Givaudan

ENGAGING
THE
SENSES

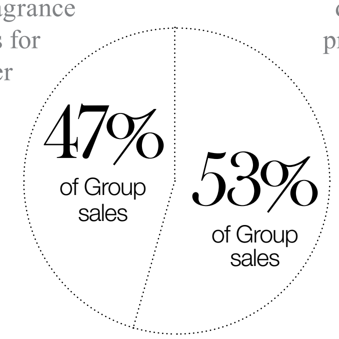
Half Year Report 2013

About Givaudan

As the leading company in the fragrance and flavour industry, Givaudan develops unique and innovative fragrance and flavour creations for its customers around the world. We have a market share of approximately 25%, and this industry leadership position is underpinned by a sales and marketing presence in all major markets. We create fragrances for personal and home care brands that range from prestige perfumes to laundry care, and in flavours our expertise spans beverages, savoury, snacks, sweet goods and dairy products.

Fragrance Division

Our talents extend across three business areas – Fine Fragrances, Consumer Products and Fragrance Ingredients – through which we create scents for leading brands worldwide. In-depth consumer understanding, a high-performing research and development organisation and an efficient global operations network support our business. Our perfumery team is the largest in the industry.



Flavour Division

We work with food and beverage manufacturers to develop flavours and tastes for market-leading products across all continents. We are a trusted partner to the world's leading food and beverage companies, combining our global expertise in sensory understanding, analysis and consumer-led innovation in support of unique product applications and new market opportunities.

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Financial highlights

For the six months ended 30 June, in millions of Swiss francs, except per share data	2013	2012[b]
Group Sales	**2,225**	**2,126**
Fragrance sales	1,047	994
Flavour sales	1,178	1,132
Gross profit	**985**	**899**
as% of sales	44.3%	42.3%
EBITDA[a]	**509**	**437**
as% of sales	22.9%	20.6%
Operating income	**377**	**305**
as% of sales	16.9%	14.3%
Income attributable to equity holders of the parent	**271**	**200**
as% of sales	12.2%	9.4%
Earnings per share – basic (CHF)	**29.61**	**21.98**
Earnings per share – diluted (CHF)	**29.29**	**21.83**
Operating cash flow	**299**	**263**
as% of sales	13.4%	12.4%
Free cash flow	**207**	**122**
as% of sales	9.3%	5.7%

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

b) Previous year figures have been restated as a result of changes to accounting policies and presentation (Note 3 p.16).

in millions of Swiss francs, except for employee data	30 June 2013	31 December 2012[b]
Current assets	2,397	2,195
Non-current assets	3,986	4,089
Total Assets	**6,383**	**6,284**
Current liabilities	1,382	985
Non-current liabilities	1,709	2,033
Equity	3,292	3,266
Total liabilities and equity	**6,383**	**6,284**
Number of employees	**9,266**	**9,124**

b) Previous year figures have been restated as a result of changes to accounting policies and presentation (Note 3 p.16).

CHF 2.2 billion
Sales up 5.7% on a like-for-like basis

45% of sales
in developing markets

CHF 509 million
EBITDA, a 16.4% increase

22.9%
EBITDA margin

CHF 271 million
Net income, up 36% year on year

CHF 207 million
Free cash flow

Review of Operations

Sales CHF 2.2 billion, up 5.7% on a like-for-like basis

Full project pipeline and strong win rate across all regions and segments

Developing markets account now for 45% of sales and grew 9.4% on a like-for-like basis

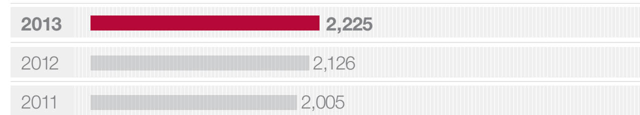
EBITDA increased by 16.4% to CHF 509 million

EBITDA margin improved to 22.9% from 20.6% in 2012

Net income CHF 271 million, up 36.0% year on year

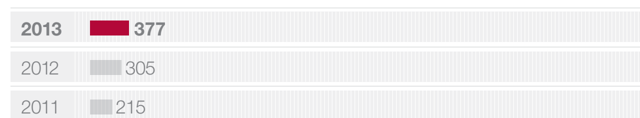
Free cash flow improved to 9.3% of sales, compared to 5.7% in 2012

Sales
in millions of Swiss francs



EBITDA[a,b]
in millions of Swiss francs

Operating income[b]
in millions of Swiss francs



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

b) Previous year figures have been restated as a result of changes to accounting policies and presentation (see Note 3, p.16).

Strong Operating Performance

Givaudan Group sales for the first six months of the year totalled CHF 2,225 million, an increase of 5.7% on a like-for-like basis and 4.7% in Swiss francs.

Fragrance Division sales were CHF 1,047 million, an increase of 5.5% on a like-for-like basis and 5.3% in Swiss francs.

Flavour Division sales were CHF 1,178 million, an increase of 5.8% on a like-for-like basis and 4.1% in Swiss francs.

Gross Margin

The gross margin increased to 44.3% from 42.3%, driven by the residual price increases implemented during the last two years to offset increases in raw material costs, and the positive leverage effect from the strong volume gains.

In addition, the Company is capitalising on its recently completed ERP project to create supply chain efficiencies. The transfer of products to the new Flavours manufacturing facility in Makó, Hungary continues in line with project timelines.

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

The EBITDA increased by 16.4% to CHF 509 million from CHF 437 million in the first six months of 2012. A strong gross profit and a continued focus on internal costs were the main enablers of the improvement. When measured in local currency terms, the EBITDA increased by 15.8%. The EBITDA margin increased to 22.9% in 2013 from 20.6% in 2012.

