chris Thoen

The members of the Executive Committee are appointed by the Board of Directors on recommendation of the Chief Executive Officer after evaluation by the Nomination Committee. The Executive Committee is responsible for developing the Company's strategic as well as long-term business and financial plans. Key areas of responsibility also include the management and supervision of all areas of the business development on an operational basis, and approving investment decisions.

The tasks and powers of the Executive Committee include the approval of investments, leasing agreements and divestments within the corporate investment guidelines. The Executive Committee approves important business projects, prepares the business plan of the Company and the budgets of the individual divisions and functions.

In addition, it plays a key role – together with the Human Resources organisation – in the periodic review of the talent management programme, including succession planning for key positions. Alliances and partnerships with outside institutions, such as universities, think tanks and other business partners, are also monitored by the Executive Committee.

The members of the Executive Committee are individually responsible for the business areas assigned to them.

Sustainability

The Head of Global Procurement and Sustainability, a member of the Executive Committee, heads the Company's sustainability programme. He is supported by a cross-functional corporate sustainability steering committee and a sustainability leadership team made up of internal specialists in corporate responsibility and sustainability to implement the programme. The Head of Global Procurement and Sustainability reports annually to the Board of Directors on sustainability matters.

The Executive Committee meets generally on a monthly basis to discuss general Company business and strategy. In 2017, the Committee held eight meetings at Company sites around the world, each meeting lasting between one and three days. In addition, the Chief Executive Officer, the Chief Financial Officer and the presidents of the two divisions held an additional four meetings.

These meetings are an opportunity to interact with local management and to visit Givaudan locations across the globe. Each major region is visited at least once a year to ensure a close interaction with all the different business areas.

4.1 Members of the Executive Committee

Gilles Andrier
Chief Executive Officer

French national

Born in 1961

Appointed in 2005

Gilles Andrier spent the first part of his career with Accenture in management consulting before joining Givaudan in 1993 as Fragrance Division Controller and Assistant to the Chief Executive Officer. He later held various positions including Head of Fragrance Operations in the USA and Head of Consumer Products in Europe. He was appointed Head of Fine Fragrances, Europe in 2001 before becoming Global Head of Fine Fragrances in 2003 and then CEO of Givaudan in 2005.

Other mandates held by Gilles Andrier are: independent non-executive Director of Albea SA, member of the Board of the Swiss-American Chamber of Commerce (until June 2017), and Co-Chairman of the Board of the Natural Resources Stewardship Circle.

Gilles Andrier graduated with two Masters in Engineering from ENSEEIH Toulouse.

Tom Hallam
Chief Financial Officer

British and Swiss national

Born in 1966

Appointed in 2017

Tom Hallam began his career in the UK working in various industries and positions. He moved to Switzerland in 1996 to join Serono in Geneva, where he held a number of positions of increasing responsibility including Financial Director for Manufacturing Operations, and in 2001 he was appointed Vice President, Corporate Finance. Tom joined Givaudan in 2008 as Group Controller, based in Vernier, Switzerland with responsibility for financial reporting and compliance, strategic planning and management of Givaudan's business development process. He was appointed Chief Financial Officer effective 1 January 2017.

Tom Hallam graduated from the University of Manchester, UK with a BA (Hons) in Accounting and Finance and subsequently qualified as a member of the Chartered Institute of Management Accountants.

Mauricio Graber
President Flavour Division

Mexican national

Born in 1963

Appointed in 2006

Mauricio Graber began his career with Givaudan in 1995 as Managing Director for Latin America with Tastemaker. When Tastemaker was acquired by Givaudan, Mauricio Graber became Managing Director for Mexico, Central America and the Caribbean before becoming Vice-President for Latin America in 2000. He was appointed President of the Givaudan Flavour Division in 2006.

Other mandates held by Mauricio Graber are: member of the Board of the International Organization of the Flavor Industry (IOFI).

Mauricio Graber holds a BSc in Electronic Engineering from Universidad Autónoma Metropolitana and a Masters in Management from the JL Kellogg Graduate School of Management, Northwestern University, USA.

Maurizio Volpi
President Fragrance Division

Italian national

Born in 1969

Appointed in 2015

Maurizio Volpi began his career in consumer goods with P&G and Reckitt Benckiser in Italy, working in various marketing roles. In 2000, he joined Givaudan Italy as Account Manager in Milan before moving to Argenteuil in 2003 as Head of Marketing Consumer Products Europe. Maurizio Volpi subsequently took on roles of increasing responsibility at the global level: Head of Global Marketing Consumer Products, Head of Global Marketing and Consumer Market Research for both Consumer Products and Fine Fragrances, and World Account Manager for Unilever. He was appointed Regional Head of Western and Eastern Europe (WEE) for the Consumer Products business in 2012 and in 2015 became President of the Givaudan Fragrance Division.

Maurizio Volpi holds a degree in Economics from the Bocconi University in Milan, Italy.

Simon Halle-Smith
Head of Global Human Resources and EHS

British national

Born in 1966

Appointed in 2015

Simon Halle-Smith began his career in the pharmaceutical industry in 1991. He worked with Eli Lilly & Company in the UK in Clinical Trial Project Management, Sales and Human Resources. In 2004, he joined Quest as HR Director for the UK, before being appointed European HR Director in 2005. When Quest was acquired by Givaudan in 2007, he continued as European HR Director before being appointed Head of HR for the Fragrance Division in 2009. In 2015, Simon Halle-Smith became Head of Global Human Resources and a member of the Executive Committee. He took on the additional responsibility for Environment, Health and Safety (EHS) as of March 2017.

Simon Halle-Smith has a Bachelors in Biology and Chemistry and a PhD in Biochemistry from the University of East Anglia in the UK.

Willem Mutsaerts
Head of Global Procurement and Sustainability

Dutch national

Born in 1962

Appointed in 2015

Willem Mutsaerts joined Givaudan in 1989, initially with responsibility for sales in Benelux. He moved on to become Regional Account Manager for the APAC region in Singapore before being appointed Head of Global Purchasing for Fragrances. In 2001, he took commercial responsibility for Fragrance consumer products in the EAME region, and in 2007 was appointed Head of Global Operations Fragrances. Willem Mutsaerts became Head of Global Procurement and a member of the Executive Committee in October 2015. As of March 2017, he took on the additional responsibility of head of Givaudan's Sustainability programme.

Willem Mutsaerts has a degree in international marketing and is the holder of an MBA obtained at Golden Gate University in Singapore.

Anne Tayac
Head of Givaudan Business Solutions

French national

Born in 1968

Appointed in 2016

Anne Tayac began her career as a Quality Assurance coordinator with Robertet in Grasse. She joined Givaudan France in 1996 as Head of Quality Management before being promoted to Global Head of Fragrance Quality Management in 1998. Anne relocated to Vernier in 2003 where she assumed roles of increasing responsibility in Quality Management, Customer Care, SAP deployment change management, Fragrance and Flavour Supply Chain Excellence and was most recently responsible for leading Global Fragrance Operations. She was appointed as Head of Givaudan Business Solutions (GBS) in August 2016.

Anne Tayac has a Master in Flavours and Fragrances from Sciences University in Le Havre, France and in Analytical Control and Quality from Sciences University in Marseille, France.

Chris Thoen
Head of Global Science & Technology

American and Belgian national

Born in 1960

Appointed in 2015

Chris Thoen began his career in enzymology and plant genetics with Plant Genetic Systems in Ghent before joining Procter & Gamble in Brussels in 1988. At P&G, he held positions of increasing responsibility in the Fabric & Home Care and Personal Health Care division. In 2009, he became Managing Director of the Global Connect + Develop Office responsible for Open Innovation with external partners at corporate level. Chris Thoen joined Givaudan as Head of Science and Technology for Flavours in 2011. He was appointed Head of Global Science and Technology in 2015.

Other mandates held by Chris Thoen are: member of the Board of Directors of MassChallenge CH Association and member of the Board of the Association EIT Food CLC West IVZW.

Chris Thoen holds a Masters in Chemistry and a PhD in Biochemistry from the University of Antwerp, Belgium.

Changes to the Executive Committee

At the end of June 2017 Joe Fabbri, Head of Global Environment, Health and Safety (EHS) and Sustainability retired from the Executive Committee. Simon Halle-Smith, Head of Global Human Resources, took on the additional responsible for EHS, and Willem Mutsaerts, Head of Global Procurement, assumed the additional responsibility for Sustainability.

4.2 Other activities and vested interests

Please refer to the biographies of the members of the Executive Committee described in section 4.1 for their other activities and vested interests.

Except for those described in section 4.1, no member of the Executive Committee of Givaudan SA holds any material permanent management or consultancy functions for significant domestic or foreign interest groups nor any significant official functions or political posts.

4.3 Rules in the Articles of Incorporation on the number of permitted activities pursuant to Art. 12 para. 1 point 1 OaEC

Article 32 of the Articles of Incorporation of the Company permits the following external mandates for members of the Executive Committee:

- members of the Executive Committee may, subject to approval by the Board of Directors, hold up to two mandates in quoted or non-quoted companies

- the following mandates are not subject to these limitations:
  - mandates in companies which are controlled by the corporation
  - mandates held by order and on behalf of the corporation or any controlled company. No member of the Board of Directors or of the Executive Committee shall hold more than ten such mandates
  - mandates in associations, foundations, charitable organisations, trusts, employee welfare foundations and other comparable structures. No member of the Board of Directors or of the Executive Committee shall hold more than 15 such mandates.

'Mandates' mean mandates in the supreme governing body of a legal entity which is required to be registered in the Swiss commercial register or a corresponding foreign register. Mandates in different legal entities which are under joint control are deemed one mandate.

4.4 Key elements of all management contracts between the issuer and companies (or natural persons) not belonging to the Group

The Company has not entered into any management contracts with third parties that fall within the scope of Subsection 4.4 of the SIX Directive on Information Relating to Corporate Governance.

GRI Disclosure 102 – 18, pages 71 – 75

5. Compensation, shareholdings and loans

In accordance with the Swiss Code of Obligations and the SIX Directive on Corporate Governance, Givaudan publishes the details of the remuneration of its Board of Directors and its Executive Committee in the separate 'Compensation Report' in this Annual Report as well as in the 2017 Financial Report.

6. Shareholders' participation

6.1 Voting rights and representation restrictions

6.1.1 All voting rights restrictions; indication of any statutory group clauses and rules on granting exceptions, particularly in the case of institutional voting rights representatives

At the Annual General Meeting of shareholders on 20 March 2014, the previously existing registration and voting rights restrictions were removed. Today, the Company has no limitations on voting rights for ordinary shareholders.

For restrictions on nominee shareholders, see section 2.6.3.

6.1.2 Reasons for granting exceptions in the year under review

Not applicable as the Company does not have any voting rights restrictions for ordinary shareholders.

6.1.3 Procedure and conditions for abolishing statutory voting rights restrictions

Any change in the above rules requires a positive vote of the absolute majority of the share votes represented at a shareholders' meeting, as prescribed by Swiss law.

6.1.4 Statutory rules on participation in the general meeting of shareholders if they differ from applicable legal provisions

There are no deviations from the Swiss legal provisions.

Any shareholder who, on the day determined by the Board of Directors, is registered as a shareholder with voting rights has the right to attend and to vote at the shareholders' meeting. Each shareholder may be represented at the shareholders' meeting by another shareholder who is authorised by a written proxy, by a legal representative or by the independent voting rights representative ('independent proxy') elected by the Annual General Meeting of shareholders.

6.1.5 Information on any rules which might be laid down in the Articles of Incorporation on the issue of instructions to the independent proxy, and any rules in the Articles of Incorporation on the electronic participation in the general meeting of shareholders
Article 10 of the Articles of Incorporation of the Company states that the Board of Directors establishes the rules on shareholder participation and representation in the shareholders' meeting, including the rules on proxies and voting instructions (by electronic means or otherwise).

6.2 Statutory quorums
The Articles of Incorporation of Givaudan SA follow the majority rules prescribed by Swiss law for decisions of general meetings of shareholders.

6.3 Convocation of the general meeting of shareholders
The convocation of shareholders registered with voting rights to general shareholders' meetings is made by publication in the Swiss official trade journal (SHAB/FOSC) at least 20 days prior to the day of the meeting. Shareholders representing at least 10% of the share capital may demand in writing that a shareholders' meeting be convened, setting forth the items to be included on the agenda and the proposals.

6.4 Agenda
Shareholders representing shares for a nominal value of at least CHF 1 million may demand in writing at least 45 days before the meeting that an item be included in the agenda, setting forth the item and the proposal.

6.5 Inscriptions into the share register
Shareholders will be registered with a right to vote in the share register of Givaudan SA until the record date set by the Board of Directors for each shareholders' meeting. The register date for the ordinary general meeting is specified in the invitation and is set approximately two weeks before the meeting. Only shareholders who hold shares registered in the share register with a right to vote at a certain date, or their representatives, are entitled to vote.

Givaudan SA has not granted any exceptions to this rule.

7. Change of control and defence measures

7.1 Duty to make an offer
The Articles of Incorporation of Givaudan SA do not contain any rules on opting out or opting up under Swiss law.

General Swiss legal provisions apply, which provide that anyone who acquires more than 33.3% of the voting rights of a listed company is required to make a public offer to acquire all listed securities of the Company that are listed for trading on the SIX Swiss Exchange.

7.2 Clauses on changes of control
In the event of a change of control, restricted share units (RSU) and performance shares granted, as the case may be, by the Company to members of the Board of Directors and to a total of 421 senior management and employees may vest immediately. All other defence measures against change of control situations previously in effect were deleted by the Board of Directors in 2007.

8. Auditors

8.1 Duration of the mandate and term of office of the lead auditor
At the Annual General Meeting of shareholders on 26 March 2009, Deloitte SA was first appointed as Group and statutory auditor of Givaudan SA and its affiliates and has held the audit mandate since that time. At the Annual General Meeting of shareholders on 23 March 2017, Deloitte SA was reappointed as statutory auditor for the business year 2017. Since March 2016, the responsible lead auditor for the Givaudan audit at Deloitte has been Ms Karine Szegedi Pingoud, Partner.

The Audit Committee and the Board reconsider on an annual basis whether the statutory auditors should be proposed for re-election to the shareholders' meeting.

8.2 Auditing fees
The fees of Deloitte for professional services related to the audit of the Group's annual accounts for the year 2017 were CHF 3.4 million. This amount includes fees for the audit of Givaudan SA, its subsidiaries, and of the consolidated financial statements.

8.3 Additional fees
In addition, for the year 2017, Deloitte rendered tax and compliance related services for a total of CHF 0.9 million.

8.4 Informational instruments pertaining to the external audit
The external auditor presents the outcome of the audit directly to the Audit Committee after the end of each reporting year. The Audit Committee is also responsible for evaluating the performance of Deloitte as external auditors pursuant to a set of defined criteria. In addition, the Committee reviews and approves the compensation and evaluates and approves other services provided by the external auditor. During 2017 Deloitte attended all four of the Audit Committee meetings.

The scope of the audit is defined in an engagement letter signed by the Chairman of the Audit Committee and the Chief Financial Officer.

9. Information policy

Givaudan's Principles of Disclosure and Transparency are described in detail at:

www.givaudan.com – our company – corporate governance – rules and policies

Givaudan's Articles of Incorporation can be found at:

www.givaudan.com – our company – corporate governance – rules and policies

Hard copies of Company publications such as the Annual Report are available on request.

All Corporate publications such as the Annual Report, the Half Year Report and the Sustainability GRI Report can also be downloaded from Givaudan's website at:

www.givaudan.com – media – publications

Quarterly sales information and other media releases can be found at:

www.givaudan.com – media – media releases

All relevant information can also be found at:

www.six-swiss-exchange.com – market data – shares – Givaudan – company details

The complete calendar of events is available at:

www.givaudan.com – investors – shareholder information – investor calendar

For further information please contact:
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Financial Report

Detailed contents:

Consolidated financial statements

Consolidated Income Statement

For the year ended 31 December

in millions of Swiss francs, except for earnings per share data	Note	**2017**	2016
Sales	7	5,051	4,663
Cost of sales		(2,801)	(2,535)
Gross profit		**2,250**	**2,128**
as % of sales		44.5%	45.6%
Selling, marketing and distribution expenses		(669)	(640)
Research and product development expenses		(424)	(400)
Administration expenses		(178)	(186)
Share of (loss) profit of jointly controlled entities	10	–	(1)
Other operating income	11	42	75
Other operating expense	12	(152)	(101)
Operating income		**869**	**875**
as % of sales		17.2%	18.8%
Financing costs	14	(42)	(51)
Other financial income (expense), net	15	(32)	(40)
Income before taxes		**795**	**784**
Income taxes	16	(75)	(140)
Income for the period		**720**	**644**
Attribution			
Income attributable to equity holders of the parent		720	644
as % of sales		14.2%	13.8%
Earnings per share – basic (CHF)	**17**	**78.18**	**69.95**
Earnings per share – diluted (CHF)	**17**	**77.54**	**69.34**

The notes on pages 99 to 149 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	2017	2016
Income for the period		**720**	**644**
Items that may be reclassified to the income statement			
Cash flow hedges			
Movement in fair value, net		3	(14)
Gains (losses) removed from equity and recognised in the consolidated income statement	15	5	10
Movement on income tax	16	–	1
Exchange differences arising on translation of foreign operations			
Change in currency translation		63	(125)
Movement on income tax	16	–	2
Items that will not be reclassified to the income statement			
Defined benefit pension plans			
Remeasurement gains (losses) of post employment benefit obligations	8	55	(148)
Movement on income tax	16	(38)	33
Other comprehensive income for the period		**88**	**(241)**
Total comprehensive income for the period		**808**	**403**
Attribution			
Total comprehensive income attributable to equity holders of the parent		808	403

The notes on pages 99 to 149 form an integral part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December

in millions of Swiss francs	Note	2017	2016
Cash and cash equivalents	5,18	534	328
Derivative financial instruments	5	16	9
Derivatives on own equity instruments	27		3
Financial assets at fair value through income statement	5	2	1
Accounts receivable – trade	5,19	1,147	996
Inventories	20	902	788
Current tax assets	16	32	26
Prepayments		123	96
Other current assets	5	98	96
Current assets		**2,854**	**2,343**
Derivative financial instruments	5	1	–
Property, plant and equipment	21	1,579	1,442
Intangible assets	22	2,482	2,311
Deferred tax assets	16	207	259
Post-employment benefit plan assets	8	21	12
Financial assets at fair value through income statement	5	63	59
Jointly controlled entities	10	33	35
Investment property	23	16	
Other long-term assets		53	53
Non-current assets		**4,455**	**4,171**
Total assets		**7,309**	**6,514**
Short-term debt	5,24	308	7
Derivative financial instruments	5	12	32
Accounts payable - trade and others	5	662	494
Accrued payroll & payroll taxes		149	143
Current tax liabilities	16	49	46
Financial liability: own equity instruments	27	93	57
Provisions	26	57	6
Other current liabilities		195	174
Current liabilities		**1,525**	**959**
Derivative financial instruments	5	60	62
Long-term debt	5,24	1,300	1,251
Provisions	26	67	59
Post-employment benefit plan liabilities	8	644	722
Deferred tax liabilities	16	99	93
Other non-current liabilities		76	75
Non-current liabilities		**2,246**	**2,262**
Total liabilities		**3,771**	**3,221**
Share capital	28	92	92
Retained earnings and reserves	28	5,682	5,477
Own equity instruments	28	(157)	(109)
Other components of equity	27,28	(2,079)	(2,167)
Equity attributable to equity holders of the parent		**3,538**	**3,293**
Total equity		**3,538**	**3,293**
Total liabilities and equity		**7,309**	**6,514**

The notes on pages 99 to 149 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity
For the year ended 31 December

2017 in millions of Swiss francs	Share Capital	Retained earnings and reserves	Own equity instruments	Cash flow hedges	Currency translation differences	Remeasure-ment of post employment benefit obligations	Total equity
Note	28	28	27,28			8	
Balance as at 1 January	**92**	**5,477**	**(109)**	**(73)**	**(1,519)**	**(575)**	**3,293**
Income for the period		720					720
Other comprehensive income for the period				8	63	17	88
Total comprehensive income for the period		**720**		**8**	**63**	**17**	**808**
Dividends paid		(515)					(515)
Movement on own equity instruments, net			(48)				(48)
Net change in other equity items		**(515)**	**(48)**				**(563)**
Balance as at 31 December	**92**	**5,682**	**(157)**	**(65)**	**(1,456)**	**(558)**	**3,538**

2016 in millions of Swiss francs	Share Capital	Retained earnings and reserves	Own equity instruments	Cash flow hedges	Currency translation differences	Remeasure-ment of post employment benefit obligations	Total equity
Note	28	28	27,28			8	
Balance as at 1 January	**92**	**5,373**	**(79)**	**(70)**	**(1,396)**	**(505)**	**3,415**
Income for the period		644					644
Other comprehensive income for the period				(3)	(123)	(115)	(241)
Total comprehensive income for the period		**644**		**(3)**	**(123)**	**(115)**	**403**
Dividends paid		(495)					(495)
Movement on own equity instruments, net			(30)				(30)
Transfers		(45)				45	
Net change in other equity items		**(540)**	**(30)**			**45**	**(525)**
Balance as at 31 December	**92**	**5,477**	**(109)**	**(73)**	**(1,519)**	**(575)**	**3,293**

The notes on pages 99 to 149 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	2017	2016
Income for the period		720	644
Income tax expense	16	75	140
Interest expense	14	29	42
Non-operating income and expense	14,15	45	49
Operating income		**869**	**875**
Depreciation of property, plant and equipment	21	114	113
Amortisation of intangible assets	22	104	132
Impairment of long-lived assets	21,22	2	6
Other non-cash items			
– share-based payments		35	33
– pension expense	8	14	(23)
– additional and unused provisions, net	26	69	10
– other non-cash items		(52)	(10)
Adjustments for non-cash items		**286**	**261**
(Increase) decrease in inventories		(107)	(38)
(Increase) decrease in accounts receivable		(125)	(107)
(Increase) decrease in other current assets		(29)	(53)
Increase (decrease) in accounts payable		136	55
Increase (decrease) in other current liabilities		12	52
(Increase) decrease in working capital		**(113)**	**(91)**
Income taxes paid		**(73)**	**(127)**
Pension contributions paid	8	(53)	(45)
Provisions used	26	(10)	(8)
Purchase and sale of own equity instruments, net		(45)	(48)
Impact of financial transactions on operating income/expense, net			(12)
Cash flows from (for) operating activities		**861**	**805**
Increase in long-term debt	25	350	299
(Decrease) in long-term debt	25	(17)	–
Increase in short-term debt	25	670	463
(Decrease) in short-term debt	25	(705)	(663)
Cash flows from debt, net		**298**	**99**
Interest paid	25	(24)	(33)
Purchase and sale of derivative financial instruments, net	25	–	(8)
Others, net	25	(7)	–
Cash flows from financial liabilities		**267**	**58**
Distribution to the shareholders paid	28	(515)	(495)
Cash flows from (for) financing activities		**(248)**	**(437)**
Acquisition of property, plant and equipment	21	(191)	(136)
Acquisition of intangible assets	22	(53)	(40)
Payments for investment property	23	(1)	
Increase in share capital of jointly controlled entities	10		(9)
Acquisition of subsidiary, net of cash acquired	6	(224)	(331)
Proceeds from the disposal of property, plant and equipment	21	2	1
Interest received		3	2
Dividends received from jointly controlled entities		2	
Purchase and sale of financial assets at fair value through income statement, net		–	23
Impact of financial transactions on investing, net		35	
Others, net		(2)	(13)
Cash flows from (for) investing activities		**(429)**	**(503)**
Net increase (decrease) in cash and cash equivalents		**184**	**(135)**
Net effect of currency translation on cash and cash equivalents		22	(15)
Cash and cash equivalents at the beginning of the period	18	328	478
Cash and cash equivalents at the end of the period		**534**	**328**

The notes on pages 99 to 149 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 11,170 people. A list of the principal Group companies is shown in Note 33 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 Swiss law.

They are prepared under the historical cost convention as modified by the revaluation of financial assets and financial liabilities at fair value through the income statement, and of own equity instruments classified as derivatives. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

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. Critical accounting estimates and judgments are disclosed in Note 3.

Givaudan SA's Board of Directors approved these consolidated financial statements on 24 January 2018.

2.1.1 Changes in Accounting Policies and Disclosures

Standards, amendments and interpretations effective in 2017

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in the 2016 consolidated financial statements, with the exception of the adoption as of 1 January 2017 of the standards described below:

Amendments to IAS 7: Disclosure Initiative improve the information provided to the users of financial statements on an entity's financing activities. Entities shall provide disclosures to enable users of financial statements to evaluate changes in liabilities arising from financing activities. The adoption of the amendments to IAS 7 resulted in a modification of the information disclosed on debt, with a reconciliation of the carrying amount of the debt at the beginning and end of the period (See Note 24 Debt) and on the changes in liabilities arising from financing activities (See Note 25 Changes in liabilities arising from financing activities).

Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses clarify that unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
The adoption of these amendments does not change the current practice applied by the Group.

Annual Improvements to IFRS Standards 2014 – 2016 Cycle set out amendments across three different standards, related basis for conclusions and guidance, out of which one is effective in 2017; amendments to IFRS 12 Disclosure of Interests in Other Entities. The adoption of these amendments has no impact because the Group does not hold currently assets classified as held for sale.

The Group has adopted the cost model in compliance with IAS 40 Investment property.

2.1.2. IFRSs and IFRICs 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 financial statements and supporting notes upon their adoption.

a) Issued and effective for 2018

IFRS 9 Financial Instruments (as revised in 2014). The Group has early adopted this standard in 2016.

IFRS 15 Revenue from Contracts with Customers. IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces existing revenue recognition guidance including IAS 18 Revenues, IAS 11 Construction Contracts and IFRIC 13 Customers Loyalty Programme.

The Group has evaluated the impacts of this standard. Contracts with customers relate primarily to the delivery of manufactured products and molecules of fragrance and flavour to the agreed upon specifications and may contain additional performance obligations for certain clients such as the assignment of specific application technologies, joint market research and particular stock conditions. Most of these additional performance obligations are not distinct because they are highly dependent on the delivery of manufactured products and molecules of fragrance and flavour. Generally, the transaction price includes estimating variable consideration such as rebates granted to customers.

The Group assessed that the adoption of the standard does not impact its consolidated financial statements. Therefore the retrospective transition method will not require a restatement of the consolidated financial statements.

The clarifications to IFRS 15 issued in April 2016 do not change the above described assessment.

Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions clarify the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The adoption of these amendments has no impact on the current share-based payments programmes held within the Group.

Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts do not change the impact of the earlier adoption of IFRS 9 as the Group is not affected by IFRS 4.

Amendments to IAS40: Transfers of Investment Property reinforce the principle for transfers into, or out of, investment property under IAS 40. The Group has not yet evaluated the impact of these amendments on its consolidated financial statements.

Annual Improvements to IFRS Standards 2014 – 2016 Cycle set out amendments across three different standards, related basis for conclusions and guidance, out of which two are effective in 2018, namely amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and amendments to IAS 28 Investments in Associates and Joint Ventures. These amendments are not relevant for the Group.

IFRIC 22: Foreign Currency Transactions and Advance Consideration sets out requirements about which exchange rate to use when recording a foreign currency transaction on initial recognition in an entity's functional currency. The adoption of this interpretation does not change the current practice applied by the Group.

b) Issued and effective for 2019 and after

Amendments to IFRS 10 and IAS 28: Sales or Contribution of Assets between an Investor and its Associate or Joint Venture clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The adoption of these amendments has no impact on the accounting of the joint arrangements currently held by the Group.

IFRS 16 Leases provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases, and lessors to confirm the continuation of classifying leases as operating or finance. The Group is currently evaluating the accounting impact of the adoption of this standard.

IFRIC 23 Uncertainty over Income Tax Treatments clarifies the accounting for uncertainties in income taxes. The clarification confirms the current practices of the Group.

Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures clarify that an entity must apply IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. The adoption of these amendments has no impact on the joint arrangements currently held by the Group.

Amendments to IFRS 9: Prepayment Features with Negative Compensation address the concerns about how IFRS 9 Financial Instruments classifies particular prepayable financial assets. These amendments are not relevant as the Group does not enter in such particular instruments.

IFRS 17 Insurance Contracts establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts. The standard is not relevant for the Group as it does not operate in the insurance business.

2.2 Consolidation

The subsidiaries that are consolidated are those companies controlled, directly or indirectly, by Givaudan SA. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether or not it controls an investee if there are indications of a change in facts and circumstances.

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 acquisition 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. Acquisition related costs are expensed as incurred. 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.

Where necessary, changes are made to the accounting policies of subsidiaries to bring and ensure consistency with the policies adopted by the Group.

Assets and liabilities, equity, income, expenses and cash flows resulting from inter-company transactions are eliminated in full on consolidation.

GRI Disclosure 102 – 45

2.3 Interest in a Joint Venture

A joint venture is a joint arrangement whereby the Group and other parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, 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.

The results and assets and liabilities of joint ventures are incorporated in the consolidated financial statements using the equity method of accounting until the date on which the Group ceases to have joint control over the joint venture. Under the equity method, an investment in a joint venture is initially recognised at cost and adjusted thereafter to recognise the Group's share of the income statement and the other comprehensive income of 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

2.4.1 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.

2.4.2 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 of the net investment or on partial disposal when there is a loss of control of subsidiary or a loss of joint control over a jointly controlled entity.

- 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.

2.4.3 Translation of the financial statements of foreign subsidiaries

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.

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 and Active Beauty 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 is determined based on the Group's operations; Switzerland, Europe, Africa and Middle East; North America; Latin America and Asia Pacific. Revenues from external customers are shown by destination.

2.6 Sales of Goods

Revenue from sales of goods is measured at the fair value of the consideration received or receivable in the ordinary course of the Group's activities. Sales of goods are 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

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 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.

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.

2.8.1 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 benefit obligation at the statement of financial position date less the fair value of plan assets. Where a plan is unfunded, only a liability representing the present value of the defined benefit obligation is recognised in the statement of financial position. The present value of the defined benefit obligation is calculated by independent actuaries using the projected unit credit method twice a year, at interim and annual publication. 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, 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. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past service costs are recognised immediately in the income statement. 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.

2.8.2 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 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 in equity-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. The different share-based payments are described below:

2.9.1 Performance Share Plan
Key executives are awarded a portion of their performance-related compensation in equity-settled share-based payment transactions in the form of a performance share plan.

The performance share plan is established with Givaudan registered shares and a vesting period of three years. The Group has at its disposal either treasury shares or conditional share capital.

The cost of equity-settled instruments is expensed as employee remuneration over the vesting period, together with a corresponding increase in equity in own equity instruments. The cost 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 or any other expected distribution to the shareholders to be paid during the vesting period, as participants are not entitled to receive dividends or any other distribution to the shareholders 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.

2.9.2 Restricted Shares Plan
The members of the Board of Directors receive a portion of their compensation in equity-settled share-based payment transactions in the form of restricted share units.

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. Service conditions are included in the assumptions about the number of restricted shares that are expected to become deliverable. No performance conditions are included.

The fair value is determined as the market price at grant date reduced by the present value of dividends expected or any other expected distribution to the shareholders to be paid during the vesting period, as participants are not entitled to receive dividends or any other distribution to the shareholders during the vesting period.

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.

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. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which those items can be utilised. Management considers that these tax benefits are probable on the basis of business projections on the relevant entities.

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. 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 demand deposits 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 except for trade receivables which are classified at amortised cost. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Regular way purchases or sales of financial assets require delivery of assets within the time frame established by regulation or convention in the marketplace. All regular way purchases or sales of financial assets are recognised and derecognised 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.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. On derecognition of a financial asset in its entirety, the following amounts are recognised in the income statement: (i) the difference between the asset's carrying amount and the sum of the consideration received and receivable; (ii) the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity.

Dividend income from investments is recognised in the line Other financial income (expense), net when the right to receive payment has been established. Interest income is accrued on a time basis and included in the line Other financial income (expense), net.

2.12.1 Financial assets at fair value through the income statement

Financial assets such as debt instruments, equity securities, investment funds and derivatives not designated as effective hedging instruments are classified in this category.

Debt instruments are held with the objective to manage cash flows by both collecting their contractual cash flows and selling them at market price when needed. The main purpose of such instruments is to fund obligations related to employees. They are designated as financial assets measured at fair value through the income statement to avoid recognition inconsistency resulting from changes in fair values of the financial assets and the obligations.

Other financial assets which are not debt instruments are held with the main objectives to participate in long-term partnerships, to hedge certain financial risks, and to fund obligations related to employees. Their designation as financial assets measured at fair value through the income statement is in line with management intentions to hold such assets.

These financial assets are initially measured at fair value whereas directly attributable transaction costs are expensed in the income statement. At the end of each period, the carrying value is adjusted to the fair value with a corresponding entry in the income statement until the investment is derecognised.

The subsidiaries in the United States of America entered over the years into various life insurance contracts called corporate-owned life insurance (COLI) to fund long-term obligations related to employees. For both the COLI contracts and the associated long-term obligations, adjustments to the fair value, gains and losses, are 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 valued 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.

2.12.2 Financial assets at amortised cost

Trade receivables are the only financial assets classified as subsequently measured at amortised cost. They reach the objective of collecting contractual cash flows over their life.

Trade receivables are carried at amortised cost less allowances for loss. They generally do not contain a significant financing component. The allowance loss measurement is then determined by applying a simplified approach equalling the lifetime expected credit losses. Under this approach the tracking of changes in credit risk is not required but instead the base lifetime expected credit loss at all times is applied. An allowance for loss is made for potentially impaired receivables during the year in which they are identified based on a periodic review of all outstanding amounts. Losses are recorded within selling, marketing and distribution expenses in the income statement. Trade receivables 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).

Trade receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

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 to recognise 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 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.

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.

2.13.1 Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within other comprehensive income, limited to the cumulative change in fair value of the hedged item on a present value basis from the inception of the hedge. The gain or loss relating to the ineffective portion is immediately recognised in financing costs in the income statement.

Amounts accumulated in equity are reclassified to the income statement in the periods when the hedged transaction affects the income statement, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or liability, the amounts are transferred from equity and included in the initial measurement of the cost of the non-financial asset or liability.

When forward contracts are used to hedge forecast transactions such as future debt issuance, management assumes that the sources of hedge effectiveness in regards of the characteristics of the hedging relationship is sufficiently immaterial to exclusively perform a qualitative assessment.

When the hedging instrument expires or is sold, terminated or exercised, 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.

2.13.2 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.

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using a weighted average cost formula. The cost of finished goods and work in process comprises raw materials, direct labour, other direct costs and related production overheads but excludes 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.

2.15 Property, Plant and Equipment

Property, plant and equipment are initially recognised at cost of purchase or construction and subsequently at cost 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 2.19), 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 2.18).

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.

2.16 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. The Group holds only operating leases.

2.17 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. Impairment charges on goodwill are not reversed. 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 units being the Group's reportable operating segments: Fragrance Division and Flavour Division.

Intangible assets acquired in a business combination are identified and recognised separately from goodwill when they satisfy the definition of an intangible asset and their fair values can be measured reliably.

Internal developments are capitalised as intangible assets when there is an identifiable asset that will generate probable economic benefits and when the cost can be measured reliably. Costs include all costs directly attributable to preparing the asset for use. Development costs previously recognised as an expense are not recognised as an asset in subsequent periods.

Separately acquired intangible assets are capitalised when the identifiable asset will generate probable economic benefits and when its cost can be measured reliably.

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. Useful life is determined based on the character of the asset and may be indefinite. In that case, asset is not amortised but annually tested for impairment. Estimated definite useful life of major classes of amortisable assets are as follows:

– Name and product brands	2 – 7 years
– Software/ERP system	3 – 7 years
– Process-oriented technology	5 – 20 years
– Client relationships	15 – 23 years

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.

2.18 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 conditions of the time value of money and the risks specific to the asset.

Intangible assets with indefinite useful life 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.

2.19 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.

2.20 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.

2.21 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.

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.

2.22 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.

2.23 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 acquired by the execution of own equity derivatives are recognised at the execution date market price.

The settlement and the contract for 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 put options 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 Financing 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 are valued at fair value based on quoted market prices, with any unrealised gain or loss recognised in the line Other financial income (expense), net in the income statement. They are derecognised when the Group has lost control of the contractual rights of the derivatives, with any realised gain or loss recognised.

2.24 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.

2.25 Statement of Cash Flows

Cash flows from operating activities arise from the principal activities of the Group in the Fragrance and Flavour businesses. The indirect method is used whereby the operating income is adjusted for the transactions of a non-cash nature in order to derive the cash generated from operations. It includes income tax paid on all activities.

Cash flows from financing activities are primarily the proceeds from the issue and repayment of the debt instruments, the dividend payment to shareholders and interest paid. Cash flows from long-term and short-term borrowings are reported separately of gross cash receipts and gross cash payments.

Cash flows from investing activities arise principally from the investments in property, plant and equipment and intangible assets, from the acquisition of subsidiaries, and from the transactions with jointly controlled entities.

2.26 Distribution to the Shareholders

Dividend distributions or distributions out of statutory capital reserves from “capital contributions – additional paid-in capital” are recognised in the period in which they are approved by the Group’s shareholders.