Operating Income

The operating income increased by 23.8% to CHF 377 million, from CHF 305 million for the same period in 2012. When measured in local currency terms, the operating income increased by 22.9%. The operating margin increased to 16.9% in 2013 from 14.3% in 2012.

Financial Performance

Financing costs were CHF 39 million in the first half of 2013, versus CHF 45 million for the same period in 2012. The decrease was as a result of the re-financing activities. Other financial expense, net of income, was CHF 10 million in 2013, versus CHF 14 million in 2012, lower as a result of the relatively stable currency environment and the continued centralisation of Treasury activities.

The Group's income taxes as a percentage of income before taxes were 18% in 2013 compared to 19% in June 2012.

Net Income

The net income for the first six months of 2013 was CHF 271 million compared to CHF 200 million in 2012, an increase of 35.5%. This results in a net profit margin of 12.2%, versus 9.4% in 2012. Basic earnings per share were CHF 29.61 versus CHF 21.98 for the same period in 2012.

Cash Flow

Givaudan delivered an operating cash flow of CHF 299 million for the first six months of 2013, compared to CHF 263 million in 2012, driven by a higher EBITDA. Although working capital increased for the first six months of 2013 when compared to the same period in 2012, working capital as a percentage of sales decreased.

Total investments in property, plant and equipment were CHF 35 million, down from CHF 63 million incurred in 2012. In 2012 the Company was making significant investments in the centralised Flavours facility in Hungary. Intangible asset additions were CHF 23 million in 2013, as the Company implemented the ERP project in new facilities and completed the implementation in smaller affiliates. Total net investments in tangible and intangible assets were 2.6% of sales, compared to 4.3% in 2012.

Operating cash flow after net investments was CHF 242 million, versus the CHF 172 million recorded in 2012. Free cash flow, defined as operating cash flow after investments and interest paid, was CHF 207 million in the first half of 2013, versus CHF 122 million for the comparable period in 2012. As a percentage of sales, free cash flow in the first six months of 2013 was 9.3%, compared to 5.7% in 2012.

Financial Position

Givaudan's financial position remained strong at the end of June 2013. Net debt at June 2013 was CHF 1,276 million, up from CHF 1,153 million at December 2012. The main increase in the net debt was the payment of the CHF 331 million dividend in the first quarter of 2013. The leverage ratio was 26%, compared to 24% at the end of 2012.

Mid-term Guidance

Mid-term, the overall objective is to grow organically between 4.5% and 5.5% per annum, assuming a market growth of 2-3%, and to continue on the path of market share gains. By delivering on the Company's five pillar growth strategy – developing markets, Health and Wellness, market share gains with targeted customers and segments, research and sustainable sourcing – Givaudan expects to outgrow the underlying market and to continue to achieve its industry-leading EBITDA margin while improving its annual free cash flow to between 14% and 16% of sales by 2015.

Givaudan confirms its intention to return above 60% of the Company's free cash flow to shareholders while maintaining a medium term leverage ratio target below 25%. The leverage ratio is defined as net debt, divided by net debt plus equity. For this ratio calculation, the Company has decided to exclude from equity any impact arising from the changes of IAS 19 – Employee Benefits (revised) going forward.

Fragrance Division

Fragrance Division sales were CHF 1,047 million, an increase of 5.5% on a like-for-like basis and 5.3% in Swiss francs.

Segment sales to third parties
in millions of Swiss francs

2013	**1,047**
2012	994
2011	927

EBITDA[a,b]
in millions of Swiss francs

2013	**253**
2012	205
2011	159

Operating income[b]
in millions of Swiss francs

2013	**193**
2012	144
2011	87

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

b) Previous year figures have been restated as a result of changes to accounting policies and presentation (see Note 3, p.16).

Total sales for Fragrance compounds (Fine Fragrances and Consumer Products combined) increased by 6.7% on a like-for-like basis. In Swiss francs, sales of compounds increased to CHF 926 million from CHF 870 million.

Fine Fragrance sales grew 2.5% on a like-for-like basis. The growth was mainly driven by new business in Latin America.

Consumer Product sales increased by 7.9% on a like-for-like basis, driven by a strong performance in Asia Pacific, Latin America and CAMEA and across all customer groups.

Sales of Fragrance Ingredients declined by 2.9% on a like-for-like basis. The decline was driven by the discontinuation of the sales of some commodity products.

EBITDA increased by 23.4% to CHF 253 million, compared to CHF 205 million for the first six months of 2012. The EBITDA margin increased to 24.1% in 2013, from 20.6% in 2012.

The operating income increased by 33.9% to CHF 193 million in 2013, versus CHF 144 million for the same period in 2012. The operating margin increased to 18.4% in 2013 from 14.5% in 2012.

Fine Fragrances

Fine Fragrance sales grew 2.5% on a like-for-like basis in the first half year. Sales recovered strongly in the second quarter.

The business continues to make strong progress in developing markets. At the half year, sales growth in Latin America was double-digit, through a combination of new wins and volume growth, with Brazil continuing to lead the way. In Central Asia, Middle East and Africa the business also delivered strong growth.

In Western Europe and North America sales growth in the second quarter was double-digit, driven by an increase in new business and a reduction in the level of erosion.

Givaudan's fragrances had another strong showing at the major award ceremonies in Europe and the USA. Fragrances recognised include Tom Ford Noir, Tom Ford Café Rose, Prada Luna Rossa, James Bond 007 by James Bond, Red Sin by Christina Aguilera, and True Reflection for Kim Kardashian.