3. Critical Accounting Estimates and Judgments

The estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

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 long-lived assets requiring estimations to measure the recoverable amount of an asset or group of assets (see Note 21 and 22)

3) The calculation of the present value of defined benefit obligations requiring financial and demographic assumptions (see Note 8)

4) The determination and provision for income taxes requiring estimated calculations for which the ultimate tax determination is uncertain (see Note 16)

5) The provisions requiring assumptions to determine reliable best estimates (see Note 26)

6) The contingent liabilities assessment (see Note 30)

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 Judgments 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 result in new or in substantial improvements of existing IT systems and applications (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 are incurred.

4. Foreign Exchange Rates

Foreign currency to Swiss francs exchange rates	ISO code	Units	**31 Dec 2017**	**Average 2017**	31 Dec 2016	Average 2016	31 Dec 2015	Average 2015
Dollar	USD	1	0.97	0.98	1.02	0.99	1.00	0.96
Euro	EUR	1	1.17	1.11	1.07	1.09	1.09	1.07
Pound	GBP	1	1.32	1.27	1.25	1.34	1.48	1.47
Yen	JPY	100	0.86	0.88	0.87	0.91	0.83	0.80
Singapore dollar	SGD	1	0.73	0.71	0.70	0.71	0.71	0.70
Real	BRL	1	0.30	0.31	0.31	0.29	0.25	0.29
Renminbi	CNY	1	0.15	0.15	0.15	0.15	0.15	0.15
Mexican peso	MXN	100	4.96	5.20	4.93	5.33	5.83	6.09
Rupiah	IDR	10,000	0.72	0.73	0.75	0.74	0.73	0.72

5. Financial Risk Management

5.1 Capital 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 amounts distributed to the shareholders, return capital to shareholders, issue new shares and cancel shares through share buyback programmes.

The Group monitors its capital structure on the basis of a leverage ratio, defined as net debt divided by the equity plus net debt. Net debt is calculated as the total of the consolidated short-term and long-term debt, less cash and cash equivalents. Equity is calculated as the total equity attributable to equity holders of the parent excluding the defined benefit pension plans remeasurement elements.

The Group has entered into several private placements which contain various covenants with externally imposed capital requirements. The Group was in compliance with these requirements as at 31 December 2017 and 2016.
The leverage ratio as at 31 December was as follows:

in millions of Swiss francs	Note	**2017**	2016
Short-term debt	24	308	7
Long-term debt	24	1,300	1,251
Less: cash and cash equivalents	18	(534)	(328)
Net Debt		**1,074**	**930**
Total equity attributable to equity holders of the parent		3,538	3,293
Remeasurement of post employment benefit obligations	8	558	575
Equity		**4,096**	**3,868**
Net Debt and Equity		**5,170**	**4,798**
Leverage ratio		**21%**	**19%**

The Group intends to maintain its medium term leverage ratio below 25%.

5.2 Financial Risk Management

The Group's activities expose it to a variety of financial risks: 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. The Group generally enters into financial derivative transactions to hedge underlying business related exposures.

Risk management is carried out by a team within the central treasury department (hereafter "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.

Group Treasury 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. 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. Compliance with policies and exposure limits is reviewed by the treasury controlling on a continuous basis. Group Treasury issues monthly reports for the Chief Financial Officer and quarterly reports for the Audit Committee.

Categories of financial instruments

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

2017 in millions of Swiss francs	Note	At amortised cost	At fair value through the income statement	Derivatives used for hedge accounting	Other financial liabilities	Total
Current financial assets						
Cash and cash equivalents	18	534				534
Derivative financial instruments	5.3		16			16
Financial assets at fair value through income statement	5.3		2			2
Accounts receivable – trade	19	1,147				1,147
Other current assets [a]		98				98
Non-current financial assets						
Derivative financial instruments [b]	5.3			1		1
Financial assets at fair value through income statement	5.3		63			63
Total financial assets as at 31 December		**1,779**	**81**	**1**		**1,861**
Current financial liabilities						
Short-term debt	24				308	308
Derivative financial instruments	5.3		12			12
Accounts payable					662	662
Non-current financial liabilities						
Derivative financial instruments [b]	5.3			60		60
Long-term debt	24				1,300	1,300
Total financial liabilities as at 31 December			**12**	**60**	**2,270**	**2,342**

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).

2016 in millions of Swiss francs	Note	At amortised cost	At fair value through the income statement	Derivatives used for hedge accounting	Other financial liabilities	Total
Current financial assets						
Cash and cash equivalents	18	328				328
Derivative financial instruments	5.3		9			9
Financial assets at fair value through income statement	5.3		1			1
Accounts receivable – trade	19	996				996
Other current assets [a]		192				192
Non-current financial assets						
Derivative financial instruments [b]	5.3			–		–
Financial assets at fair value through income statement	5.3		59			59
Total financial assets as at 31 December		**1,516**	**69**	**–**		**1,585**
Current financial liabilities						
Short-term debt	24				7	7
Derivative financial instruments	5.3		32			32
Accounts payable					494	494
Non-current financial liabilities						
Derivative financial instruments [b]	5.3			62		62
Long-term debt	24				1,251	1,251
Total financial liabilities as at 31 December			**32**	**62**	**1,752**	**1,846**

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 liabilities (see Note 2.13).

The carrying amount of each class of financial assets and liabilities disclosed in the previous tables approximates the fair value. The fair value of each class of financial assets and liabilities, except financial assets at amortised cost, is determined by reference to published price quotations and is 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.

5.2.1 Market Risk

The Group's activities primarily expose it 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 to foreign currency risk and interest rate risk, including:

- Currency derivatives, mainly forward foreign exchange contracts, to hedge the exchange rate risk arising from recorded transactions.
- Interest rate swaps and other instruments to mitigate the risk of interest rate increases and/or to optimally manage interest rate costs depending on the prevailing interest rate environment.

Market risk exposures are measured using sensitivity analysis. There has been no change during the year in the structure of the Group's exposure to market risks or the manner in which these risks are managed.

5.2.1.1 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.

It is the Group's policy to enter into derivative transactions to hedge current, forecasted foreign currency transactions, and translation risk arising from certain investments in foreign operations with a functional currency different from the Group's presentation currency.

While these are hedges related to underlying business transactions, the Group generally does not apply hedge accounting on transactions related to management of its foreign exchange risk. In 2017, the Group applied hedge accounting on the foreign currency risk related to the acquisition of Vika B.V. and the foreseen acquisitions of Centroflora Nutra and Expressions Parfumées.

Group Treasury centrally manages foreign exchange risk management activities against the functional currency of each subsidiary, and is required to hedge, whenever cost-effective, their largest exposures.

The measurement of the foreign currency risk expresses the total exposure by currency, which is in the opinion of Group Treasury a representative manner to monitor the risk. It measures the cumulative foreign exchange risk of all subsidiaries of recognised assets and liabilities that are denominated in a currency (e.g. USD) that is not the subsidiary's functional currency (e.g. other than USD).

The following table summarises the significant exposures to the foreign currency risk at the date of the consolidated statement of financial position:

Currency exposure 2017 in millions of Swiss francs	USD	EUR	CHF	GBP	SGD
Currency exposure without hedge [a]	337	(415)	(75)	(155)	144
Hedged amount	(332)	411	38	152	(160)
Currency exposure including hedge	5 [b]	(4)	(37)	(3)	(16)

a) + long position; - short position.
b) Mainly due to unhedged positions in countries where hedging is not cost-effective.

Currency exposure 2016 in millions of Swiss francs	USD	EUR	CHF	GBP	SGD
Currency exposure without hedge [a]	388	(42)	(6)	(149)	121
Hedged amount	(406)	22	4	148	(127)
Currency exposure including hedge	(18) [b]	(20)	(2)	(1)	(6)

a) + long position; - short position.
b) Mainly due to unhedged positions in countries where hedging is not cost-effective.

In the exposure calculations, the intra Group positions, except those related to net investments in foreign operations, are included. The following table summarises the sensitivity to transactional currency exposures of the main currencies at 31 December. The sensitivity analysis is disclosed for each currency representing significant exposure:

Currency risks 2017 in millions of Swiss francs	USD	EUR	CHF	GBP	SGD
Reasonable shift	11%	6%	6%	10%	7%
Impact on income statement if the currency strengthens against all other currencies	(1)	–	(2)	–	(1)
Impact on income statement if the currency weakens against all other currencies	1	–	2	–	1

Currency risks 2016 in millions of Swiss francs	USD	EUR	CHF	GBP	SGD
Reasonable shift	13%	8%	8%	11%	7%
Impact on income statement if the currency strengthens against all other currencies	(4)	(2)	–	–	–
Impact on income statement if the currency weakens against all other currencies	4	2	–	–	–

The sensitivity is based on the exposure at the date of the consolidated statement of financial position and based on assumptions deemed reasonable by management, showing the impact on income before tax. Management uses historical volatilities of the significant currencies contributing to the exposure to determine the reasonable change.

5.2.1.2 Interest Rate Risk

The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates, and invests in debt financial instruments. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially counterbalanced by cash held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

Group Treasury manages interest rate risk centrally by simulating various scenarios on liabilities taking into consideration refinancing, renewal of existing positions and hedging. Hedging strategies are applied by either positioning the liabilities or protecting interest expense through different interest cycles. Hedging activities are regularly evaluated to align interest rate views and defined risk limits. Group Treasury manages interest rate risk mainly by the use of interest rate swap contracts and forward interest rate contracts.

The following table shows the sensitivity to interest rate changes:

As at 31 December 2017 in millions of Swiss francs	150 basis points increase	25 basis points decrease
Impact on income statement	–	–
Impact on equity	65	(13)

As at 31 December 2016 in millions of Swiss francs	150 basis points increase	25 basis points decrease
Impact on income statement	–	–
Impact on equity	64	(13)

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

Cash flow hedges

Inception date	Hedged items	Hedge instruments	Objectives	Comments
2009	Highly probable future debt issuances in 2011.	Several forward starting interest rate swaps commencing in 2011, totalling CHF 200 million with an average rate of 2.69% and a 5 year maturity.	Protection against future increases in CHF interest rates and to fix the interest rates.	In June 2011, the Group issued a 2.50% 7 year public bond (maturity 15 June 2018) with a nominal value of CHF 300 million. Correspondingly, hedge positions assigned to this bond issuance of CHF 200 million have been closed. The amortisation of the realised loss of CHF 14 million was recognised in Financing costs over 5 years until 15 June 2016.
2009	Highly probable future debt issuances in 2012.	Several forward starting interest rate swaps commencing in 2012, totalling CHF 250 million with an average rate of 2.70% and a 5 year maturity and CHF 50 million with an average rate of 2.45% and a 3 year maturity.	Protection against future increases in CHF interest rates and to fix the interest rates.	In December 2011, the Group issued a dual tranche public bond, totalling CHF 300 million, respectively of CHF 150 million at a rate of 1.250% for 5 years and CHF 150 million at the rate of 2.125% for 10 years. Correspondingly, hedge positions assigned to this bond issuance have been closed. The amortisation of the realised loss was recognised in Financing costs for CHF 4 million over 3 years until 7 December 2014, and CHF 28 million over 5 years until 7 December 2016.
2011/ 2012	Highly probable future debt issuances in 2014.	Several forward starting interest rate swaps commencing in 2014, totalling CHF 250 million with an average rate of 1.54% and a 5 year maturity.	Protection against future increases in 0interest rates and to fix the interest rates.	In March 2014, the Group issued a 1.00% 6.5 year public bond with a nominal value of CHF 100 million; and a 1.75% 10 year public bond with a nominal value of CHF 150 million. Correspondingly, hedge positions assigned to this bond issuance have been closed. The amortisation of the realised loss of CHF 15 million is recognised in Financing costs over 5 years until 19 March 2019.
2012	Highly probable future debt issuances in 2016.	Several forward starting interest rate swaps commencing in 2016, totalling CHF 75 million with an average rate of 1.63% and a 5 year maturity.	Protection against future increases in CHF interest rates and to fix the interest rates.	In December 2016, the Group issued a 0.000% 6 year public bond with a nominal value of CHF 100 million; and a 0.625% 15 year public bond with a nominal value of CHF 200 million. Correspondingly, hedge positions assigned to this bond issuance have been closed. The amortisation of the realised loss of CHF 8 million is recognised in Financing costs over 5 years until 7 December 2021.
2012	Highly probable future private placements issuance in the USA in 2013.	Several derivatives instruments fixing the interest rate at 1.80% on average for a total amount of USD 100 million.	Protection against short-term increases in USD interest rates and to fix the interest rates.	The cash flow hedges were effective during the period. The amount of USD 1 million (equivalent to CHF 1 million) deferred in hedging reserve in other comprehensive income is recycled over the next 10 years as Financing cost from 6 February 2013, date when the proceeds were received.
2012/ 2014	Highly probable future debt issuances in 2018.	Several forward starting interest rate swaps commencing in 2018, totalling CHF 150 million with an average rate of 1.90% and a 5 year maturity.	Protection against future increases in CHF interest rates and to fix the interest rates.	The cash flow hedges were effective during the year.
2014/ 2015	Highly probable future debt issuances in 2020.	Several forward starting interest rate swaps commencing in 2020, totalling CHF 75 million with an average rate of 2.12% and a 10 year maturity.	Protection against future increases in CHF interest rates and to fix the interest rates.	The cash flow hedges were effective during the year.
2014/ 2015	Highly probable future debt issuances in 2021.	Several forward starting interest rate swaps commencing in 2021, totalling CHF 125 million with an average rate of 2.05% and a 10 year maturity.	Protection against future increases in CHF interest rates and to fix the interest rates.	The cash flow hedges were effective during the year.
2014/ 2015	Highly probable future debt issuances in 2024.	Several forward starting interest rate swaps commencing in 2024, totalling CHF 100 million with an average rate of 2.35% and a 10 year maturity.	Protection against future increases in CHF interest rates and to fix the interest rates.	The cash flow hedges were effective during the year.
2016/ 2017	Highly probable future debt issuances in 2031.	Several forward starting interest rate swaps commencing in 2031, totalling CHF 100 million with an average rate of 0.92% and a 10 year maturity.	Protection against future increases in CHF interest rates and to fix the interest rates.	The cash flow hedges were effective during the year.

5.2.1.3 Price Risk

The Group is exposed to equity price risk arising from equity investments held classified at fair value through income statement. The Group manages its price risk through a diversification of portfolios within the limits approved by the Board of Directors.

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

Sensitivity analysis

The Group's equity portfolio is composed exclusively of US shares. The benchmark for the reasonable change is an average of historical volatility of US indexes (16% for the last three years).

The sensitivity analysis has been determined based on the exposure to equity price risks at the end of the reporting period:

2017 – reasonable shifts: 16%US in millions of Swiss francs	Equity price increase	Equity price decrease
Impact on income statement	6	(6)

2016 – reasonable shifts: 16%US in millions of Swiss francs	Equity price increase	Equity price decrease
Impact on income statement	5	(5)

5.2.2 Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. Commercial Credit risk is managed by the Group's subsidiaries and monitored on a Group basis whilst counterparty risk related to financial institutions is centrally managed within the Group Treasury function.

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 counterparty 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 583 million (2016: CHF 552 million). Countries, credit limits and exposures are continuously monitored.

The credit risk on liquid funds, derivatives and other monetary financial assets is limited because the counterparties are financial institutions with investment grade ratings.

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

			2017			2016
	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
AAA – range	7	7	1	46	46	1
AA – range	147	147	1	60	59	2
A – range	225	121	7	47	41	5
BBB – range	155	91	6	169	76	6

The carrying amount of financial assets recognised in the consolidated financial statements which is net of impairment losses, represents the Group's maximum exposure to credit risk.

5.2.3 Liquidity Risk

The Group manages liquidity risk by maintaining sufficient cash, marketable securities, 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 subsidiary level. Cash surpluses held by subsidiaries over and above amounts required for working capital management are transferred to the central treasury centre. The surplus of cash is generally invested in interest bearing current accounts, time deposits, money market deposits and funds. When necessary, intercompany loans are granted by the Group to subsidiaries to meet their non-recurrent payment obligations.

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:

2017 in millions of Swiss francs	Up to 6 months	6 – 12 months	1 – 5 years	Over 5 years	Total
Short-term debt (excluding bank overdrafts)	(308)				(308)
Accounts payable	(662)				(662)
Net settled derivative financial instruments		(2)	(18)	(41)	(61)
Gross settled derivative financial instruments – outflows	(1,394)	(524)			(1,918)
Gross settled derivative financial instruments – inflows	1,396	526			1,922
Long-term debt	(20)	(8)	(588)	(823)	(1,439)
Balance as at 31 December	**(988)**	**(8)**	**(606)**	**(864)**	**(2,466)**

2016 in millions of Swiss francs	Up to 6 months	6 – 12 months	1 – 5 years	Over 5 years	Total
Accounts payable	(494)				(494)
Net settled derivative financial instruments	–		(14)	(48)	(62)
Gross settled derivative financial instruments – outflows	(1,335)	(266)			(1,601)
Gross settled derivative financial instruments – inflows	1,314	264			1,578
Long-term debt	(19)	(5)	(662)	(702)	(1,388)
Balance as at 31 December	**(534)**	**(7)**	**(676)**	**(750)**	**(1,967)**

5.3 Fair Value Measurements

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 measured:

- **Level 1** inputs to measure fair value are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- **Level 2** inputs to measure fair value 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** inputs to measure fair value are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2017 in millions of Swiss francs	Level 1	Level 2	Level 3	Total
Financial assets at fair value through income statement				
Forward foreign exchange contracts		16		16
Swaps (hedge accounting)		1		1
Corporate owned life insurance		32		32
Equity securities	2	15		17
Debt securities		16		16
Total assets	**2**	**80**		**82**
Financial liabilities at fair value through income statement				
Forward foreign exchange contracts		12		12
Swaps (hedge accounting)		60		60
Swaps (no hedge accounting)		–		–
Total liabilities		**72**		**72**

2016 in millions of Swiss francs	Level 1	Level 2	Level 3	Total
Financial assets at fair value through income statement				
Forward foreign exchange contracts		9		9
Swaps (hedge accounting)		–		–
Corporate owned life insurance		29		29
Equity securities	1	13		14
Debt securities	–	17		17
Total assets	**1**	**68**		**69**
Financial liabilities at fair value through income statement				
Forward foreign exchange contracts		31		31
Swaps (hedge accounting)		62		62
Swaps (no hedge accounting)		1		1
Total liabilities		**94**		**94**

Financial assets and liabilities at fair value through income statement are measured with Level 1 and Level 2 inputs. They mainly consist of forward foreign exchange contracts that are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts, of interest swaps that are measured using quoted interest rates and yield curves derived from quoted interest rates matching maturities of the contracts, and of corporate owned life insurance (COLI) that are measured on quoted instruments with similar credit ratings and terms in a mix of money market, fixed income and equity funds managed by unrelated fund managers.

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 2017 and 2016, nor did it have any assets in this category at 31 December 2017 and 2016.

6. Acquisitions

During 2017 Givaudan made two acquisitions, Activ International and Vika B.V.

On 16 January 2017, 100% of the share capital of Activ International and its affiliates was acquired for a purchase price of CHF 114 million. Activ International offers a range of natural and organic flavours, marine extracts, seafood and vegetable based culinary solutions to customers. Activ operates from locations in Bienne (Switzerland), Somerset (New Jersey, USA), Melaka (Malaysia), Mitry-Mory (Paris, France) and Arequipa (Peru), employing globally 165 employees.

The goodwill of CHF 75 million on the acquisition relates mainly to the value of the qualified workforce and expected synergies that do not meet the criteria for recognition as separable intangible assets.

The assets acquired and liabilities assumed of Activ International are recorded at fair value at the date of acquisition. Total net assets acquired of CHF 39 million consist of cash (CHF 3 million), working capital (CHF 8 million), fixed assets (CHF 16 million), intangible assets which are made up of process knowledge, research expertise, client relationships, name and product brands (CHF 32 million), deferred tax liabilities (CHF 8 million) and other liabilities (CHF 12 million). The total purchase price of CHF 114 million was settled in cash, resulting in a goodwill of CHF 75 million. The value of acquired assets and liabilities has been finalised, no adjustment was made to the acquisition values.

On 1 September 2017, Givaudan acquired 100% of the share capital of Vika B.V. and its affiliates for a purchase price of CHF 116 million. Vika offers a range of natural dairy ingredients, fonds and stocks, as well as meat and plant based extracts to customers in the food and beverage industry. Vika operates from locations in Ede (The Netherlands), Higham Ferrers (United Kingdom), Maasmechelen (Belgium) and Auckland (New Zealand), employing globally 200 employees.

The identifiable assets and liabilities of Vika are recorded at fair value at the date of acquisition. Total net assets acquired of CHF 76 million consist of cash (CHF 3 million), working capital (CHF 14 million), fixed assets (CHF 24 million), intangible assets which are made up of process knowledge, research expertise, client relationships, name and product brands (CHF 73 million), deferred tax liabilities (CHF 20 million) and other liabilities (CHF 18 million). The total purchase price of CHF 116 million was settled in cash, resulting in a goodwill of CHF 40 million that relates mainly to the value of the qualified workforce and expected synergies that do not meet the criteria for recognition as separable intangible assets.

In compliance with IFRS 3, these values determined are provisional and the Group has twelve months from the date of acquisition to finalise the allocation of the acquisition price.

7. 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 Active Beauty; and

Flavours Manufacture and sale of flavours into four business units: Beverages, Dairy, Savoury and Sweet Goods. The information of these business units are reviewed by the Executive Committee primarily by region.

The performance of the operating segments is based on EBITDA as a percentage of sales.

Business segments

in millions of Swiss francs	Fragrances 2017	2016	Flavours 2017	2016	Group 2017	2016
Segment sales	2,343	2,230	2,717	2,446	5,060	4,676
Less inter segment sales[a]	–	–	(9)	(13)	(9)	(13)
Segment sales to third parties	**2,343**	**2,230**	**2,708**	**2,433**	**5,051**	**4,663**
EBITDA	**486**	**603**	**603**	**523**	**1,089**	**1,126**
as % of sales	20.7%	27.0%	22.3%	21.5%	21.6%	24.1%
Depreciation	(48)	(51)	(66)	(62)	(114)	(113)
Amortisation	(42)	(59)	(62)	(73)	(104)	(132)
Impairment of long-lived assets			(2)	(6)	(2)	(6)
Addition to Property, plant and equipment	90	59	123	113	213	172
Acquisition of Property, plant and equipment			40	30	40	30
Addition to Intangible assets	25	41	22	7	47	48
Acquisition of Intangible assets			105	112	105	112
Total Gross Investments	**115**	**100**	**290**	**262**	**405**	**362**

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.

Reconciliation table to Group's operating income

in millions of Swiss francs	Fragrances 2017	2016	Flavours 2017	2016	Group 2017	2016
EBITDA	**486**	**603**	**603**	**523**	**1,089**	**1,126**
Depreciation	(48)	(51)	(66)	(62)	(114)	(113)
Amortisation	(42)	(59)	(62)	(73)	(104)	(132)
Impairment of long-lived assets			(2)	(6)	(2)	(6)
Operating income	**396**	**493**	**473**	**382**	**869**	**875**
as % of sales	16.9%	22.1%	17.5%	15.7%	17.2%	18.8%
Financing costs					(42)	(51)
Other financial income (expense), net					(32)	(40)
Income before taxes					**795**	**784**
as % of sales					15.7%	16.8%

Entity-wide disclosures

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

in millions of Swiss francs	2017	2016
Fragrance Division		
Fragrance Compounds	2,036	1,933
Fragrance Ingredients and Active Beauty	307	297
Flavour Division		
Flavour Compounds	2,708	2,433
Total revenues	**5,051**	**4,663**

The Group operates in five geographical areas: Switzerland (country of domicile); Europe, Africa and Middle East; North America; Latin America; and Asia Pacific.

	Segment sales [a]		Non-current assets [b]	
in millions of Swiss francs	**2017**	2016	**2017**	2016
Switzerland	49	45	1,490	1,435
Europe	1,312	1,205	625	436
Africa and Middle East	362	351	54	50
North America	1,352	1,151	1,182	1,235
Latin America	618	591	151	135
Asia Pacific	1,358	1,320	592	497
Total geographical segments	**5,051**	**4,663**	**4,094**	**3,788**

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 583 million (2016: CHF 552 million) are derived from a single external customer. These revenues are mainly attributable to the Fragrance Division.

8. Employee Benefits

The following amounts related to employee remuneration and benefits are included in determining operating income:

in millions of Swiss francs	**2017**	2016
Wages and salaries	841	783
Social security costs	121	115
Post-employment benefits: defined benefit plans	14	(23)
Post-employment benefits: defined contribution plans	33	19
Equity-settled instruments	35	44
Cash-settled instruments		(5)
Change in fair value on own equity instruments		–
Other employee benefits	97	91
Total employees' remuneration	**1,141**	**1,024**

Defined Benefit 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 and United Kingdom (further information by country is disclosed at the end of this note).

During 2016, the defined benefit plans held in the United States of America and United Kingdom have been frozen which means that no further build up of benefits will occur in these plans. These freezes resulted in one-off non-cash gains of CHF 55 million in the United States of America and CHF 7 million in the United Kingdom recognised in the line “other operating income” in the consolidated income statement.

During 2017, the defined benefit plan held in Switzerland was amended principally by reducing the conversion rate used to convert the retirement savings capital into a pension and by increasing savings contributions from both the employees and employer. These plan amendments resulted in a one-off non-cash gain of CHF 4 million recognised net in the line “other operating income” in the consolidated income statement.

During 2017, the supplemental medical coverage of the US post-retirement medical plan was changed. The plan amendment resulted in a one-time past service gain of CHF 16 million recognised in the line "other operating income" in the consolidated income statement.

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

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

			2017			2016
in millions of Swiss francs	Pension Plans	Non-pension Plans	Total	Pension Plans	Non-pension Plans	Total
Current service cost	30	4	34	37	2	39
Gain arising from settlement	(4)	(16)	(20)	(62)		(62)
Total included in employees' remuneration	**26**	**(12)**	**14**	**(25)**	**2**	**(23)**
Net interest cost included in financing costs	10	2	12	10	3	13
Total components of defined benefit cost	**36**	**(10)**	**26**	**(15)**	**5**	**(10)**
Of which arising from:						
Funded obligations	32	(13)	19	(17)	5	(12)
Unfunded obligations	4	3	7	2	–	2

The amounts recognised in other comprehensive income are as follows:

			2017			2016
in millions of Swiss francs	Pension Plans	Non-pension Plans	Total	Pension Plans	Non-pension Plans	Total
(Gains) losses from change in demographic assumptions	(10)	1	(9)	25	(1)	24
(Gains) losses from change in financial assumptions	30	3	33	188	2	190
Experience (gains) losses	9	–	9	11	(6)	5
Return on plan assets less interest on plan assets	(88)	–	(88)	(71)	–	(71)
Remeasurement (gains) losses of post employment benefit obligations	**(59)**	**4**	**(55)**	**153**	**(5)**	**148**
Of which arising from:						
Funded obligations	(60)	4	(56)	148	(5)	143
Unfunded obligations	1		1	5	–	5

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

			2017			2016
in millions of Swiss francs	Pension Plans	Non-pension Plans	Total	Pension Plans	Non-pension Plans	Total
Funded obligations						
Present value of funded obligations	(2,128)	(56)	(2,184)	(2,094)	(70)	(2,164)
Fair value of plan assets	1,640	–	1,640	1,538	1	1,539
Recognised asset (liability) for funded obligations, net	**(488)**	**(56)**	**(544)**	**(556)**	**(69)**	**(625)**
Unfunded obligations						
Present value of unfunded obligations	(74)	(11)	(85)	(80)	(11)	(91)
Recognised asset (liability) for unfunded obligations	**(74)**	**(11)**	**(85)**	**(80)**	**(11)**	**(91)**
Total defined benefit asset (liability)	**(562)**	**(67)**	**(629)**	**(636)**	**(80)**	**(716)**
Deficit recognised as liabilities for post employment benefits	(583)	(67)	(650)	(648)	(80)	(728)
Surplus recognised as part of the other long-term assets	21		21	12		12
Total net asset (liability) recognised	**(562)**	**(67)**	**(629)**	**(636)**	**(80)**	**(716)**

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:

			2017			2016
in millions of Swiss francs	Pension Plans	Non-pension Plans	Total	Pension Plans	Non-pension Plans	Total
Balance as at 1 January	**2,174**	**81**	**2,255**	**2,038**	**84**	**2,122**
Amounts recognised in the income statement						
Current service cost	30	4	34	37	2	39
Interest cost	39	2	41	46	3	49
Amounts recognised in the other comprehensive income						
(Gains) losses from change in demographic assumptions	(10)	1	(9)	25	(1)	24
(Gains) losses from change in financial assumptions	30	3	33	188	2	190
Experience (gains) losses	9	–	9	11	(6)	5
Employee contributions	11	1	12	10	1	11
Benefit payments	(79)	(4)	(83)	(66)	(4)	(70)
Settlements [a]	(4)	(16)	(20)	(62)		(62)
Currency translation effects	2	(5)	(3)	(53)	–	(53)
Balance as at 31 December	**2,202**	**67**	**2,269**	**2,174**	**81**	**2,255**

a) Settlements related to the freeze in the United States of America and United Kingdom (2016) and to plan amendments in Switzerland and the United States of America (2017).

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

			2017			2016
in millions of Swiss francs	Pension Plans	Non-pension Plans	Total	Pension Plans	Non-pension Plans	Total
Balance as at 1 January	**1,538**	**1**	**1,539**	**1,491**	**1**	**1,492**
Amounts recognised in the income statement						
Interest income	29	–	29	36	–	36
Amounts recognised in the other comprehensive income						
Return on plan assets less interest on plan assets	88	–	88	71	–	71
Employer contributions	50	3	53	42	3	45
Employee contributions	11	1	12	10	1	11
Benefit payments	(79)	(4)	(83)	(66)	(4)	(70)
Currency translation effects	3	(1)	2	(46)	–	(46)
Balance as at 31 December	**1,640**		**1,640**	**1,538**	**1**	**1,539**

Plan assets are comprised as follows:

in millions of Swiss francs		2017		2016
Debt	386	24%	489	32%
Equity	590	36%	602	39%
Property	214	13%	215	14%
Insurances policies and other	450	27%	233	15%
Total	**1,640**	**100%**	**1,539**	**100%**

The investment strategies are diversified within the respective statutory requirements of each country providing long-term returns with an acceptable level of risk. The plan assets are primarily quoted in an active market with exception of the property and insurance policies.

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 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	**2017**	2016
Discount rates	1.8%	1.9%
Projected rates of remuneration growth	1.8%	1.7%
Future pension increases	0.8%	0.8%
Healthcare cost trend rate	4.9%	5.0%

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.

Sensitivity analysis

The defined benefit obligations are calculated on the basis of various financial and demographic assumptions. The below information quantifies the consequences of a change in some key assumptions.

The effects ((gain)/loss) of the change in assumptions are as follows:

in millions of Swiss francs	Change in assumption	Effects of the change	Increase in assumption	Decrease in assumption
Discount rate	0.5%	on the current service cost	(4)	5
		on the defined benefit obligation	(182)	201
Salary increases	0.5%	on the current service cost	1	(1)
		on the defined benefit obligation	9	(9)
Pension increases	0.5%	on the current service cost	2	–
		on the defined benefit obligation	125	(43)
Medical cost trend	1.0%	on the current service cost	–	–
		on the defined benefit obligation	3	(3)
Life expectancy	1 year	on the current service cost	1	(1)
		on the defined benefit obligation	77	(78)

Information by country

Switzerland

According to the Swiss Federal Law on Occupational Retirement, Survivors and Disability (LPP/BVG), the pension plan is managed by an independent, legally autonomous entity which has the legal structure of a foundation. The plan was amended during the second half of 2017 principally by reducing the conversion rate used to convert the retirement savings capital into a pension and by increasing savings contributions from both the employees and employer.

The Board of Trustees of the foundation is composed of equal numbers of employee and employer representatives. Each year the Board of Trustees decides the level of interest, if any, to apply to the retirement accounts in accordance with the pension policy. It is also responsible for the investment of the assets defining the investment strategy for long-term returns with an acceptable level of risk. The foundation provides benefits on a defined contribution basis.

The majority of the employees are participants to the plan and are insured against the financial consequences of old age, disability and death. The employer and employees pay contributions to the pension plan at rates set out in the foundation rules based on a percentage of salary. The amount of the retirement account can be taken by the employee at retirement in the form of pension or capital.

Under IAS19 employee benefits, the pension plan is classified as defined benefit plan due to the promises and underlying benefits guarantees. Consequently the pension obligation is calculated by using the projected unit credit method.

The Group expects to contribute CHF 24 million to these plans during 2018.

United States of America

The main US pension plan is qualified under and is managed in accordance with the requirements of US federal law. In accordance with federal law the assets of the plan are legally separate from the employer and are held in a pension trust. The plan was frozen during the first six months of 2016 and consequently no further accrual of benefits will continue as at the date of enforcement of the plan change.

The law requires minimum and maximum amounts that can be contributed to the trust, together with limitations on the amount of benefits that may be provided under the plan. There are named fiduciaries that are responsible for ensuring the plan is managed in accordance with the law. The fiduciaries are responsible for the investment of the assets defining the investment strategy for long-term returns with an acceptable level of risk. The plan provides benefits on a defined benefit basis.

The accrued benefits based on service to the plan freeze are payable at retirement and on death in service. With exceptions for optional lump sum amounts for certain sections of the plan, the benefits are paid out as annuities.

Under IAS19 employee benefits, the pension obligations are calculated by using the projected unit credit method.

The Group expects to contribute CHF 5 million to these plans during 2018.

United Kingdom

The two occupational pension schemes (Quest UK Pension Scheme and Givaudan UK Pension Plan) are arranged under the applicable UK Pension Schemes and Pensions Acts and managed as legally autonomous pension trusts by the Boards of Trustees. The plans were frozen during the second half of 2016 and consequently no further accrual benefits will continue as at the date of enforcement of the plan change.

The Boards of Trustees are composed of two employee representatives and four employer representatives, for the Quest UK Pension Scheme, and three employee representatives, three employer representatives plus two pensioner representatives for the Givaudan UK Pension Plan. The Boards of Trustees are responsible for the investment of the assets defining the investment strategy for long-term returns with an acceptable level of risk. In their respective sections, both trusts provide benefits on a defined benefit basis and are now frozen to future accruals and members.

The accrued benefits based on service to the plan freeze are payable at retirement and on death in service. With exceptions for trivial amounts, transfer values, lump sum death benefits and tax free lump sums, the benefits are paid out as annuities.

Under IAS19 employee benefits, the pension obligations in the defined benefit sections of both the Quest UK Pension Scheme and the Givaudan UK Pension Plan are calculated by using the projected unit credit method.

The Group expects to contribute CHF 8 million to these plans during 2018.

Rest of the world

The Group operates other retirement plans classified either as defined benefit or defined contribution plans in some other countries. No individual plan other than those described above is considered material to the Group.

The Group expects to contribute CHF 3 million to these plans in 2018.

The funding position of the funded defined benefit plans are as follows:

As at 31 December 2017 in millions of Swiss francs	Switzerland	United States of America	United Kingdom	Other countries	Total
Present value of defined benefit obligation	1,202	453	390	83	2,128
Fair value of plan asset	823	403	370	44	1,640
Deficit / (surplus)	**379**	**50**	**20**	**39**	**488**
Funding ratio	68.5%	89.0%	94.9%	53.0%	77.1%

As at 31 December 2016 in millions of Swiss francs	Switzerland	United States of America	United Kingdom	Other countries	Total
Present value of defined benefit obligation	1,208	442	366	78	2,094
Fair value of plan asset	797	382	316	43	1,538
Deficit / (surplus)	**411**	**60**	**50**	**35**	**556**
Funding ratio	66.0%	86.4%	86.3%	55.1%	73.4%

Key assumptions

2017 in percentage	Switzerland	United States of America	United Kingdom
Discount rate	0.70	3.70	2.40
Future salary increases	2.00	n/a	n/a
Future pension increases	0.00	n/a	2.25
Future average life expectancy for a pensioner retiring at age 65	23.4	21.8	23.0

2016 in percentage	Switzerland	United States of America	United Kingdom
Discount rate	0.60	4.25	2.60
Future salary increases	2.00	n/a	n/a
Future pension increases	0.00	n/a	2.55
Future average life expectancy for a pensioner retiring at age 65	23.3	21.8	23.2

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 tables:

(i) Switzerland: BVG2015
(ii) United States of America: RP2014
(iii) United Kingdom: S2PA

Allowance for future improvements in mortality have been allowed for as appropriate in each country. In Switzerland the generational rates have been used. In the United States of America the published rates have been adjusted and projected in accordance with the MP2017 scale. In the United Kingdom the rates reflect the latest (2016) CMI projections with a 1.25% long term rate of improvement.

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9. Share-Based Payments

Performance share plan

Performance shares are granted on a yearly basis. The performance shares are converted into tradable and transferable shares of Givaudan SA after the vesting period, subject to performance conditions. The performance metric is a combination of the average sales growth of selected peer companies and the cumulative free cash flow margin. There is no market vesting condition involved and participation in this plan is mandatory.