Consumer Products

Sales for the Consumer Products business increased by 7.9% on a like-for-like basis against double-digit comparables for the same period last year. This half year performance was achieved across all customer groups and was supported by double-digit sales growth in developing markets. Sales in mature markets also posted a solid increase.

The double-digit performance sales increase in Latin America was strongly driven by international customers. Local and regional customer sales increased as well, led by sales in the fabric care segment.

In Asia, sales growth was supported by all customer groups, especially in the developing countries.

In Europe, Africa and the Middle East, international customers were the main driver of the sales increase, sustained by a strong performance in the home care and personal care segments.

The good improvement in North America was underlined by a solid performance with local and regional customers across all product segments.

On a product segment basis, sales grew in all segments. The increase was led by a double-digit increase in personal care, especially among international clients. The solid increase in fabric care came from sales in Asia and Latin America, while the sales increase on home care was spread across all regions. Oral care sales grew significantly as well.

Fragrance Ingredients

Sales of Fragrance Ingredients declined by 2.9% on a like-for-like basis as a result of the discontinuation of the sales of some commodity products. After a weak performance in the first three months, Fragrance Ingredients achieved better results in the second quarter against weaker comparables. The year-to-date results are above the 2012 sales in the European and Asian markets, but cannot fully compensate the decline in the Americas.

Flavour Division

Flavour Division sales were CHF 1,178 million during the first six months of 2013, an increase of 5.8% on a like-for-like basis and 4.1% in Swiss francs.

Segment sales to third parties
in millions of Swiss francs

2013	**1,178**
2012	1,132
2011	1,078

EBITDA[a,b]
in millions of Swiss francs

2013	**256**
2012	232
2011	209

Operating income[b]
in millions of Swiss francs

2013	**184**
2012	161
2011	128

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

b) Previous year figures have been restated as a result of changes to accounting policies and presentation (Note 3, p. 16).

Sales growth in the first half was driven by the developing markets of Asia Pacific, Eastern Europe, Africa and Middle East and Latin America, coupled with gains in the mature markets of North America and Western Europe.

All segments expanded with strong performances in Beverages, Dairy, Savoury and Sweet Goods. Health and Wellness sales continued to evolve strongly with double-digit gains as sweetness, salt and masking capabilities delivered improved taste solutions for our customers.

EBITDA increased by 10.2% to CHF 256 million, from CHF 232 million for the first six months of 2012. The EBITDA margin was 21.7% in 2013, up from 20.5% in 2012.

The operating income increased by 14.8% to CHF 184 million in 2013, from CHF 161 million for the same period in 2012. The operating margin increased to 15.6% in 2013 from 14.2% in 2012.

Asia Pacific

Sales in Asia Pacific rose 6.4% on a like-for-like basis. New wins and growth of existing products in the developing markets of China, India and Indonesia contributed strongly to the sales expansion. The mature markets of Japan and Australia had lower sales against high comparables. All segments had positive gains with Beverages, Dairy and Savoury each delivering strong growth as a result of existing business increases.

Europe, Africa and Middle East

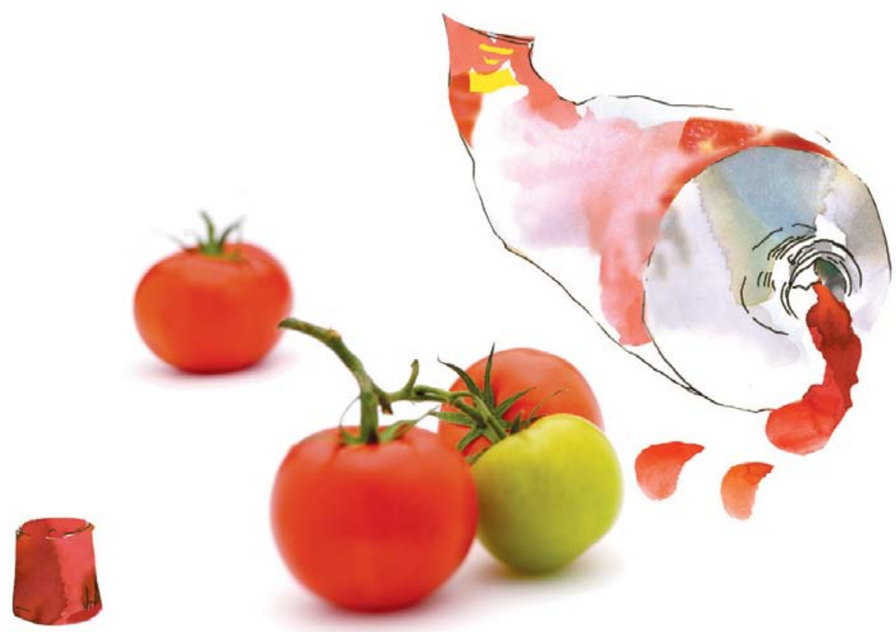
Sales grew by 5.2% on a like-for-like basis, driven by the growth in the developing markets of Africa, Middle East and Russia. Increases achieved across all mature markets of Western Europe also contributed to the positive sales development in Europe, with the UK and Ireland leading the way. Overall performance was driven by sales growth of existing business and volume gains in the developing markets. All segments delivered good year-over-year growth with strength coming from Beverages, Savoury and Snacks.

North America

Sales increased 5.0% on a like-for-like basis, driven by growth in Beverages, Dairy, Snacks and Sweet Goods segments. New wins contributed strongly to the sales expansion over prior year.

Latin America

Growth in the region was 7.9% on a like-for-like basis with strong increases coming from Argentina and Brazil. New wins and volume growth contributed to the growth in Beverages, Savoury, Dairy and Snacks segments.



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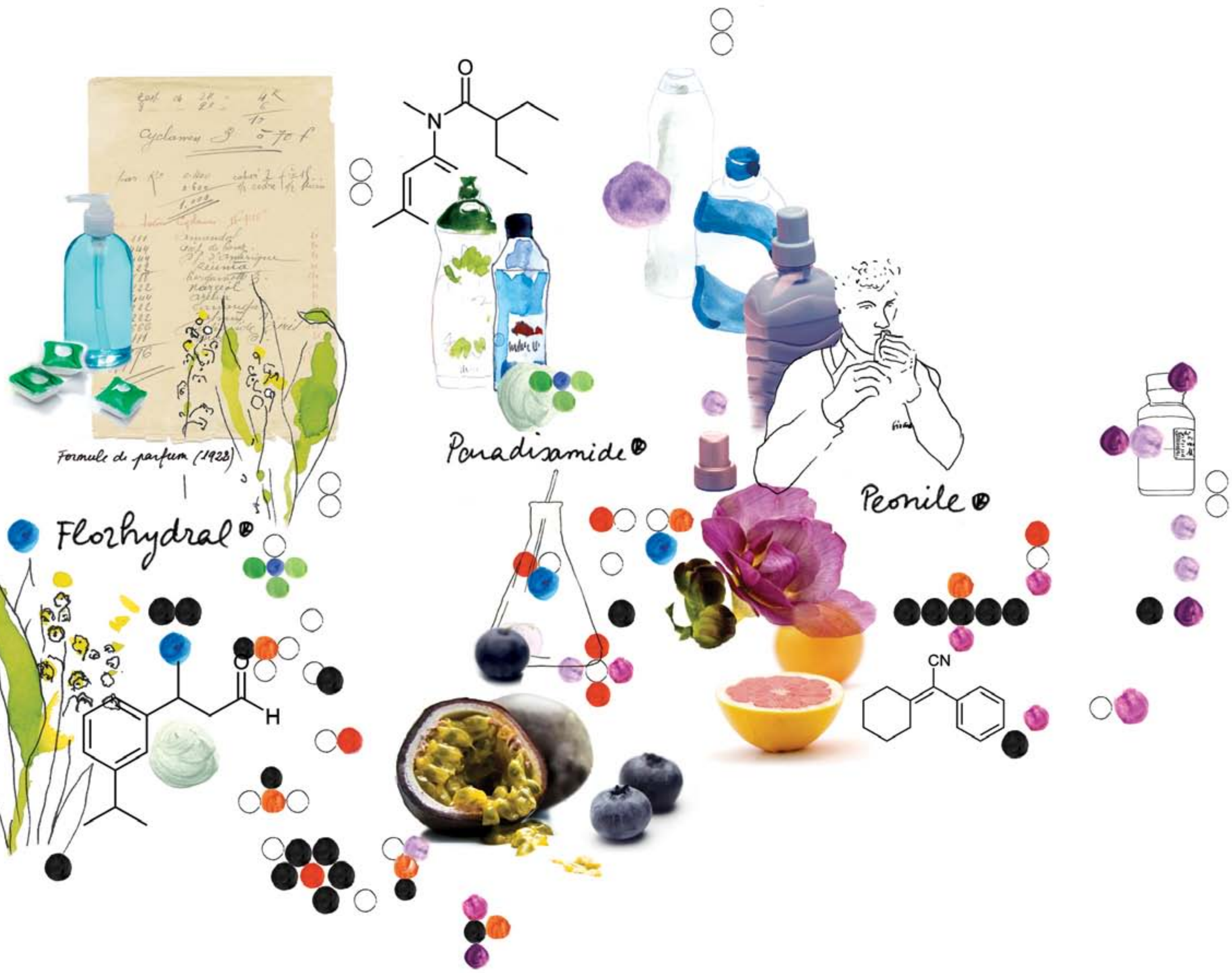

Condensed consolidated income statement

For the six months ended 30 June

in millions of Swiss francs, except for per share data	Note	2013	2012[a]
Sales		2,225	2,126
Cost of sales		(1,240)	(1,227)
Gross profit		**985**	**899**
as% of sales		44.3%	42.3%
Marketing and distribution expenses		(311)	(293)
Research and product development expenses		(201)	(204)
Administration expenses		(62)	(71)
Other operating income	6	5	13
Other operating expense	7	(39)	(39)
Operating income		**377**	**305**
as% of sales		16.9%	14.3%
Financing costs	8	(39)	(45)
Other financial income (expense), net	9	(10)	(14)
Income before taxes		**328**	**246**
Income taxes		(57)	(46)
Income for the period		**271**	**200**
Attribution			
Income attributable to equity holders of the parent		271	200
as% of sales		12.2%	9.4%
Earnings per share – basic (CHF)	10	**29.61**	**21.98**
Earnings per share – diluted (CHF)	10	**29.29**	**21.83**

a) Previous year figures have been restated as a result of changes to accounting policies and presentation (see Note 3, p.16).

The notes on pages 16 to 23 form an integral part of these interim condensed consolidated financial statements (unaudited).