Year of grant	Commencing date	Vesting date	Number of shares expected to be delivered at vesting date	Fair value at grant date (CHF)
2015	31 Mar 2015	31 Mar 2018	23,628	1,595.9
2016	31 Mar 2016	15 Apr 2019	22,181	1,709.4
2017	31 Mar 2017	15 Apr 2020	23,232	1,621.6

The cost of the equity-settled instruments of CHF 33 million (2016: CHF 42 million) has been expensed in the consolidated income statement. A marginal portion of the number of shares expected to be delivered can be settled in cash in the jurisdictions where a physical delivery is not admitted.

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	Commencing date	Vesting date	Restricted share at grant date (CHF)	**Number of restricted share 2017**	Number of restricted share 2016
2014	31 Mar 2014	31 Mar 2017	1,214.4		1,190
2015	31 Mar 2015	31 Mar 2018	1,595.9	1,092	1,092
2016	31 Mar 2016	15 Apr 2019	1,709.4	935	935
2017	31 Mar 2017	15 Apr 2020	1,621.6	900	

Of the 2,927 outstanding restricted shares (2016: 3,217), no share (2016: none) was deliverable. The cost of these equity-settled instruments of CHF 2 million (2016: CHF 2 million) has been expensed in the consolidated income statement.

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

Number of restricted shares	**2017**	2016
As at 1 January	**3,217**	**3,407**
Granted	900	935
Delivered/Sold	(1,190)	(1,125)
As at 31 December	**2,927**	**3,217**

For these plans, the Group has at its disposal treasury shares.

10. Jointly Controlled Entities

Year of incorporation	Name of Joint ventures	Principal activity	Country of incorporation	Ownership interest
2014	Jiangsu Xinrui Aromatics Ltd	Production of fragrance ingredients	China	49%
2014	BGN Tech LLC	Innovative natural ingredients	USA	49%
2015	Natural Extracts International Ltd	Natural ingredient derivatives production	Mauritius	49%
2016	Vanilla International Ltd	Natural ingredient collection and extract	Mauritius	49%

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

As at 31 December in millions of Swiss francs	**2017**	2016
Current assets	113	114
Non-current assets	67	41
Current liabilities	(99)	(79)
Non-current liabilities	(14)	(5)
Total net assets of joint ventures	**67**	**71**

As at 31 December in millions of Swiss francs	**2017**	2016
Income	36	9
Expenses	(35)	(11)

11. Other Operating Income

in millions of Swiss francs	**2017**	2016
Gains on disposal of fixed assets	1	
Other income	41	75
Total other operating income	**42**	**75**

For the year ended 31 December 2017, the Group recognised one-off non-cash gains of CHF 16 million in the United States of America and CHF 4 million in Switzerland (2016: CHF 55 million in the United States of America and CHF 7 million in the United Kingdom) related to defined benefit plans.

12. Other Operating Expense

in millions of Swiss francs	**2017**	2016
Project Related expenses[a]	107	14
Amortisation of intangible assets	12	47
Impairment of long-lived assets	2	6
Losses on disposal of fixed assets	4	4
Environmental provisions	1	4
Business taxes	15	12
Acquisition and integration related expenses	1	1
Other expenses	10	13
Total other operating expense	**152**	**101**

a) Primarily relates to Givaudan Business Solutions (GBS).

13. Expenses by Nature

in millions of Swiss francs	Note	2017	2016
Raw materials and consumables used		1,980	1,769
Total employee remuneration	8	1,141	1,024
Depreciation, amortisation and impairment charges	21,22	220	251
Transportation expenses		48	45
Freight expenses		96	89
Consulting and service expenses		140	116
Energies		56	53
IT related costs		50	46
Other expenses		451	395
Total operating expenses by nature		**4,182**	**3,788**

14. Financing Costs

in millions of Swiss francs	Note	2017	2016
Interest expense		29	42
Net interest related to defined benefit pension plans	8	12	13
Derivative interest (gains) losses		–	(5)
Amortisation of debt discounts		1	1
Total financing costs		**42**	**51**

15. Other Financial (Income) Expense, Net

in millions of Swiss francs	2017	2016
Fair value and realised (gains) losses from derivatives instruments, net (at fair value through income statement)	(79)	88
Exchange (gains) losses, net	103	(59)
Realised (gains) losses from financial instruments measured at fair value through income statement	–	–
Unrealised (gains) losses from financial instruments measured at fair value through income statement	(8)	(4)
Interest (income) expense	(3)	1
Capital taxes and other non business taxes	10	9
Other (income) expense, net	9	5
Total other financial (income) expense, net	**32**	**40**

16. Income Taxes

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

				2017				2016
in millions of Swiss francs	Income statement	Other comprehensive income	Own equity instruments	Total	Income statement	Other comprehensive income	Own equity instruments	Total
Current taxes								
– in respect of current year	100	(3)	(1)	96	117	–		117
– in respect of prior years	(17)			(17)	(10)			(10)
Deferred taxes								
– in respect of current year	(6)	40	–	34	33	(36)	–	(3)
– reclassified from equity to income statement	–	–		–				
– in respect of prior years	(2)	1		(1)	–		3	3
Total income tax expense	**75**	**38**	**(1)**	**112**	**140**	**(36)**	**3**	**107**

Since the Group operates globally, it is subject to income taxes in many different tax jurisdictions. As such, in determining the provision for income taxes, judgment is required as there are transactions for which the ultimate tax determination is uncertain at the time of preparing the financial statements. As a result, any 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 final determinations are made.

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

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

	2017	2016
Group's average applicable tax rate	**16%**	**20%**
Tax effect of		
Income not taxable	(2%)	(2%)
Expenses not deductible	1%	1%
Change in tax rate	(2%)	
Other adjustments of income taxes of prior years	(3%)	(1%)
Other differences	(1%)	–
Group's effective tax rate	**9%**	**18%**

The variation in the Group's average applicable tax rate arises due to changes in the composition of the Group's profitability within the Group's subsidiaries, in accordance with the Group's business profile in terms of geographical presence, product mix and customer portfolio, as well as external factors related to changes in local statutory tax rates.

In December 2017, the United States of America introduced a new tax law with an effective date of 1 January 2018. The new law contains a Corporate Tax rate of 21% compared to 35% under the previous tax law. The revised rate has been applied to the temporary differences recognised in the 2017 statement of financial position of the Group's United States subsidiaries.

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	**2017**	2016
Current income tax assets	32	26
Current income tax liabilities	(49)	(46)
Total net current income tax asset (liability)	**(17)**	**(20)**

2017 in millions of Swiss francs	Property, plant & equipment	Intangible assets	Pension plans	Tax loss carry forward	Other differences	Total
Net deferred tax asset (liability) as at 1 January	**(94)**	**(58)**	**190**	**32**	**96**	**166**
Acquisition	(3)	(25)			1	(27)
(Credited) debited to consolidated income statement	11	24	(7)	(26)	6	8
(Credited) debited to other comprehensive income			(38)		(3)	(41)
(Credited) debited to own equity instruments					–	–
Currency translation effects	(1)	–	(1)	–	4	2
Net deferred tax asset (liability) as at 31 December	**(87)**	**(59)**	**144**	**6**	**104**	**108**
Deferred tax assets						207
Deferred tax liabilities						(99)
Net deferred tax asset (liability) as at 31 December						**108**

2016 in millions of Swiss francs	Property, plant & equipment	Intangible assets	Pension plans	Tax loss carry forward	Other differences	Total
Net deferred tax asset (liability) as at 1 January	**(89)**	**(64)**	**173**	**59**	**89**	**168**
Acquisition						
(Credited) debited to consolidated income statement	(6)	6	(15)	(25)	7	(33)
(Credited) debited to other comprehensive income			33		3	36
(Credited) debited to own equity instruments					(3)	(3)
Currency translation effects	1	–	(1)	(2)	–	(2)
Net deferred tax asset (liability) as at 31 December	**(94)**	**(58)**	**190**	**32**	**96**	**166**
Deferred tax assets						259
Deferred tax liabilities						(93)
Net deferred tax asset (liability) as at 31 December						**166**

Amounts recognised in the statement of financial position for deferred taxes are reported as non-current assets and non-current liabilities; the current portion will be charged or credited to the consolidated income statement during 2018.

Deferred tax assets on loss carry forwards of CHF 6 million (2016: CHF 32 million) have been recognised, the majority of which expires after 2021. The management considers that there will be future taxable profit available against which these tax losses can be recovered. There are no significant deferred tax assets on unused tax losses which have not been recognised (2016: CHF 4 million).

Deferred tax assets on tax credits of CHF 69 million (2016: CHF 59 million) have been recognised.

A deferred tax liability of CHF 25 million has been recognised in 2017 (2016: CHF 24 million) for certain foreign subsidiaries which have undistributed earnings subject to withholding tax when paid out as dividend as the parent entity is in a position to forecast the timing of distributions expected in the foreseeable future, whereas no deferred tax liability could be recognised for undistributed earnings of CHF 467 million (2016: CHF 429 million).

17. 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:

	2017	2016
Income attributable to equity holder of the parent (in millions of Swiss francs)	**720**	**644**
Weighted average number of shares outstanding		
Ordinary shares	9,233,586	9,233,586
Treasury shares	(24,120)	(27,646)
Net weighted average number of shares outstanding	**9,209,466**	**9,205,940**
Basic earnings per share (CHF)	**78.18**	**69.95**

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:

	2017	2016
Income attributable to equity holder of the parent (in millions of Swiss francs)	**720**	**644**
Weighted average number of shares outstanding for diluted earnings per share of 76'464 (2016: 81,316)	**9,285,930**	**9,287,256**
Diluted earnings per share (CHF)	**77.54**	**69.34**

18. Cash and Cash Equivalents

in millions of Swiss francs	2017	2016
Cash on hand and balances with banks	273	207
Short-term investments	261	121
Balance as at 31 December	**534**	**328**

19. Accounts Receivable – Trade

in millions of Swiss francs	2017	2016
Accounts receivable	1,162	1,009
Notes receivable	1	1
Less: allowance for doubtful accounts	(16)	(14)
Balance as at 31 December	**1,147**	**996**

Ageing list:

in millions of Swiss francs	2017	2016
Neither past due nor impaired	1,062	939
Less than 30 days	71	48
30 – 60 days	14	9
60 – 90 days	4	4
Above 90 days	12	10
Less: allowance for doubtful accounts	(16)	(14)
Balance as at 31 December	**1,147**	**996**

Movement in the allowance for doubtful accounts:

in millions of Swiss francs	2017	2016
Balance as at 1 January	**(14)**	**(11)**
Increase in allowance for doubtful accounts recognised in consolidated income statement	(5)	(5)
Amounts written off as uncollectible	–	–
Reversal of allowance for doubtful accounts	3	1
Currency translation effects		1
Balance as at 31 December	**(16)**	**(14)**

No significant impairment charge has been recognised in the consolidated income statement in 2017 or in 2016. Past due and impaired receivables are still considered recoverable. The carrying amount of accounts receivable – trade is considered to correspond to the fair value.

20. Inventories

in millions of Swiss francs	2017	2016
Raw materials and supplies	359	312
Work in process	34	26
Intermediate and finished goods	549	482
Less: allowance for slow moving and obsolete inventories	(40)	(32)
Balance as at 31 December	**902**	**788**

In 2017 the amount of write-down of inventories was CHF 35 million (2016: CHF 36 million). At 31 December 2017 and 2016 no significant inventory was valued at net realisable value.

21. Property, Plant and Equipment

2017 in millions of Swiss francs	Land	Buildings and land improve-ments	Machinery, equipment and vehicles	Construction in progress	Total
Net book value					
Balance as at 1 January	**95**	**722**	**531**	**94**	**1,442**
Additions	–	1	4	208	213
Acquisitions	13	14	12	1	40
Disposals	–	(2)	(3)		(5)
Transfers	–	41	67	(108)	
Impairment		(2)	–		(2)
Depreciation		(33)	(81)		(114)
Reclassified as investment property	(2)	(13)	–		(15)
Currency translation effects	3	10	5	2	20
Balance as at 31 December	**109**	**738**	**535**	**197**	**1,579**
Cost	109	1,218	1,627	197	3,151
Accumulated depreciation		(465)	(1,088)		(1,553)
Accumulated impairment		(15)	(4)		(19)
Balance as at 31 December	**109**	**738**	**535**	**197**	**1,579**

2016 in millions of Swiss francs	Land	Buildings and land improve-ments	Machinery, equipment and vehicles	Construction in progress	Total
Net book value					
Balance as at 1 January	**91**	**708**	**530**	**55**	**1,384**
Additions	3	9	3	157	172
Acquisition	3	17	10	–	30
Disposals		(1)	(4)		(5)
Transfers		35	81	(116)	
Impairment		(6)			(6)
Depreciation		(33)	(80)		(113)
Currency translation effects	(2)	(7)	(9)	(2)	(20)
Balance as at 31 December	**95**	**722**	**531**	**94**	**1,442**
Cost	95	1,180	1,598	94	2,967
Accumulated depreciation		(440)	(1,063)		(1,503)
Accumulated impairment		(18)	(4)		(22)
Balance as at 31 December	**95**	**722**	**531**	**94**	**1,442**

At 31 December 2017 and 2016 no significant capitalised borrowing costs were accounted for.

22. Intangible Assets

2017 in millions of Swiss francs	Goodwill	Process-oriented technology and other	Client relationships	Name and product brands	Software / ERP system	Total
Net book value						
Balance as at 1 January	**1,791**	**184**	**203**	**3**	**130**	**2,311**
Additions		4			43	47
Acquisitions	115	34	68	3	–	220
Amortisation		(34)	(28)	(2)	(40)	(104)
Currency translation effects	6	2	–	–	–	8
Balance as at 31 December	**1,912**	**190**	**243**	**4**	**133**	**2,482**
Cost	1,912	863	483	7	667	3,932
Accumulated amortisation		(669)	(240)	(3)	(534)	(1,446)
Accumulated impairment		(4)				(4)
Balance as at 31 December	**1,912**	**190**	**243**	**4**	**133**	**2,482**

2016 in millions of Swiss francs	Goodwill	Process-oriented technology and other	Client relationships	Name and product brands	Software / ERP system	Total
Net book value						
Balance as at 1 January	**1,707**	**173**	**143**	**3**	**171**	**2,197**
Additions		12			36	48
Acquisition	150	30	81	1		262
Amortisation		(30)	(24)	(1)	(77)	(132)
Currency translation effects	(66)	(1)	3	–	–	(64)
Balance as at 31 December	**1,791**	**184**	**203**	**3**	**130**	**2,311**
Cost	1,791	823	415	4	624	3,657
Accumulated amortisation		(635)	(212)	(1)	(494)	(1,342)
Accumulated impairment		(4)				(4)
Balance as at 31 December	**1,791**	**184**	**203**	**3**	**130**	**2,311**

Classification of amortisation expenses is as follows:

			2017			2016
in millions of Swiss francs	Fragrances	Flavours	Total	Fragrances	Flavours	Total
Cost of sales	9	9	18	10	6	16
Selling, marketing and distribution expenses	15	23	38	16	20	36
Research and product development expenses	9	21	30	8	21	29
Administration expenses	3	3	6	2	2	4
Other operating expenses	6	6	12	23	24	47
Total	**42**	**62**	**104**	**59**	**73**	**132**

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 590 million (2016: CHF 572 million) to the Fragrance Division and CHF 1,322 million (2016: CHF 1,219 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 terminal value assumes no further growth beyond the five year period. 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 10.3% (2016: 9.7%) was applied to cash flow projections of the Fragrance Division and to cash flow projections of the Flavour Division. 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.

Process-oriented technology and other

This consists mainly of process-oriented technology, formulas, molecules, delivery systems as well as process knowledge and research expertise in innovative cosmetic solutions, acquired when the Group purchased Food Ingredients Specialties (FIS), International Bioflavors (IBF), Quest International, Soliance, Induchem, Spicetec, Activ International and Vika.

In 2016, the Group invested CHF 12 million in bioscience through agreement with outside partner to apply strain technology to active beauty which represents an intangible asset with indefinite useful life.

Client relationships

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

Name and product brands

In connection with the acquisition of Induchem, Spicetec, Activ International and Vika, the Group acquired name and product brands in active beauty and in natural flavour businesses.

Software/ERP system

This consists of internally generated intangible assets associated with the development of identifiable software products and ERP systems.

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

- Software 2.7 years
- Name and product brands 2.4 years
- Process-oriented technology and other 6.6 years
- Client relationships 13.7 years

23. Investment Property

In 2017, the Group entered into an agreement to develop real estate at its facility in Kemptthal with a third party. As the agreement meets the criteria of IAS 40, the value of land and buildings has been transferred to Investment property. No significant costs were incurred to date.

24. Debt

2017 in millions of Swiss francs	Floating rate debt Bank borrowings	Bank overdrafts	Private placements	Total	Fixed rate debt Bank borrowings	Straight bonds	Private placements	Total	Total short-term and long-term debt
Balance as at 1 January		**7**		**7**		**997**	**254**	**1,251**	**1,258**
Cash flows	(42)	(3)	116	71	(5)		232	227	298
Non-cash changes									
- Amortisation of debt discount						1		1	1
- Acquisition / Divestment	13	3		16	14			14	30
- Currency effects	30		1	31			(10)	(10)	21
Balance as at 31 December	**1**	**7**	**117**	**125**	**9**	**998**	**476**	**1,483**	**1,608**
Within 1 year		7		7	1	300		301	308
Within 1 to 3 years	1			1	2	100	39	141	142
Within 3 to 5 years			117	117	2	249		251	368
Thereafter					4	349	437	790	790
Balance as at 31 December	**1**	**7**	**117**	**125**	**9**	**998**	**476**	**1,483**	**1,608**

2016 in millions of Swiss francs	Floating rate debt Bank borrowings	Bank overdrafts	Private placements	Total	Fixed rate debt Bank borrowings	Straight bonds	Private placements	Total	Total short-term and long-term debt
Balance as at 1 January		**3**		**3**		**847**	**305**	**1,152**	**1,155**
Cash flows		4		4		149	(54)	95	99
Non-cash changes									
- Amortisation of debt discount						1		1	1
- Acquisition / Divestment									
- Currency effects							3	3	3
Balance as at 31 December		**7**		**7**		**997**	**254**	**1,251**	**1,258**
Within 1 year		7		7					7
Within 1 to 3 years						299		299	299
Within 3 to 5 years						248	41	289	289
Thereafter						450	213	663	663
Balance as at 31 December		**7**		**7**		**997**	**254**	**1,251**	**1,258**

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 matured at various times in instalments beginning May 2009 through April 2016 with annual interest rates ranging from 4.16% to 5.49%. There were various covenants contained in the transaction covering conditions on net worth, indebtedness and disposition of assets of Givaudan United States, Inc. Givaudan United States, Inc has been in full compliance with the covenants set. The outstanding amount of USD 55 million (equivalent to CHF 54 million) has been fully paid in April 2016.

On 15 June 2011, the Group issued a 2.5% seven year public bond with a nominal value of CHF 300 million. The bond was issued by Givaudan SA.