Condensed consolidated statement of comprehensive income

For the six months ended 30 June

in millions of Swiss francs	Note	2013	2012[a]
Income for the period		**271**	**200**
Items that may be reclassified to the income statement			
Available-for-sale financial assets			
Movement on fair value for available-for-sale financial assets, net		4	3
(Gain) loss on available-for-sale financial assets removed from equity and recognised in the consolidated income statement		-	-
Cash flow hedges			
Fair value adjustments in year		14	(11)
Removed from equity and recognised in the consolidated income statement		4	6
Exchange differences arising on translation of foreign operations			
Change in currency translation		(8)	7
Income tax items that may be reclassified to the income statement			
Items that will not be reclassified to the income statement			
Defined benefit pension plans			
Remeasurement gains (losses) on defined benefit pension plans		136	
Income tax items that will not be reclassified to the income statement		(40)	
Other comprehensive income for the period		**110**	**5**
Total comprehensive income for the period		**381**	**205**
Attribution			
Total comprehensive income attributable to equity holders of the parent		381	205

a) Previous year figures have been restated as a result of changes to accounting policies and presentation (see Note 3, p.16).

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Condensed consolidated statement of financial position

At period ended

in millions of Swiss francs	Note	30 June 2013	31 December 2012[a]	1 January 2012[a]
Cash and cash equivalents		385	368	545
Derivative financial instruments		25	23	53
Derivatives on own equity instruments		15	8	10
Available-for-sale financial assets		59	57	54
Accounts receivable – trade		937	838	795
Inventories		751	725	839
Current income tax assets		27	29	36
Other current assets		198	147	137
Current assets		**2,397**	**2,195**	**2,469**
Derivative financial instruments		2		
Property, plant and equipment		1,373	1,388	1,366
Intangible assets		2,395	2,455	2,563
Deferred income tax assets		113	148	230
Assets for post-employment benefits		4	2	
Financial assets at fair value through income statement		30	27	24
Other long-term assets		69	69	67
Non-current assets		**3,986**	**4,089**	**4,250**
Total assets		**6,383**	**6,284**	**6,719**
Short-term debt	11	532	214	437
Derivative financial instruments		19	15	61
Accounts payable – trade and others		386	363	351
Accrued payroll & payroll taxes		96	103	88
Current income tax liabilities		93	99	69
Financial liability: own equity instruments		41	4	4
Provisions		27	26	33
Other current liabilities		188	161	149
Current liabilities		**1,382**	**985**	**1,192**
Derivative financial instruments		30	46	59
Long-term debt	11	1,129	1,307	1,561
Provisions		34	46	59
Liabilities for post-employment benefits		427	548	515
Deferred income tax liabilities		31	34	169
Other non-current liabilities		58	52	53
Non-current liabilities		**1,709**	**2,033**	**2,416**
Total liabilities		**3,091**	**3,018**	**3,608**
Share capital	12	92	92	92
Retained earnings and reserves	12	4,838	4,898	4,688
Own equity instruments	13	(71)	(47)	(72)
Other components of equity		(1,567)	(1,677)	(1,597)
Equity attributable to equity holders of the parent		**3,292**	**3,266**	**3,111**
Total equity		**3,292**	**3,266**	**3,111**
Total liabilities and equity		**6,383**	**6,284**	**6,719**

a) Previous year figures have been restated as a result of changes to accounting policies and presentation (see Note 3, p.16).

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Condensed consolidated statement of changes in equity

For the six months ended 30 June

2013 in millions of Swiss francs	Note	Share Capital	Retained earnings and reserves	Own equity instruments	Cash flow hedges	Available-for-sale financial assets	Currency translation differences	Defined benefit pension plans	Total equity
Note									
Balance as at 1 January published		**92**	**4,899**	**(47)**	**(64)**	**12**	**(1,212)**		**3,680**
Balance as at 1 January restated	3	**92**	**4,898**	**(47)**	**(64)**	**12**	**(1,210)**	**(415)**	**3,266**
Income for the period			271						271
Other comprehensive income for the period					18	4	(8)	96	110
Total comprehensive income for the period			**271**		**18**	**4**	**(8)**	**96**	**381**
Dividends paid	12		(331)						(331)
Movement on own equity instruments, net	13			(24)					(24)
Net changes in other equity items			**(331)**	**(24)**					**(355)**
Balance as at 30 June		**92**	**4,838**	**(71)**	**(46)**	**16**	**(1,218)**	**(319)**	**3,292**

2012 in millions of Swiss francs	Note	Share Capital	Retained earnings and reserves	Own equity instruments	Cash flow hedges	Available-for-sale financial assets	Currency translation differences	Defined benefit pension plans	Total equity
Note									
Balance as at 1 January published		**92**	**4,688**	**(72)**	**(59)**	**4**	**(1,158)**		**3,495**
Balance as at 1 January restated	3	**92**	**4,688**	**(72)**	**(59)**	**4**	**(1,158)**	**(384)**	**3,111**
Income for the period			200						200
Other comprehensive income for the period					(5)	3	7		5
Total comprehensive income for the period			**200**		**(5)**	**3**	**7**		**205**
Dividends paid	12		(200)						(200)
Movement on own equity instruments, net	13			15					15
Net changes in other equity items			**(200)**	**15**					**(185)**
Balance as at 30 June restated		**92**	**4,688**	**(57)**	**(64)**	**7**	**(1,151)**	**(384)**	**3,131**

The notes on pages 16 to 23 form an integral part of these interim condensed consolidated financial statements (unaudited).

Condensed consolidated cash flow statement

For the six months ended 30 June

in millions of Swiss francs	Note	2013	2012[a]
Income for the period		271	200
Income tax expense		57	46
Interest expense		33	42
Non-operating income and expense		16	17
Operating income		**377**	**305**
Depreciation of property, plant and equipment		55	53
Amortisation of intangible assets		77	79
Other non-cash items			
- share-based payments		7	5
- pension expenses		25	22
- additional and unused provisions, net		(1)	19
- other non-cash items		(7)	(3)
Adjustments for non-cash items		**156**	**175**
(Increase) decrease in inventories		(27)	11
(Increase) decrease in accounts receivable		(102)	(113)
(Increase) decrease in other current assets		(51)	(35)
Increase (decrease) in accounts payable		27	(3)
Increase (decrease) in other current liabilities		1	(6)
(Increase) decrease in working capital		**(152)**	**(146)**
Income taxes paid		**(54)**	**(30)**
Pension contributions paid		(28)	(29)
Provisions used		(9)	(12)
Purchase and sale of own equity instruments, net		-	
Impact of financial transactions on operating, net		9	
Cash flows from (for) operating activities		**299**	**263**
Increase in long-term debt	11	234	
Increase in short-term debt	11	-	262
(Decrease) in short-term debt	11	(104)	(470)
Interest paid		(35)	(50)
Distribution to shareholders paid	12	(331)	(200)
Purchase and sale of derivative financial instruments financing, net		6	
Others, net		(1)	-
Cash flows from (for) financing activities		**(231)**	**(458)**
Acquisition of property, plant and equipment		(35)	(63)
Acquisition of intangible assets		(23)	(37)
Proceeds from the disposal of property, plant and equipment		1	9
Sale of jointly controlled entity			10
Interest received		1	1
Purchase and sale of available-for-sale financial assets, net		2	2
Purchase and sale of derivative financial instruments, net		-	(9)
Others, net		(1)	(19)
Cash flows from (for) investing activities		**(55)**	**(106)**
Net increase (decrease) in cash and cash equivalents		**13**	**(301)**
Net effect of currency translation on cash and cash equivalents		4	(4)
Cash and cash equivalents at the beginning of the period		368	545
Cash and cash equivalents at the end of the period		**385**	**240**

a) Previous year figures have been restated as a result of changes to accounting policies and presentation (see Note 3, p.16).

The notes on pages 16 to 23 form an integral part of these interim condensed consolidated financial statements (unaudited).

Notes to the interim condensed consolidated financial statements (unaudited)

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 9,266 people.

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

2. Basis of preparation of financial statements

These financial statements are the unaudited interim condensed consolidated financial statements (hereafter "the interim financial statements") of the Group for the six month period ended 30 June 2013 (hereafter "the interim period"). They have been prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting".

The interim financial statements include the operations of Givaudan SA and its controlled subsidiaries where control is defined as the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

These interim financial statements should be read in conjunction with the 2012 consolidated financial statements as they provide an update of the most recent financial information available.

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year.

The Group operates in markets where no significant seasonal or cyclical variations in sales are experienced during the financial year.

These interim financial statements are not audited. The 31 December 2012 statement of financial position has been derived from the audited 2012 consolidated financial statements. Givaudan SA's Board of Directors approved these interim financial statements on 24 July 2013.

3. Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2012, as described in the 2012 consolidated financial statements for the year ended 31 December 2012, with the exception of the adoption as of 1 January 2013 of the standards and interpretations described below.

- Amendments to IAS 19: Employee Benefits
- IFRS 13 Fair Value Measurement
- IAS 27 Revised Separate Financial Statements
- IAS 28 Revised Investments in associates and joint ventures
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosures of Interests in Other Entities
- Amendments to IFRS 10, IFRS 11 and IFRS 12 Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
- Amendments to IAS 1: Presentation of Items of Other Comprehensive Income
- Amendments to IFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities
- Amendments to IFRS 1: Government Loans
- Annual Improvements to IFRSs 2009-2011 Cycle
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

The Group assessed that the adoption of the above standards does not result in any change in these interim financial statements, with the exception of the adoption of the standards described below:

The adoption of IFRS 13 changes the disclosures of the interim financial statements on items recognised at fair value in the statement of financial position (see Note 4).

The adoption of the amendments to IAS 19: Employee benefits had a significant impact on the condensed consolidated financial statements. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the "corridor approach" and accelerate the recognition of past service costs. The amendments require the immediate recognition of all actuarial gains and losses in the statement of other comprehensive income in order to reflect the full value of the plan deficit or surplus in the consolidated statement of financial position, the recognition in the income statement of service cost and finance cost not considering an expected return on plan assets, as well as enhanced disclosures.

The impact is as follows:

Financial position as at 1 January 2012 in millions of Swiss francs	Reported	Pension adjustments	Deferred tax adjustments	Restated
Assets				
Assets for post-employment benefits	129	(129)		
Deferred income tax assets (related to pensions)	24		132	156
Liabilities				
Liabilities for post-employment benefits	(109)	(411)		(520)
Deferred income tax liabilities (related to pensions)	(24)		24	
Equity				
Remeasurement gains (losses) on defined benefit pension plans		540		540
Income tax relating to items that will not be reclassified to the income statement			(156)	(156)

Income statement for the six months ended 30 June 2012 in millions of Swiss francs	Reported	Pension adjustments	Deferred tax adjustments	Restated
Current service cost	22	-		22
Interest cost	35	(35)		
Expected return on plan assets	(40)	40		
Net actuarial (gains) losses recognised	15	(15)		
Employee benefit expenses, included in operating expenses	**32**	**(10)**		**22**
Net interest expenses, included in financing costs		10		10
Total components of defined benefit cost	32			32
Deferred tax expenses	-		-	1

Financial position as at 31 December 2012 in millions of Swiss francs	Reported	Pension adjustments	Deferred tax adjustments	Restated
Assets				
Assets for post-employment benefits	143	(141)		2
Deferred income tax assets (related to pensions)	25		141	166
Liabilities				
Liabilities for post-employment benefits	(114)	(440)		(554)
Deferred income tax liabilities (related to pensions)	(27)		27	
Equity				
Remeasurement gains (losses) on defined benefit pension plans		584		584
Change in currency translation		(3)	1	(2)
Income tax relating to items that will not be reclassified to the income statement			(169)	(169)

The deferred income tax assets and liabilities shown in the above tables are disclosed gross while they are offset where relevant in the condensed consolidated statement of financial position.