On 7 December 2011, the Group issued a dual tranche public bond transaction of CHF 150 million each, totalling CHF 300 million, respectively of 1.250% for five years and of 2.125% for ten years. The bond was issued by Givaudan SA. The first tranche was redeemed in December 2016.

In November 2012, Givaudan United States, Inc entered into three private placements for a total amount of USD 250 million (CHF 243 million) respectively USD 40 million redeemable in February 2020 with an annual interest rate of 2.74%, USD 150 million redeemable in February 2023 with an annual interest rate of 3.30% and USD 60 million redeemable in February 2025 with an annual interest rate of 3.45%. The proceeds of these transactions have been received on 6 February 2013. There are various covenants contained in these transactions covering conditions on net worth, indebtedness and EBITDA ratio to net interest expense of Givaudan United States, Inc. The company is and has been in full compliance with the covenants set.

On 19 March 2014, the Group issued a 1.00% six and a half year public bond with a nominal value of CHF 100 million and a 1.75% ten year public bond with a nominal value of CHF 150 million. These bonds were issued by Givaudan SA.

In December 2016, the Group issued a 0.00% six year public bond with a nominal value of CHF 100 million and a 0.625% fifteen year public bond with a nominal value of CHF 200 million. These bonds were issued by Givaudan SA. The proceeds of CHF 300 million were used to repay the 1.250% five year public bond with a nominal value of CHF 150 million which was redeemed in December 2016 and to repay the short-term borrowings withdrawn during the year.

In December 2017, the Givaudan S.A. entered into a five year floating rate private placement (Schuldschein) with a nominal value of EUR 100 million (CHF 117 million) and a seven year 1.331% fixed rate private placement (Schuldschein) with a nominal value of EUR 200 million (CHF 233 million). The proceeds of EUR 300 million were used mainly to repay the short-term borrowings withdrawn during the year.

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

in millions of Swiss francs	**2017**	2016
Swiss Franc	998	997
US Dollar	244	259
Euro	365	2
Other currencies	1	–
Total debt as at 31 December	**1,608**	**1,258**

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

	2017	2016
Private placements USD	3.2%	3.3%
Private placements EUR	1.1%	
Straight bond CHF	1.6%	1.6%
Weighted average effective interest rates on gross debt	**1.7%**	**1.9%**

25. Changes in liabilities arising from financing activities

2017 in millions of Swiss francs	**Balance as at 1 January**	Cash impact Cash flows Inflow (Outflow)	Non-cash changes Amortisation of debt discount/premium	Non-cash changes Acquisition/Divestment	Non-cash changes Fair values changes and Others	Currency effects	**Balance as at 31 December**
Total short-term and long-term debt	1,258	298	1	30		21	1,608
Interest on liabilities	8	(24)		–	24	–	8
Derivative financial instruments	62	–			(2)		60
Others, net	12	(7)			9	(1)	13
Total liabilities from financing activities	**1,340**	**267**	**1**	**30**	**31**	**20**	**1,689**

2016 in millions of Swiss francs	**Balance as at 1 January**	Cash impact Cash flows Inflow (Outflow)	Non-cash changes Amortisation of debt discount/premium	Non-cash changes Acquisition/Divestment	Non-cash changes Fair values changes and Others	Currency effects	**Balance as at 31 December**
Total short-term and long-term debt	1,155	99	1			3	1,258
Interest on liabilities	9	(33)			32		8
Derivative financial instruments	62	(8)			8		62
Others, net	5	–		1	6	–	12
Total liabilities from financing activities	**1,231**	**58**	**1**	**1**	**46**	**3**	**1,340**

26. Provisions

2017 in millions of Swiss francs	Restructuring	Claims and litigation	Environmental	Others	Total
Balance as at 1 January	**3**	**8**	**26**	**28**	**65**
Additional provisions	60	3		7	70
Unused amounts reversed	(1)	–		–	(1)
Utilised during the year	(4)	(1)	(2)	(3)	(10)
Currency translation effects	–	–	–	–	–
Balance as at 31 December	**58**	**10**	**24**	**32**	**124**
Current liabilities	51	1	3	2	57
Non-current liabilities	7	9	21	30	67
Balance as at 31 December	**58**	**10**	**24**	**32**	**124**

2016 in millions of Swiss francs	Restructuring	Claims and litigation	Environmental	Others	Total
Balance as at 1 January	**3**	**11**	**23**	**26**	**63**
Additional provisions	2	3	5	4	14
Unused amounts reversed	–	(3)	(1)	–	(4)
Utilised during the year	(2)	(3)	(1)	(2)	(8)
Currency translation effects	–	–	–	–	–
Balance as at 31 December	**3**	**8**	**26**	**28**	**65**
Current liabilities	2		2	2	6
Non-current liabilities	1	8	24	26	59
Balance as at 31 December	**3**	**8**	**26**	**28**	**65**

Significant judgment is required in determining the various provisions. A range of possible outcomes is 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 in which such determination is made.

Restructuring provisions
Restructuring provisions arise from reorganisations of the Group's operations and management structure primarily related to Givaudan Business Solutions (GBS).

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
Givaudan's affiliate, Givaudan Fragrances Corporation, is one of approximately 100 companies identified by the US Environmental Protection Agency ("EPA") as "Potentially Responsible Parties" ("PRP") for alleged contamination of the Passaic River. The EPA released a Focused Feasibility Study ("FFS") covering only the lower 8 miles of the River in 2014. In March 2016, the EPA issued its Record of Decision ("ROD") to confirm the remediation solution related to the FFS. The chosen solution entails a bank-to-bank dredge of the River, and the installation of an engineered cap, with an estimated cost of CHF 1.4 billion. One PRP agreed in 2016 to conduct the detailed remediation design, which is expected to take up to four years to complete. In March 2017, the EPA offered twenty PRP's the opportunity to cash out of their obligations pertaining to the remediation of the lower 8 miles of the River. The EPA has also selected an expert to work with the remaining PRP's on the allocation of the remediation costs, which is expected to take approximately two years to conclude.

The Cooperating Parties Group ("CPG"), of which Givaudan had been a member, issued a draft Remedial Investigation/Feasibility Study ("RI/FS") in April 2014, which proposed a Sustainable Remedy for the entire lower 17 miles of the River. The CPG is still responding to EPA comments on the RI/FS, which remains in draft form today.

At this time, there are many uncertainties associated with the final remediation plan and the Company's share of the costs, if any. However, in accordance with accounting guidance, the Group has recorded a reserve which it believes can reasonably be expected to cover the Company's obligation, if any, given the information currently available.

The other 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 long-term deferred compensation plan and to restoring expenses related to leased facilities.

27. Own Equity Instruments
Details of own equity instruments are as follows:

As at 31 December 2017	Settlement	Category	Maturity	Strike price (CHF)	in equivalent shares	Fair value in millions of Swiss francs
Registered shares		Equity			23,838	54
Purchased calls	Gross shares	Equity	2018	1,786.1 – 1,962.1	50,312	18
Written puts	Gross shares	Financial liability	2018	1,679.5 – 1,959.0	50,312	–

As at 31 December 2016	Settlement	Category	Maturity	Strike price (CHF)	in equivalent shares	Fair value in millions of Swiss francs
Registered shares		Equity			31,137	58
Purchased calls	Net cash	Derivative	1 Mar 2017	915.0	2,732	3
Purchased calls	Gross shares	Equity	2017	1,690.0 – 1,930.9	31,750	3
Written puts	Gross shares	Financial liability	2017	1,690.0 – 1,930.4	31,750	2

28. Equity

Share capital

As at 31 December 2017, 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.

At the Annual General Meeting held on 23 March 2017 the distribution of an ordinary dividend of CHF 56.00 per share (2016: CHF 54.00 per share) was approved. The dividend payment has been paid out of available retained earnings.

Movements in own equity instruments are as follows:

		Price in Swiss francs			Total in millions of Swiss francs
2017	Number	High	Average	Low	
Balance as at 1 January	**31,137**				**109**
Purchases at cost	25,750	1,920.2	1,843.6	1,690.0	47
Sales and transfers	(33,049)	1,491.2	1,491.2	1,491.2	(49)
(Gains) losses, net recognised in equity					
Movement on registered shares, net					**(2)**
Movement on derivatives on own shares, net					**50**
Income taxes					**–**
Balance as 31 December	**23,838**				**157**

		Price in Swiss francs			Total in millions of Swiss francs
2016	Number	High	Average	Low	
Balance as at 1 January	**39,706**				**79**
Purchases at cost	38,250	1,931.0	1,327.8	1,200.0	51
Sales and transfers	(46,819)	1,402.7	1,402.7	1,402.7	(66)
(Gains) losses, net recognised in equity					–
Movement on registered shares, net					**(15)**
Movement on derivatives on own shares, net					**42**
Income taxes					**3**
Balance as 31 December	**31,137**				**109**

29. 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	**2017**	2016
Within one year	36	35
Within two to five years	85	87
Thereafter	32	53
Total minimum payments	**153**	**175**

The charge in the 2017 consolidated income statement for all operating leases was CHF 45 million (2016: CHF 38 million). The Group has capital commitments for the purchase or construction of property, plant and equipment totalling CHF 105 million (2016: CHF 43 million).

30. 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.

One of the Group's US affiliates, Givaudan Flavors Corporation was named as a defendant in several lawsuits brought against it and other flavour and raw chemical supply companies. The plaintiffs alleged that they sustained pulmonary injuries due to diacetyl-containing butter flavours manufactured by one or more of the flavour and raw chemical supply company defendants. The majority of the cases filed against Givaudan Flavors Corporation have been settled. The Group has already recovered or will recover amounts it is entitled to under the terms of its insurance policies.

31. 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	**2017**	2016
Salaries and other short-term benefits	13	13
Post-employment benefits	1	2
Share-based payments	11	12
Total compensation	**25**	**27**

No other related party transactions have taken place during 2017 (2016: 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	**2017**	2016	**2017**	2016	**2017**	2016
Salaries and other short-term benefits	13	13	(6)	(6)	7	7
Post-employment benefits	1	2	1	–	2	2
Share-based payments	11	12	2	2	13	14
Total compensation	**25**	**27**	**(3)**	**(4)**	**22**	**23**

a) IFRS information is adjusted mainly to the recognition of the share-based payments, IFRS 2 versus economic value at grant date. IFRS information also includes security costs.

There are no other significant related party transactions including in the jointly controlled entities.

32. Board of Directors and Executive Committee Compensation

Compensation of members of the Board of Directors

Compensation of Board members consists of Director fees, Committee fees and Restricted Share Units (RSUs). Fees are paid at the end of each year in office completed. RSUs give participants the right to receive Givaudan shares (or a cash equivalent in countries where securities laws prevent the offering of Givaudan securities) at the end of a three-year blocking period.

The Chairman of the Board does not receive any additional Board Membership or Committee fees. Similarly, a Committee Chairman does not receive any additional Committee Membership fees. Each Board member receives an additional amount of CHF 10,000 to cover out-of-pocket expenses. This amount is paid for the coming year in office. The RSUs are also granted for the same period. The compensation paid to the Board members for the reporting period is shown in the table below:

2017 in Swiss francs	Calvin Grieder Chairman[e]	Victor Balli[e]	Prof. Dr-Ing. Werner Bauer[e]	Lilian Biner[e]	Michael Carlos[e]	Ingrid Deltenre[e]	Thomas Rufer[e]	Dr Jürg Witmer[f]	Total 2017[a]
Director fees[b]	325,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	1,025,000
Committee fees[b]	61,250	43,750	65,000	31,250	58,750	50,000	55,000	10,000	375,000
Total fixed (cash)	386,250	143,750	165,000	131,250	158,750	150,000	155,000	110,000	1,400,000
Number of RSUs granted[c]	360	90	90	90	90	90	90	–	900
Value at grant[d]	583,776	145,944	145,944	145,944	145,944	145,944	145,944	–	1,459,440
Total compensation	**970,026**	**289,694**	**310,944**	**277,194**	**304,694**	**295,944**	**300,944**	**110,000**	**2,859,440**

a) Represents total compensation for the Board of Director paid in respect of the reporting year, reported in accordance with the accrual principle.
b) Represents Director and Committee fees paid in respect of the reporting year, reported in accordance with the accrual principle.
c) RSUs vest on 15 April 2020.
d) Economic value at grant according to IFRS methodology, with no discount applied for the vesting period.
e) The function of each member of the Board of Directors are indicated on pages 63-65 in the Corporate Governance section of the 2017 Annual Report.
f) Retired at the Annual General Meeting in March 2017.

Estimated social security charges based on 2017 compensation amounted to CHF 205,000 (2016: CHF 221,000).
In addition to the above, payments to Board members for out-of-pocket expenses amounted to CHF 70,000 (2016: 70,000).

2016 in Swiss francs	Dr Jürg Witmer Chairman[g]	André Hoffmann[f,g]	Victor Balli[e,g]	Prof. Dr-Ing. Werner Bauer[g]	Lilian Biner[g]	Michael Carlos[g]	Ingrid Deltenre[g]	Calvin Grieder[g]	Peter Kappeler[f,g]	Thomas Rufer[g]	Total 2016[a]
Director fees[b]	400,000	25,000	75,000	100,000	100,000	100,000	100,000	100,000	25,000	100,000	1,125,000
Committee fees[b]	40,000	10,000	18,750	65,000	50,000	40,000	50,000	50,000	6,250	55,000	385,000
Total fixed (cash)	440,000	35,000	93,750	165,000	150,000	140,000	150,000	150,000	31,250	155,000	1,510,000
Number of RSUs granted[c]	340	–	85	85	85	85	85	85	–	85	935
Value at grant[d]	581,196	–	145,299	145,299	145,299	145,299	145,299	145,299	–	145,299	1,598,289
Total compensation	**1,021,196**	**35,000**	**239,049**	**310,299**	**295,299**	**285,299**	**295,299**	**295,299**	**31,250**	**300,299**	**3,108,289**

a) Represents total compensation for the Board of Director paid in respect of the reporting year, reported in accordance with the accrual principle.
b) Represents Director and Committee fees paid in respect of the reporting year, reported in accordance with the accrual principle.
c) RSUs vest on 15 April 2019.
d) Economic value at grant according to IFRS methodology, with no discount applied for the vesting period.
e) Elected at the Annual General Meeting in March 2016.
f) Retired at the Annual General Meeting in March 2016.
g) The function of each member of the Board of Directors are indicated on pages 80-84 in the Corporate Governance section of the 2016 Annual Report.

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 or related parties had any loan outstanding as of 31 December 2017.

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

No such compensation was incurred during the reporting period.

Compensation of members of the Executive Committee

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

in Swiss francs	Gilles Andrier CEO 2017	Gilles Andrier CEO 2016	Executive Committee members (excluding CEO)[a] 2017	Executive Committee members (excluding CEO)[b] 2016	Total 2017	Total 2016
Base salary	1,045,952	1,035,599	3,970,375	3,819,306	5,016,327	4,854,905
Pension benefits[c]	445,076	442,705	1,048,011	1,558,506	1,493,087	2,001,211
Other benefits[d]	114,688	111,061	800,451	792,134	915,139	903,195
Total fixed compensation	1,605,716	1,589,365	5,818,837	6,169,946	7,424,553	7,759,311
Annual incentive[e]	977,142	944,804	2,513,556	2,342,717	3,490,698	3,287,521
Number of performance shares granted[f]	1,777	1,686	5,549	5,441	7,326	7,127
Value at grant[g]	2,881,583	2,882,048	8,998,258	9,300,845	11,879,841	12,182,893
Total variable compensation	3,858,725	3,826,852	11,511,814	11,643,562	15,370,539	15,470,414
Total compensation	**5,464,441**	**5,416,217**	**17,330,651**	**17,813,508**	**22,795,092**	**23,229,725**
Employer social security[h]	442,000	438,000	1,413,000	1,427,000	1,855,000	1,865,000

a) Represents (a) full year compensation of seven Executive Committee members, (b) partial year compensation of the outgoing Chief Financial Officer, Matthias Währen, who stepped down from his role on 1 January 2017 and retired on 30 June 2017 and (c) full year compensation for Joe Fabbri who stepped down from his Executive Committee role on 1 July 2017 and retired on 31 December 2017.
b) Represents full year compensation of eight Executive Committee members and partial year compensation of one new Executive Committee members who was appointed on 1 August 2016.
c) Company contributions to broad-based pension and retirement savings plans and annualised expenses accrued for supplementary executive retirement benefit.
d) Represents annual value of health and welfare plans, international assignment benefits and other benefits in kind.
e) Annual incentive accrued in reporting period based on performance in the reporting period.
f) 2017 Performance shares vest on 15 April 2020, 2016 Performance shares vest on 15 April 2019.
g) Value at grant calculated according to IFRS methodology and based on 100% achievement of performance targets.
h) 2017 estimated social security charges based on 2017 compensation; 2016 estimated social security charges based on 2016 compensation.

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 or related parties had any loan outstanding as of 31 December 2017.

Special compensation of Executive Committee members who left the company during the reporting period

Matthias Währen retired from his role as Chief Financial Officer on 30 June 2017. He did not receive any special compensation as a result of his retirement. All compensation is included in the compensation table above.

Ownership of shares and unvested share rights

Details on the Givaudan share based payment plans are described in Note 9.

As per 31 December 2017, the Chairman and other Board members including persons closely connected to them held 3,360 Givaudan shares in total. For further details, please refer to the following table on the next page showing:

- The shares held individually by each Board member as per 31 December 2017.
- The RSUs that were granted in 2015-2017 and were still owned by members of the Board as per 31 December 2017.

2017 in numbers	Shares	Unvested RSUs
Calvin Grieder, Chairman	119	536
Victor Balli		175
Prof. Dr-Ing. Werner Bauer	1,089	266
Lilian Biner	496	266
Michael Carlos	921	266
Ingrid Deltenre	26	266
Thomas Rufer	709	266
Total 2017	**3,360**	**2,041**
Total 2016	5,546	2,797

The company is not aware of any other ownership of shares, share options/option rights, RSUs or performance shares as per 31 December 2017 by persons closely connected to members of the Board.

The Chief Executive Officer and other members of the Executive Committee, including persons closely connected to them, held 6,423 Givaudan shares. For further details, please refer to the table below showing:

- The shares held individually by each member of the Executive Committee as per 31 December 2017.
- The unvested performance shares that were granted in 2015-2017 and were still owned by members of the Executive Committee as per 31 December 2017.

2017 in numbers	Shares	Unvested performance shares
Gilles Andrier, CEO	3,300	4,909
Tom Hallam	220	1,014
Mauricio Graber	750	2,817
Maurizio Volpi	785	2,313
Simon Halle-Smith	105	1,277
Willem Mutsaerts	199	1,361
Anne Tayac	110	917
Chris Thoen	685	1,337
Total 2017	**6,154**	**15,945**
Total 2016	4,460	19,278

No member of the Executive Committee held any share options or option rights as at 31 December 2017 (31 December 2016: no member of the Executive Committee held any share options or option rights).