In preparing the comparative information, management has judged that changes in the underlying assumptions affecting the valuation of defined benefit pension plans as at 30 June 2012 would not have significantly changed the presentation of the interim financial statements. Accordingly no movement is disclosed in these interim financial statements for the six months ended 30 June 2012.

In 2012, the Group has revised the presentation of operating results in the income statement whereby amortisation and impairment of intangible assets have been allocated, where reasonably possible, to the functions.

The effects of the changes described below on 2012 condensed consolidated income statement are shown below:

For the six months ended 30 June, in millions of Swiss francs	As originally published	Adjustments related to the pension plans	Adjustments related to the presentation of amortisation	Restated
Cost of sales	(1,231)	4		(1,227)
Marketing and distribution expenses	(285)	4	(12)	(293)
Research and product development expenses	(162)	2	(44)	(204)
Amortisation of intangible assets	(79)		79	
Other operating expense	(16)		(23)	(39)
Financing costs	(35)	(10)		(45)
Income taxes	(45)	(1)		(46)

4. Fair value measurements recognised in the statement of financial position

Available-for-sale financial assets, corporate owned life insurances, and derivative assets and liabilities are the only items measured at fair value subsequent to their initial recognition.

Available-for-sale financial assets of CHF 58 million (31 December 2012: CHF 56 million) were measured with Level 1 inputs whereas CHF 39 million (31 December 2012: CHF 36 million) were measured with Level 2 inputs. Corporate owned life insurances of CHF 30 million (31 December 2012: CHF 27 million) were measured with Level 2 inputs.

Derivative assets of CHF 27 million (31 December 2012: CHF 23 million) and derivative liabilities of CHF 49 million (31 December 2012: CHF 61 million) were measured with Level 2 inputs. Derivative assets and liabilities 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, and of interest swaps that are measured using quoted interest rates and yield curves derived from quoted interest rates matching maturities of the contracts.

Level 1 inputs to measure fair value are those derived from the quoted price (unadjusted) in active market. 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 and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).There was no transfer between Level 1 and Level 2 categories in the period. The Group did not carry out any transactions on Level 3 inputs during and at the period presented in these interim financial statements.

5. Segment information

Business segments

in millions of Swiss francs	Note	Fragrance 2013	Fragrance 2012[a]	Flavour 2013	Flavour 2012[a]	Group 2013	Group 2012[a]
Segment sales		1,048	994	1,184	1,135	2,232	2,129
Less inter segment sales [b]		(1)	-	(6)	(3)	(7)	(3)
Segment sales to third parties		**1,047**	**994**	**1,178**	**1,132**	**2,225**	**2,126**
EBITDA		**253**	**205**	**256**	**232**	**509**	**437**
as% of sales		24.1%	20.6%	21.7%	20.5%	22.9%	20.6%
Depreciation		(25)	(25)	(30)	(28)	(55)	(53)
Amortisation		(35)	(36)	(42)	(43)	(77)	(79)
Impairment of long-lived assets							
Acquisition of property, plant and equipment		12	20	23	43	35	63
Acquisition of intangible assets		9	17	14	20	23	37
Capital expenditures		**21**	**37**	**37**	**63**	**58**	**100**

a) 2012 figures have been restated as a result of changes to accounting policies and presentation (Note 3 p.16).
b) Transfer prices for inter-divisional sales are set on an arm's length basis.

Reconciliation table to Group's operating income

in millions of Swiss francs	Fragrance 2013	Fragrance 2012	Flavour 2013	Flavour 2012	Group 2013	Group 2012
EBITDA	**253**	**205**	**256**	**232**	**509**	**437**
Depreciation	(25)	(25)	(30)	(28)	(55)	(53)
Amortisation	(35)	(36)	(42)	(43)	(77)	(79)
Impairment of long-lived assets						
Operating income	**193**	**144**	**184**	**161**	**377**	**305**
as% of sales	18.4%	14.5%	15.6%	14.2%	16.9%	14.3%
Financing costs					(39)	(45)
Other financial income (expense),net					(10)	(14)
Income before taxes					**328**	**246**
as% of sales					14,8%	11.6%

Classification of amortisation expenses is as follows:

For the six months ended 30 June, in millions of Swiss francs	Fragrance 2013	Fragrance 2012	Flavour 2013	Flavour 2012	Group 2013	Group 2012
Cost of sales	-	-	1	-	1	-
Marketing and distribution expenses	8	6	6	6	14	12
Research and product development expenses	12	19	19	25	31	44
Other operating expense	15	11	16	12	31	23
Total	**35**	**36**	**42**	**43**	**77**	**79**

6. Other operating income

For the six months ended 30 June, in millions of Swiss francs	2013	2012
Gains on sale of jointly controlled entity		9
Gains on fixed assets disposal	-	1
Other income	5	3
Total other operating income	**5**	**13**

For the six months ended 30 June 2012, a one time income of CHF 9 million was recognised as a result of a gain on sale of the joint venture Pacific Aid.

7. Other operating expense

For the six months ended 30 June, in millions of Swiss francs	2013	2012
Amortisation of intangible assets	31	23
Losses on fixed assets disposals	1	1
Business related information management project costs		3
Other business taxes	7	5
Other expenses	-	7
Total other operating expense	**39**	**39**

In June 2012, the Group decided jointly with ChemCom to liquidate the joint venture TecnoScent. A provision related to the liquidation has been provided for an amount of CHF 2 million and was reported in other expenses in 2012.

8. Financing costs

For the six months ended 30 June, in millions of Swiss francs	2013	2012[a]
Interest expense	33	42
Net interest related to defined benefits pension plans	8	10
Derivative interest (gains) losses	(3)	(8)
Amortisation of debt discounts	1	1
Total financing costs	**39**	**45**

a) 2012 figures have been restated as a result of changes to accounting policies and presentation (Note 3 p.16).

9. Other financial (income) expense, net

For the six months ended 30 June, in millions of Swiss francs	2013	2012
Fair value and realised (gains) losses from derivatives instruments, net (at fair value through income statement)	(12)	(2)
Exchange (gains) losses, net	15	13
Gains from available-for-sale financial assets	(1)	-
Realised gains from available-for-sale financial assets removed from equity	-	-
Unrealised (gains) from fair value through income statement financial instruments	(2)	(1)
Unrealised losses from fair value through income statement financial instruments	2	1
Interest income	(1)	(1)
Capital taxes and other non business taxes	6	4
Other (income) expense, net	3	-
Total other financial (income) expense, net	**10**	**14**

10. Earnings per share

Basic earnings per share

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

	2013	2012[a]
Income attributable to equity holders of the parent (CHF million)	**271**	**200**
Weighted average number of shares outstanding		
Ordinary shares	9,233,586	9,233,586
Treasury shares	(80,399)	(132,526)
Net weighted average number of shares outstanding	**9,153,187**	**9,101,060**
Basic earnings per share (CHF)	**29.61**	**21.98**

a) 2012 income has been restated by the changes to accounting policies (see Note 3, p.16) and consequently changed the basic earnings per share from CHF 22.09 to CHF 21.98.

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:

	2013	2012[a]
Income attributable to equity holders of the parent (CHF million)	**271**	**200**
Weighted average number of shares outstanding for diluted earnings per share of 99,072 (2012: 59,494)	**9,252,259**	**9,160,554**
Diluted earnings per share (CHF)	**29.29**	**21.83**

a) 2012 income has been restated by the changes to accounting policies (see Note 3, p.16) and consequently changed the diluted earnings per share from CHF 21.94 to CHF 21.83.

11. Debt

2013 in millions of Swiss francs	Within 1 to 3 years	Within 3 to 5 years	Thereafter	Total long-term	Short-term within 1 year	Total
Floating rate debt						
Bank facility			200	200		200
Bank overdrafts					5	5
Total floating rate debt			**200**	**200**	**5**	**205**
Fixed rate debt						
Bank borrowings					7	7
Straight bonds		446	147	593	299	892
Private placements	99		237	336	221	557
Total fixed rate debt	**99**	**446**	**384**	**929**	**527**	**1,456**
Balance as at 30 June	**99**	**446**	**584**	**1,129**	**532**	**1,661**

2012 in millions of Swiss francs	Within 1 to 3 years	Within 3 to 5 years	Thereafter	Total long-term	Short-term within 1 year	Total
Floating rate debt						
Bank facility		200		200		200
Bank overdrafts					5	5
Total floating rate debt		**200**		**200**	**5**	**205**
Fixed rate debt						
Bank borrowings					8	8
Straight bonds	299	149	444	892		892
Private placements	165	50		215	201	416
Total fixed rate debt	**464**	**199**	**444**	**1,107**	**209**	**1,316**
Balance as at 31 December	**464**	**399**	**444**	**1,307**	**214**	**1,521**

In November 2012, Givaudan United States, Inc entered into three private placements for a total amount of USD 250 million (CHF 228 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. Until now the company has been in full compliance with the covenant set.

On 28 May 2013, Givaudan United States, Inc reimbursed a USD 110 million (CHF 103 million) private placement.

12. Equity

At the Annual General Meeting held on 21 March 2013 the distribution of an ordinary dividend of CHF 36.00 per share (2012: ordinary dividend of CHF 22.00 per share) was approved. The dividend payment has been made out of the additional paid in capital reserve.

At 30 June 2013, 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. Each share gives the right to one vote.

13. Own equity instruments

The Group holds own equity instruments and derivatives on own shares mainly to cover the anticipated obligations related to the executive share and share option plans. At 30 June 2013, the Group held 45,020 own shares (2012: 128,363), as well as derivatives on own shares equating to a net short position of 36,582 shares (2012: 262,105).

14. Contingent liabilities

One of our 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.

15. Subsequent Event

On 23 July 2013, Givaudan S.A. reimbursed a CHF 100 million private placement.

Givaudan SA

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Investor Calendar

Half Year Conference, Zurich: Thursday 29 August 2013

9 Month Sales results: Thursday 10 October 2013

Investor Days: 15-17 October, Lakeland, USA

Full Year results: Tuesday 4 February 2014

Annual General Meeting: Thursday 20 March 2014

www.givaudan.com/Investors/Investor+Calendar

The Givaudan Half Year Report 2013 is published in English, German and French.
The Givaudan Half Year Financial Report is published in English.