One person closely connected to a member of the Executive Committee owned 269 unvested Performance Shares as at 31 December 2017.

The company is not aware of any other ownership of shares, share options/option rights, RSUs or performance shares as per 31 December 2017 by persons closely connected to members of the Executive Committee.

33. List of Principal Group Companies

The following are the principal companies fully owned by the Group. 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	100,000
	Givaudan International SA	CHF	100
	Induchem AG	CHF	500
	Vamara Holding SA	CHF	100
	Givaudan Treasury International SA	CHF	1,000
	Fondation Givaudan	-	-
Argentina	Givaudan Argentina SA	ARS	9,000
	Givaudan Argentina Servicios SA	ARS	7,000
Australia	Givaudan Australia Pty Ltd	AUD	35,812
Austria	Givaudan Austria GmbH	EUR	40
Bermuda	FF Holdings (Bermuda) Ltd	USD	12
	Givaudan International Ltd	USD	12
	FF Insurance Ltd	CHF	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
	Givaudan Flavors (Nantong) Ltd	USD	35,500
Colombia	Givaudan Colombia SA	COP	6,965,925
Czech Republic	Givaudan CR, s.r.o.	CZK	200
Egypt	Givaudan Egypt SAE	USD	11,360
	Givaudan Egypt Fragrances LLC	EGP	50
France	Givaudan France SAS	EUR	5,006
	Activ International SAS	EUR	1,925
Germany	Givaudan Deutschland GmbH	EUR	4,100
Hungary	Givaudan Hungary Kft	EUR	15
	Givaudan Business Solutions Kft	EUR	12
India	Givaudan (India) Private Ltd	INR	87,330
Indonesia	P.T. Givaudan 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 Business Solutions Asia Pacific Sdn.Bhd	MYR	2,000
	Givaudan Flavours & Fragrances Malaysia Sdn.Bhd	MYR	3,981
Mexico	Givaudan de Mexico SA de CV	MXN	53,611
Netherlands	Givaudan Nederland B.V.	EUR	402
	Vika B.V.	EUR	18
	Virgula B.V.	EUR	18
New Zealand	Givaudan NZ Ltd	NZD	71
Nigeria	Givaudan (Nigeria) Ltd	NGN	10,000
Peru	Givaudan Peru SAC	PEN	25
	Activ International SAC	PEN	14,043
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	360,002
Spain	Givaudan Iberica, SA	EUR	8,020
Sweden	Givaudan North Europe AB	SEK	120
Thailand	Givaudan (Thailand) Ltd	THB	100,000
Turkey	Givaudan Aroma Ve Esans Sanayi Ve Ticaret Limited Sirketi	TRY	34
United Kingdom	Givaudan UK Ltd	GBP	70
	Major International Ltd	GBP	50
	Givaudan Holdings UK Ltd	GBP	317,348
United Arab Emirates	Givaudan Middle East & Africa FZE	AED	1,000
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
	Activ International, Inc.	USD	15,938
Venezuela	Givaudan Venezuela SA	VEF	4.5

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34. 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 delegates to the Executive Committee the management of the overall company risk management process. The Group actively promotes the continuous monitoring and management of risks at the operational management level.

The Givaudan Enterprise Risk Management Charter describes the principles, framework and process of the Givaudan Enterprise Risk Management, which ensure that material risks are identified, managed and reported. It defines the associated roles and responsibilities which are reflected in the delegated authorities. Enterprise Risk Management encompasses both the Fragrance and Flavour businesses, as well as Givaudan Group functions. It includes all types of risks in terms of their nature, their source or their consequences.

The 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 all 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 is performed in collaboration between the Executive Committee, divisional and functional management teams and the Corporate Compliance Officer.

The Board of Directors' Audit Committee also promotes the effective communication between the Board, Givaudan's Executive Committee, other senior corporate functions and 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.

35. Other information

On September 2017, as part of its 2020 strategy to strength capabilities in naturals and presence in Brazil, Givaudan announced the acquisition of Centroflora's Nutrition Division (i.e.Centroflora Nutra). With headquarters and a manufacturing facility in Botucatu (Brazil), Centroflora Nutra employs about 116 people and exports products globally.

On December 2017, as part of its 2020 strategy to expand the capabilities of its fragrance business, Givaudan announced that it has entered into exclusive negotiations to acquire Expressions Parfumées, a French fragrance creation house. Expressions Parfumées is based in Grasse (France), and also operates throughout Europe, Africa and the Middle East. The Company employs about 200 people globally.

As the closing of the acquisitions is expected for 2018, the proposal of those has no impact on the financial statements to December 2017.

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Statutory Auditor's Report
To the General Meeting of
GIVAUDAN SA, Vernier

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Givaudan SA and its subsidiaries (the Group), which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows for the year ended 31 December 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the accompanying consolidated financial statements, presented on pages 94 to 149, give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our Audit Approach

Summary

Key audit matters	Based on our audit scoping, we identified the following key audit matters: – Taxation; – Pension; and – Acquisition accounting.
Materiality	Based on our professional judgment we determined materiality for the Group as a whole to be CHF 57 million.
Scoping	Based on our understanding of Givaudan's operations, we have defined 11 countries that are in scope for group reporting purposes. We have requested these countries to perform audit procedures to address the risks identified in our risk assessment phase. Coverage on Group sales, operating income and total assets are disclosed below.

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Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Taxation

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
The Group operates in a large number of different jurisdictions and is therefore subject to many tax regimes with differing rules and regulations. As described in the Summary of Significant Accounting Policies in Note 2 and in Note 3 on Critical Accounting Estimates and Judgments, significant judgment is required in determining provision for income taxes, both current and deferred, as well as the assessment of provisions for uncertain tax positions including estimates of interest and penalties where appropriate. The effective tax rate of the group decreased from 18% in 2016 to 9% in 2017. The Consolidated Statement of Financial Position includes current tax assets of CHF 32 million, current tax liabilities of CHF 49 million, together with deferred tax assets of CHF 207 million and deferred tax liabilities of CHF 99 million. The tax expense recognised in the Consolidated Income Statement amounts to CHF 75 million. Details of all current and deferred tax balances are disclosed in Note 16 to the consolidated financial statements. Due to their significance to the financial statements as a whole, combined with the judgment and estimation required to determine their values, the evaluation of current and deferred tax balances is considered to be a key audit matter.	We discussed with management the adequate implementation of Group policies and controls regarding current and deferred tax, as well as the reporting of uncertain tax positions. We evaluated the design and implementation of controls in respect of provisions for current tax and the recognition and recoverability of deferred tax assets. We examined the procedures in place for the current and deferred tax calculations for completeness and valuation and audited the related tax computations and estimates in the light of our knowledge of the tax circumstances. Our work was conducted with the support of our tax specialists. We performed an assessment of the material components impacting the Group's tax expense, balances and exposures, including the impact of the United States of America tax reform. We reviewed and challenged the information reported by components with the support of our own local tax specialists, where appropriate. With the support of our tax specialists at group level, we verified the consolidation and analysis of tax balances. We considered management's assessment of the validity and adequacy of provisions for uncertain tax positions, evaluating the basis of assessment and reviewing relevant correspondence and legal advice where available including any information regarding similar cases with the relevant tax authorities. In respect of deferred tax assets and liabilities, we assessed the appropriateness of management's assumptions and estimates, including the likelihood of generating sufficient future taxable income to support deferred tax assets for tax losses carried forward as disclosed in Note 16 of CHF 6 million. We validated the appropriateness and completeness of the related disclosures in Note 16 to the consolidated financial statements. Based on the procedures performed above, we obtained sufficient audit evidence to corroborate management's estimates regarding current and deferred tax balances and provisions for uncertain tax positions.

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Pension

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
As described in the Summary of Significant Accounting Policies in Note 2 and in Note 3 on Critical Accounting Estimates and Judgments, significant judgment is required in determining the calculation of the present value of defined benefit obligations requiring financial and demographic assumptions. In addition, changes to the post-employment benefit liability may be accounted through the income statement or through other comprehensive income which adds to the complexity. The Group operates a number of defined benefit and defined contribution plans throughout the world. As disclosed in Note 8 to the consolidated financial statements, total plan assets amount to CHF 1'640 million, total post-employment funded obligations to CHF 2'184 million and post-employment unfunded obligations to CHF 85 million. The defined benefit obligations recognised in the Consolidated Statement of Financial Position represent the present value of defined benefit obligations calculated annually by independent actuaries. These actuarial valuations are sensitive to key assumptions such as discount rates. Changes in a number of the key assumptions can have a material impact on the position as disclosed in the Note 8 to the consolidated financial statements. During 2017, the Group has reviewed financial assumptions of certain pension plans in order to align them with market trends. These transactions led to a one-off non cash gain of CHF 16 million in the United States of America and CHF 4 million in Switzerland. In addition, any pension plan amendment, such as a curtailment, requires careful consideration of the accounting treatment to ensure compliance with IAS 19 Employee Benefits. We focused on this area because of the complexity of accounting treatment of each plan amendment, the level of judgment required to determine the valuation of both pension assets and pension obligations and the significance of the balances to the consolidated financial statements as a whole.	We evaluated the design and implementation of controls in respect of pension accounting. We discussed with management the adequate implementation of Group policies and controls regarding the asset valuation and the pension obligation valuation. With support from our own pension specialists, we have discussed with Group's actuary and challenged key assumptions underpinning the valuation of the pension plans at the end of 2017. Specifically we challenged the discount rate, inflation and mortality assumptions applied in the calculation and benchmarked the assumptions applied against comparable third party data and assessed the appropriateness of the assumptions in the context of the Group's own position. We found them to be within an acceptable range. We tested the data used in the valuation of the pension plans, such as employee data and we obtained confirmations to verify the completeness and accuracy of the pension plan assets. We validated the compliance of the accounting treatment of pension plan amendments and other transactions impacting pension plans with IAS 19 Employee Benefits. We validated the appropriateness and completeness of the related disclosures in Note 8 to the consolidated financial statements. Based on our audit procedures performed, we obtained sufficient audit evidence to corroborate management's estimates regarding valuation of both pension assets and pension obligations. We consider accounting treatment of each plan amendment to be appropriate and disclosures in the consolidated financial statements to be compliant with IAS 19 Employee Benefits.

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Acquisition accounting

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
As described in Note 6 to the consolidated financial statements, the Group completed the following acquisitions during 2017: – Acquisition of 100% of the share capital of Activ International on 16 January 2017 for a total purchase price of CHF 114 million. The Group acquired cash for CHF 3 million, working capital valued at CHF 8 million, fixed assets valued at CHF 16 million, intangibles valued at CHF 32 million and other liabilities valued at CHF 20 million. The acquisition resulted in the recognition of a goodwill of CHF 75 million. – Acquisition of 100% of the share capital of Vika B.V. on 1 September 2017 for a total purchase price of CHF 116 million. The Group acquired cash for CHF 3 million, working capital valued at CHF 14 million, fixed assets valued at CHF 24 million, intangibles valued at CHF 73 million and other liabilities valued at CHF 38 million. The acquisition resulted in the recognition of a goodwill of CHF 40 million. These transactions are considered as business combinations as defined by IFRS 3 Business Combinations which requires management to perform a purchase price allocation exercise to fair value the assets and liabilities of the acquired business. This requires exercise of judgments over the accounting and disclosure for the transactions. The accounting for the acquisition of assets and liabilities of these entities required a number of complex accounting judgments sensitive to key assumptions such as the weighted average cost of capital, growth rate and other assumptions used in the business plan, internal rate of return, attrition rate. In addition, the amortisation period retained for intangibles acquired also requires judgment and constitutes a significant estimate that will affect current and future financial periods. We focused on this area because of the complexity of acquisition accounting and the level of judgments related to the identification of intangible assets and the purchase price allocation to the assets and liabilities acquired.	We reviewed the sale and purchase agreement to understand the key terms and conditions, and confirming our understanding of the transaction with management. We challenged management on the identification and valuation of tangible and intangible assets acquired and liabilities identified in the acquisition accounting against the terms of the sale and purchase agreement. We reviewed and assessed the work performed by management's valuation expert including valuation methodology for each category of asset and liability, along with the key judgments made in determining the fair values including any fair value adjustments. We determined that the methods used by the management's valuation expert were appropriate and in compliance with IFRS 3 Business Combinations. We considered and challenged the reasonableness of the assumptions, finding them to be within an acceptable range. The fair values appeared reasonable based on the judgments made. In particular, we challenged sales forecasts with historical data and market trends, we benchmarked assumptions used in determining the discount rate and the attrition rate. We also challenged the duration estimated by management for amortisation of the intangibles acquired, comparing with current Group accounting policies and other recent acquisitions. We validated the appropriateness and completeness of the related disclosures in Note 6 to the consolidated financial statements. Based on the procedures performed above, we consider the assumptions and estimates used in the measurement of the acquired assets and liabilities to be appropriate.

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Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgment we determined materiality for the Group as a whole to be CHF 57 million, based on a calculation of 7% of Group income before taxes, adjusted for non-recurring transactions. We selected Group income before taxes as the basis for determining our materiality because, in our view, this measure represents the performance of the Group and is one of the indicators against which Givaudan is commonly assessed and is a generally accepted benchmark. The materiality applied by the component auditors ranged from CHF 14.4 million to CHF 36.0 million depending on the scale of the component's operations, the component's contribution to Group sales, Group income before taxes, Group total assets and our assessment of risks specific to each location.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of CHF 2.8 million, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

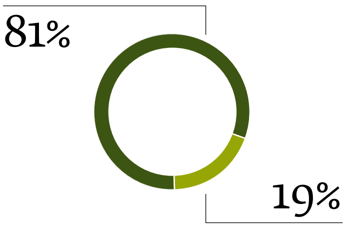
An overview of the scope of our audit

We designed our audit by obtaining an understanding of the Group and its environment, including Group-wide controls, determining materiality and assessing the risks of material misstatement in the consolidated financial statements.

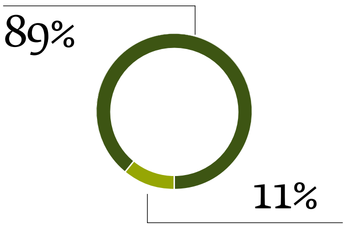
Based on our understanding of Givaudan's operations, we have defined 11 countries that are in scope for the group reporting purposes. We have requested these countries to perform audit procedures to address the risks identified in our risk assessment phase.

These countries are spread across all regions, reflecting Givaudan's operations. We obtain assurance over these countries through a combination of audit procedures performed locally within the Givaudan shared service centres and cetrally at the Head office. In aggregate, these components represented scope coverage of:

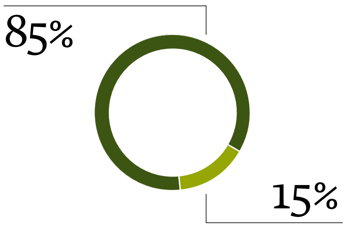
Revenues



Gross profit



Net assets



Audits for group reporting purposes | Review at group level

All other wholly owned and joint venture businesses were subject to analytical review procedures for the purpose of the Group audit. Annual statutory audits are conducted by Deloitte at the majority of the Group's affiliates, although these are predominantly completed subsequent to our audit report on the consolidated financial statements.

At the parent entity level we tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to a full scope audit.

The group audit team visited some countries in scope as defined at planning stage. We are defining our visits based on significance of the affiliates and main events occurred during the year. All component audit partners were included in our team briefing, we discussed their risk assessment and reviewed documentation of the findings from their work.

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Other Information in the Annual Report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of the Company and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERTsuisse: http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

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

Karine Szegedi Pingoud	Joëlle Herbette
Licensed Audit Expert	Licensed Audit Expert
Auditor in Charge	

Geneva, 24 January 2018

Statutory financial statements of Givaudan SA (Group Holding Company)

Income Statement

For the year ended 31 December

in millions of Swiss francs	Note	2017	2016
Income from investments in Group companies	3	145	224
Royalties from Group companies		1,002	916
Other operating income		1	1
Total Operating income		**1,148**	**1,141**
Research and development expenses to Group companies		(305)	(278)
Other operating expenses		(46)	(44)
Amortisation and impairment of intangible assets		(64)	(98)
Share of (loss) profit of jointly controlled entities	5	–	(1)
Total Operating expenses		**(415)**	**(421)**
Operating income		**733**	**720**
Financial expenses		(155)	(204)
Financial income		107	85
Non-operating expenses		(84)	(105)
Income before taxes		**601**	**496**
Income taxes		(10)	4
Net income		**591**	**500**

Statement of Financial Position

in millions of Swiss francs	Note	31 December 2017	31 December 2016
Cash and cash equivalents		250	112
Accounts receivable from Group companies		186	140
Other current assets		24	7
Accrued income and prepaid expenses		13	10
Current assets		**473**	**269**
Loans to Group companies		150	159
Other long-term assets		1	–
Investments in Group companies	3	2,849	2,583
Jointly controlled entities	5	32	35
Other financial assets		10	10
Intangible assets		241	257
Non-current assets		**3,283**	**3,044**
Total assets		**3,756**	**3,313**
Short-term debt	6	300	
Accounts payable to Group companies		96	82
Other current liabilities		19	18
Deferred income and accrued expenses		2	1
Current liabilities		**417**	**101**
Long-term debt	6	1,049	998
Other non-current liabilities		60	62
Non-current liabilities		**1,109**	**1,060**
Total liabilities		**1,526**	**1,161**
Share capital	8	92	92
Statutory retained earnings	8	18	18
Statutory capital reserves from capital contributions - additional paid-in capital	8	3	3
Voluntary retained earnings	8	1,542	1,542
Own shares	8, 9	(43)	(45)
Available retained earnings			
- Balance brought forward from previous year		27	42
- Net (loss) income for the year		591	500
Equity		**2,230**	**2,152**
Total liabilities and equity		**3,756**	**3,313**

Notes to the statutory financial statements

1. General Information

1.1. Structure and description of the activity

Givaudan SA is a holding company based in Vernier, near Geneva, whose main goal is to manage its investments in subsidiaries.

More specifically Givaudan SA invests in companies whose aim is to manufacture and commercialise natural and synthetic aromatic or fragrance raw materials as well as other related products. In addition, Givaudan SA invests in research and development and supplies services for the use of these products. Givaudan SA develops, registers and makes use of all trademarks, patents, licenses, manufacturing processes and formulas.

1.2. Employees

The average number of employees during the year was less than ten (2016: less than ten).

2. Summary of accounting principles adopted

The financial statements at 31 December 2017 are prepared in accordance with Swiss law.

The company is classified as a large entity as it meets the criteria to present group accounts under the definition of art. 961d al. 1 of the Swiss Code of Obligations. As Givaudan prepares and reports comprehensive consolidated financial statements under International Financial Reporting Standards (IFRS) including a cash flow statement, accompanying notes and a management report, Givaudan SA is exempt from preparing this information.

Valuation Methods and Translation of Foreign Currencies

Investments in, and loans to, Group companies are stated at cost less appropriate write-downs. Marketable securities are shown at the lower of cost and market value. Derivatives are recorded at fair value.

The currency in which Givaudan SA operates is Swiss francs (CHF) and the accounts are presented in Swiss francs. In the statement of financial position, foreign currency assets and liabilities are remeasured at year-end exchange rates with the exception of investments in Group companies which are valued at historical exchange rates. In the income statement, expenses and income in foreign currencies are converted in Swiss francs using the daily exchange rate of the transaction date. Foreign currency gains and losses are recognised in the income statement as they occur with the exception of unrealised gains which are deferred.

3. Subsidiaries

List of the direct subsidiaries of the company, which are wholly-owned unless otherwise indicated (percentage of voting rights):

Switzerland	Givaudan Suisse SA
	Givaudan Finance SA
	Prodiga AG
	Givaudan International SA
	Vamara Holding SA
	Kemptthal Immobilien Nord AG
	Activ International SA
	Select-Ingrédient SA
	Givaudan Treasury International SA
Argentina	Givaudan Argentina SA
	Givaudan Argentina Servicios SA
Australia	Givaudan Australia Pty Ltd
Austria	Givaudan Austria GmbH
Bermuda	Givaudan Capital Transactions Ltd
Brazil	Givaudan do Brasil Ltda
Canada	Givaudan Canada Co
Chile	Givaudan Chile Ltda
China	Givaudan Fragrances (Shanghai) Ltd
	Givaudan Flavors (Shanghai) Ltd
	Givaudan Specialty Products (Shanghai) Ltd
	Givaudan Hong Kong Ltd
	Givaudan Flavors (Nantong) Ltd
	Givaudan Management Consulting (Shanghai) Ltd
	Givaudan Fragrances (Changzhou) Ltd
Colombia	Givaudan Colombia SA
Czech Republic	Givaudan CR, s.r.o.
Egypt	Givaudan Egypt SAE
	Givaudan Egypt Fragrances LLC
France	Givaudan France SAS
	Activ International SAS
Germany	Givaudan Deutschland GmbH
Guatemala	Givaudan Guatemala SA
Hungary	Givaudan Hungary Kft
	Givaudan Finance Services Kft
India	Givaudan (India) Private Ltd
Indonesia	P.T. Givaudan Indonesia
	P.T. Givaudan Flavours and Fragrances Indonesia
Italy	Givaudan Italia SpA
Japan	Givaudan Japan K.K.
Korea	Givaudan Korea Ltd
Malaysia	Givaudan Malaysia Sdn.Bhd
Mexico	Givaudan de Mexico SA de CV
	Grupo Givaudan SA de CV
Netherlands	Givaudan Nederland B.V.
	Virgula B.V.
Nigeria	Givaudan (Nigeria) Ltd
Peru	Givaudan Peru SAC
Poland	Givaudan Polska Sp. Z.o.o.
Russia	Givaudan Rus LLC
Singapore	Givaudan Singapore Pte Ltd
South Africa	Givaudan South Africa (Pty) Ltd
Spain	Givaudan Iberica, SA
Sweden	Givaudan North Europe AB
Thailand	Givaudan (Thailand) Ltd
Turkey	Givaudan Aroma Ve Esans Sanayi Ve Ticaret Limited Sirketi
United Kingdom	Givaudan Holdings UK Ltd
United Arab Emirates	Givaudan Middle East & Africa FZE
United States of America	Givaudan United States, Inc.
Venezuela	Givaudan Venezuela SA

In 2017 Givaudan SA increased its investments in Givaudan Flavors (Nantong) Ltd, Givaudan Fragrances (Changzhou) Ltd, Givaudan Argentina Servicios SA and Givaudan Malaysia Sdn.Bhd, incorporated Vamara Holding SA, Activ International SA, Select-Ingrédient SA, Activ International SAS, Virgula B.V., and created Kemptthal Immobilien Nord AG and Givaudan Treasury International SA which now owns Givaudan Treasury International B.V.

Givaudan SA also wholly owns indirectly the following substantial companies, FF Holdings (Bermuda) Ltd in Bermuda, Givaudan Flavors Corporation and Givaudan Fragrances Corporation in the United States of America.

4. Cash and cash equivalents

As at 31 December 2017, cash and cash equivalents include an amount of CHF 236 million related to the cash pooling agreements with a Group company.

As at 31 December 2016, an amount of CHF 111 million related to the cash pooling agreements with a Group company was included in the cash and cash equivalents.

5. Jointly Controlled Entities

Name of joint ventures	Principal activity	Country of incorporation	Ownership interest
Jiangsu Xinrui Aromatics Ltd	Production of fragrance ingredients	China	49%
BGN Tech LLC	Innovative natural ingredients	USA	49%
Natural Extracts International Ltd	Natural ingredient derivatives production	Mauritius	49%
Vanilla International Ltd	Natural ingredient collection and extract	Mauritius	49%

6. Debt

On 15 June 2011, Givaudan SA issued a 2.5% seven year public bond with a nominal value of CHF 300 million.

On 7 December 2011, Givaudan SA issued a dual tranche public bond transaction of CHF 150 million each, totalling CHF 300 million, respectively of 1.250% for five years and of 2.125% for ten years. The first tranche was redeemed in December 2016.

On 19 March 2014, Givaudan SA issued a 1.00% six and a half year public bond with a nominal value of CHF 100 million and a 1.75% ten year public bond with a nominal value of CHF 150 million.

On 7 December 2016, Givaudan SA issued a 0.00% six year public bond with a nominal value of CHF 100 million and a 0.625% fifteen year public bond with a nominal value of CHF 200 million. The proceeds of CHF 300 million were used to repay the 1.250% five year public bond with a nominal value of CHF 150 million which was redeemed in December 2016 and to repay the short-term borrowings withdrawn during the year.

On 20 December 2017, Givaudan SA entered into a five year floating rate private placement (Schuldschein) with a nominal value of EUR 100 million (CHF 117 million) and a seven year 1.331% fixed rate private placement (Schuldschein) with a nominal value of EUR 200 million (CHF 233 million). The proceeds of EUR 300 million were used mainly to repay the short-term borrowings withdrawn during the year.

7. Indirect Taxes

The company is part of a Group for VAT purposes with two other affiliates of the Group in Switzerland. The company is jointly and severally liable towards the tax authorities for current and future VAT payables of the VAT Group to which it belongs.

8. Equity

As at 31 December 2017, 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.

At the Annual General Meeting held on 23 March 2017 the distribution of an ordinary dividend of CHF 56.00 per share (2016: CHF 54.00 per share) was approved. The dividend payment has been made out of available retained earnings.

The movements in equity are as follows:

2017 in millions of Swiss francs	Share Capital	Statutory retained earnings	Additional paid-in capital	Voluntary retained earnings	Available retained earnings	Own shares	Total
Balance as at 1 January	**92**	**18**	**3**	**1,542**	**542**	**(45)**	**2,152**
Registered shares							
Issuance of shares							
Movement of shares						2	2
Appropriation of available earnings							
Transfer to the free reserve							
Transfer to the general legal reserve							
Distribution to the shareholders paid relating to 2016					(515)		(515)
Net profit for the year					**591**		**591**
Balance as at 31 December	**92**	**18**	**3**	**1,542**	**618**	**(43)**	**2,230**

2016 in millions of Swiss francs	Share Capital	Statutory retained earnings	Additional paid-in capital	Voluntary retained earnings	Available retained earnings	Own shares	Total
Balance as at 1 January	**92**	**18**	**402**	**2,042**	**(362)**	**(60)**	**2,132**
Registered shares							
Issuance of shares							
Movement of shares						15	15
Appropriation of available earnings							
Transfer to the free reserve				(500)	500		
Transfer to the general legal reserve							
Distribution to the shareholders paid relating to 2015			(399)		(96)		(495)
Net profit for the year					**500**		**500**
Balance as at 31 December	**92**	**18**	**3**	**1,542**	**542**	**(45)**	**2,152**

Statutory capital reserves from capital contributions – additional paid-in capital are presented separately in equity. Any payments made out of these reserves are not subject to Swiss withholding tax, nor subject to income tax on individual shareholders who are resident in Switzerland.

9. Own Shares

The movements in own shares are as follows:

2017	Number	Price in Swiss francs High	Average	Low	Total in millions of Swiss francs
Balance as at 1 January	**31,137**				**45**
Purchases at cost	25,750	1,920.2	1,843.6	1,690.0	47
Sales and transfers at cost	(33,049)	1,488.6	1,488.6	1,488.6	(49)
Balance as at 31 December	**23,838**				**43**

2016	Number	Price in Swiss francs High	Average	Low	Total in millions of Swiss francs
Balance as at 1 January	**39,706**				**60**
Purchases at cost	38,250	1,931.0	1,320.2	1,200.0	50
Sales and transfers at cost	(46,819)	1,396.0	1,396.0	1,396.0	(65)
Balance as at 31 December	**31,137**				**45**

As at 31 December 2016 and 2017, there were no other companies controlled by Givaudan SA that held Givaudan SA shares.

As at 31 December 2017, William H. Gates III (13.86%), BlackRock Inc. (5.18%), MFS Investment Management (5.04%), Nortrust Nominees Ltd (nominee; 14.9%), Chase Nominees Ltd (nominee; 5.21%) and Messieurs Pictet & Cie (nominee; 4.4%) were the only shareholders holding more than 3% of total voting rights.

10. Board of Directors and Executive Committee Compensation

Information required by Swiss law, as per art. 663b bis CO, on the Board of Directors and Executive Committee compensation are disclosed in the Givaudan consolidated financial statements, Note 32.

11. Exceptional Events

As a result of an internal restructuring, a subsidiary of Givaudan SA was liquidated during 2015 which generated a loss of CHF 1,240 million. This item had no effect on the consolidated financial statements of the Group, aside the tax impact. Net losses can be carried forward over seven years, as at December 2017 all losses were utilized.

12. Other information

On December 2017, as part of its 2020 strategy to expand the capabilities of its fragrance business, Givaudan announced that it has entered into exclusive negotiations to acquire Expressions Parfumées, a French fragrance creation house. Expressions Parfumées is based in Grasse (France), and also operates throughout Europe, Africa and the Middle East. The Company employs about 200 people globally.

As the closing is expected for 2018, the proposed acquisition has no impact on the financial statements to December 2017.

Appropriation of available earnings and distribution from the statutory capital reserves from contributions – additional paid-in capital of Givaudan SA

Proposal of the Board of Directors to the General Meeting of Shareholders

Available earnings

in Swiss francs	2017	2016
Net income for the year	590,763,886	500,446,384
Balance brought forward from previous year	27,149,322	41,648,082
Total available earnings	**617,913,208**	**542,094,466**
2016 distribution proposal of CHF 56.00 gross per share		517,080,816
2017 distribution proposal of CHF 58.00 gross per share	535,547,988	
Total appropriation of available earnings	**535,547,988**	**517,080,816**
Distribution not paid on Treasury shares held by the Group		**2,135,672**
Amount to be carried forward	**82,365,220**	**27,149,322**

Statutory capital reserves from capital contributions – additional paid-in capital

in Swiss francs	2017	2016
Balance brought forward from previous year	3,322,955	3,322,955
Total additional paid-in capital	**3,322,955**	**3,322,955**
Amount to be carried forward	**3,322,955**	**3,322,955**

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Statutory Auditor's Report
To the General Meeting of
GIVAUDAN SA, Vernier

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Givaudan SA, which comprise the income statement, the statement of financial position for the year ended 31 December 2017, and notes, including a summary of significant accounting policies.

In our opinion the accompanying financial statements as at 31 December 2017, presented on pages 156 to 163, comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Deloitte.

Valuation of Investments in Group companies

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
As described in Note 3 to the financial statements, the Company holds investments in Givaudan Group companies with a carrying value of CHF 2'849 million as of 31 December 2017, representing 76% of total assets. In accordance with Article 960 CO, each investment held is valued individually and reviewed annually for impairment indicators. Each investment showing impairment indicators must be tested for impairment and an impairment would need to be recorded if the recoverable amount is lower than the carrying amount. The impairment test performed by Givaudan management is subject to judgment around the valuation method, key assumptions used and ability of the Group companies to generate positive cash flows in the future. Accordingly, for the purposes of our audit, we identified the impairment assessment and judgement applied by Management on the valuation of these investments as representing a key audit matter.	We discussed with management the adequate implementation of accounting policies and controls regarding the valuation of investments in Group companies. We tested the design and implementation of controls around the valuation of investments to determine whether appropriate controls are in place. We challenged the assessment of impairment indicators by the Company. We tested the valuations by critically assessing the methodology applied and the reasonableness of the underlying assumptions and judgments. We assessed the impairment testing models and calculations by: – checking the mechanical accuracy of the impairment models and the extraction of inputs from source documents; and – challenging the significant inputs and assumptions used in impairment for investments in Givaudan Group companies, such as the ability of the Group companies to generate positive cash flows in the future. We validated the appropriateness and completeness of the related disclosures in Note 3 to the financial statements. Based on the procedures performed, we obtained sufficient audit evidence to address the risk over management's estimates and consider management's key assumptions to be within a reasonable range.

Deloitte.

Responsibility of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERTsuisse: http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

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 financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Deloitte SA

Karine Szegedi Pingoud Licensed Audit Expert Auditor in Charge	Joëlle Herbette Licensed Audit Expert

Geneva, 24 January 2018

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Givaudan

Media Release

Geneva, 8 January 2018

Givaudan announces changes to the Executive Committee

Givaudan announced today the appointment of Louie D'Amico as President of the Flavour Division and a member of the Executive Committee. Louie D'Amico will succeed Mauricio Graber, currently President of the Flavour Division, who will leave the Company to become Chief Executive Officer at Chr. Hansen, a global bioscience company. Louie D'Amico, currently Head of Flavours Americas, will work closely with Mauricio Graber to ensure a smooth transition over the coming months. The changes to the Givaudan Executive Committee will be effective 1 April 2018.

Gilles Andrier, CEO of Givaudan, said: "On behalf of Givaudan's leadership team, I would like to thank Mauricio Graber for his significant contribution in driving the successful development and expansion of our Flavours business. Based on his strong customer focus, strategic vision and excellent leadership, he has built a highly performing Flavours business and leadership team over the past 10 years. I wish him great success in his new appointment." He continued: "Louie D'Amico brings a true passion for customers, a deep understanding of consumer trends and markets, as well as strong people management skills to this role. He will continue to expand our global market leadership and evolve our flavour solutions to the needs of a fast changing food and beverage market."

Louie D'Amico is a US-citizen born in 1961. He joined Givaudan in 1989 as a key account manager with Tastemaker. During his 28-year career, he held various senior leadership positions as Head of the North America Sweet Goods business unit and later the North America Savoury business unit. From 2003 to 2010, he was based in Europe as Head of International Key Account Management, then Head of the Global Beverage business unit and later Commercial Head of EAME. In 2010, he relocated back to the USA as Head of Flavours Americas. Louie D'Amico has a BSc in chemistry from Michigan State University.

Maurico Graber will leave the Company after a distinguished 23-year career, most recently as President of the Flavour Division, a position to which he was appointed in 2006. He first joined Givaudan in 1995 as a Managing Director for Latin America with Tastemaker and subsequently held various senior regional and global leadership roles within the Flavour Division.

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Geneva, 8 January 2018

About Givaudan

Givaudan is the global leader in the creation of flavours and fragrances. In close collaboration with food, beverage, consumer product and fragrance partners, Givaudan develops tastes and scents that delight consumers the world over. With a passion to understand consumers' preferences and a relentless drive to innovate, Givaudan is at the forefront of creating flavours and fragrances that 'engage your senses'. The Company achieved sales of CHF 4.7 billion in 2016. Headquartered in Switzerland with local presence in over 95 locations, the Company has more than 10,000 employees worldwide. Givaudan invites you to discover more at www.givaudan.com.

For further information please contact
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Givaudan

Media Release

Geneva, 26 March 2018

Givaudan acquires 40.6% of the shares in Naturex and intends to launch cash tender offer for the remaining outstanding shares

Creating clear market leadership in natural extracts and ingredients

As part of its 2020 strategy to strengthen its capabilities in natural flavour solutions for its customers, Givaudan today announced that it has entered into an agreement to acquire 40.6% of the shares of Naturex, a French public listed company, for EUR 135 per share and a total consideration of EUR 522 million. This agreement is subject to all of the appropriate regulatory approvals.

Givaudan intends to launch a mandatory cash tender offer for all remaining outstanding shares of Naturex, at a price of EUR 135 per share. The Board of Directors and Management of Naturex are fully supportive of the transaction.

Naturex is an international leader in plant extraction and the development of natural ingredients and solutions for the food, health and beauty sectors. Naturex is headquartered in Avignon, France and reported sales of EUR 405 million in 2017, operates from 16 production sites around the world and employs 1,700 people.

Gilles Andrier, CEO of Givaudan said: "The acquisition of a significant shareholding in Naturex fits fully with our 2020 strategy to expand our offering to deliver natural products to our customers. Givaudan is the global leader in the space of natural flavours and Naturex further complements our capabilities with its strong portfolio of plant extracts and natural ingredients across the food and beverage, nutrition and health and personal care sectors. We look forward to working with the management and shareholders of Naturex in the coming months to secure their support for the acquisition."

Louie D'Amico, President Designate of Givaudan's Flavour Division said: "Consumers around the world are increasingly demanding more natural and organic products from food and beverage companies. Naturex will be extremely complimentary to the acquisitions we have announced in this space over the last few years, namely Spicetec, Activ International, Vika and Centroflora Nutra."

About Givaudan

Givaudan is the global leader in the creation of flavours and fragrances. In close collaboration with food, beverage, consumer product and fragrance partners, Givaudan develops tastes and scents that delight consumers the world over. With a passion to understand consumers' preferences and a relentless drive to innovate, Givaudan is at the forefront of creating flavours and fragrances that 'engage your senses'. The Company achieved sales of CHF 5.1 billion in 2017. Headquartered in

Geneva, 26 March 2018

Switzerland with local presence in over 100 locations, the Company has more than 11,100 employees worldwide. Givaudan invites you to discover more at www.givaudan.com.

About Naturex

Naturex is an international leader in plant extraction and the development of natural ingredients and solutions for the food, health and beauty sectors. Naturex operates its business through three business units, food and beverage, health and nutrition and personal care. The company achieved sales of EUR 405 million in 2017, operates 16 production locations around the world and employs 1,700 people. Created in 1992 and listed on the Paris stock exchange since 1996, Naturex is based in Avignon, France. More information can be found at www.naturex.com.

For further information please contact

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Givaudan