2018 Half Year Report
Strong recovery in high growth markets

Our profile

Givaudan captures the essence of the moment, bringing you memorable fragrances and flavours to be enjoyed throughout the day.

We are proud to be the industry leader, with approximately 25% of market share of the fragrance and flavour industry. To stay in front, we challenge ourselves daily, inspire our partnerships across the globe, and serve our customers with heart and soul.

Together with our customers in the food, beverage, consumer goods and fragrance and cosmetics industries, we create products that delight consumers the world over. With a passion to understand consumer preferences and a relentless drive to innovate, we are at the forefront of creating scents and tastes that touch consumers' emotions.

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Key figures
First half of 2018

- Sales of CHF 2,674 million, up 5.6% on a like-for-like basis and 7.7% in Swiss francs
- Project pipeline and win rates sustained at a high level
- Strategic focus areas and acquired businesses strongly contributing to growth
- EBITDA of CHF 601 million in 2018
- EBITDA margin of 22.5%, with solid underlying business performance
- Net income of CHF 371 million, down by 3.4% year-on-year
- Free cash flow of 4.2% of sales, compared to 5.3% in 2017
- Givaudan Business Solutions delivering first benefits
- Naturex acquisition progressing as planned

For the six months ended 30 June, in millions of Swiss francs, except for earnings per share data	2018	2017	Percentage change
Group Sales	**2,674**	**2,483**	**7.7%**
Fragrance sales	1,223	1,137	7.5%
Flavour sales	1,451	1,346	7.8%
Like-for-like sales growth	**5.6%**	**2.3%**	
Gross profit	**1,182**	**1,132**	**4.4%**
as % of sales	44.2%	45.6%	
EBITDA [a]	**601**	**597**	**0.7%**
as % of sales	22.5%	24.0%	
Operating income	**489**	**489**	
as % of sales	18.3%	19.7%	
Income attributable to equity holders of the parent	**371**	**384**	**(3.4%)**
as % of sales	13.9%	15.5%	
Operating cash flow	**269**	**269**	
as % of sales	10.1%	10.8%	
Free cash flow	**113**	**132**	**(14.4%)**
as % of sales	4.2%	5.3%	
Earnings per share – basic (CHF)	**40.26**	**41.70**	**(3.5%)**

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.

in millions of Swiss francs, except for employee data	30 June 2018	31 December 2017
Current assets	3,368	2,854
Non-current assets	4,688	4,455
Total assets	**8,056**	**7,309**
Current liabilities	2,132	1,525
Non-current liabilities	2,485	2,246
Equity	3,439	3,538
Total liabilities and equity	**8,056**	**7,309**
Number of employees	**11,710**	**11,170**

* LFL (Like-for-like) excludes the impact of currency, acquisitions and disposals.

At a glance
Key indicators

CHF 2.7 billion
Group sales

22.5%
EBITDA margin

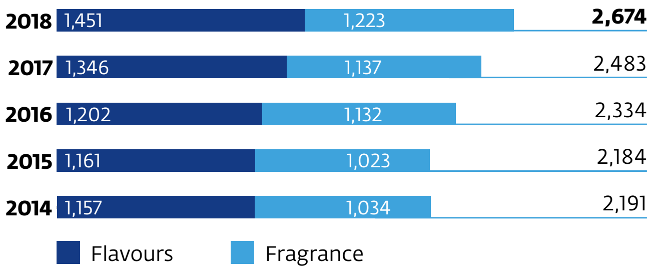
5.6%
Organic sales growth

CHF 371 million
Net Income

CHF 113 million
Free cash flow

4.2%
Free cash flow as % of sales

Half year Group sales
in millions of Swiss francs



Sales evolution by market
in millions of Swiss francs

January to June 2018	2018	2017	Change % in LFL*
Mature markets	1,531	1,415	4.0%
High growth markets	1,143	1,068	7.8%

* LFL (Like-for-like) excludes the impact of currency, acquisitions and disposals.

109
Locations worldwide

46
Production sites

60
Creation & application centres

11,710
Employees as of 30 June 2018

Business performance
Strong recovery in high growth markets

Business performance

Givaudan Group sales for the first six months of the year were CHF 2,674 million, an increase of 5.6% on a like-for-like basis and 7.7% in Swiss francs.

Fragrance Division sales were CHF 1,223 million, an increase of 6.5% on a like-for-like basis and 7.5% in Swiss francs.

Flavour Division sales were CHF 1,451 million, an increase of 4.9% on a like-for-like basis and 7.8% in Swiss francs.

Givaudan continued the year with good business momentum and with the project pipeline and win rates being sustained at a high level. This good growth was achieved across all product segments and geographies, with our key strategic focus areas of Naturals, Health and well-being, Active Beauty, Integrated solutions and local and regional customers delivering strong growth, complemented by the recent acquisitions. The Company continues to implement price increases in collaboration with its customers to compensate for the increases in input costs.

Gross profit

The gross profit increased by 4.4% from CHF 1,132 million in 2017 to CHF 1,182 million in 2018. Despite continued productivity gains and cost discipline, the gross margin declined to 44.2% in 2018 compared to 45.6% in 2017, as a result of a lower gross margin in the Fragrance Division.

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

The EBITDA increased by 0.7% to CHF 601 million from CHF 597 million for the same period in 2017, whilst the EBITDA margin declined to 22.5% in 2018 from 24.0% in 2017.

In 2018, the Group incurred costs of CHF 25 million linked to the implementation of the Givaudan Business Solutions programme, compared with CHF 24 million in 2017.

Operating income

The operating income was stable at CHF 489 million, the same level as in 2017. When measured in local currency terms, the operating income decreased by 4.4%. The operating margin decreased to 18.3% in 2018 from 19.7% in 2017.

Financial income and expense

Financing costs were CHF 23 million in the first half of 2018, versus CHF 21 million for the same period in 2017, with lower interest rates partially compensating for the increase in net debt in the Group. Other financial expense, net of income, was CHF 35 million in 2018 versus CHF 17 million in 2017, largely as a result of increased foreign currency losses in markets where currencies could not be hedged, most notably in Argentina.

The interim period income tax expense as a percentage of income before taxes was 14% in 2018, compared with 15% for the same period in 2017.

Net income

The net income for the first six months of 2018 was CHF 371 million compared to CHF 384 million in 2017, a decrease of 3.4%, resulting in a net profit margin of 13.9% versus 15.5% in 2017. Basic earnings per share were CHF 40.26 versus CHF 41.70 for the same period in 2017.

Cash flow

Givaudan delivered an operating cash flow of CHF 269 million for the first six months of 2018, the same level as in 2017.

Working capital was relatively stable at 28.7% of sales compared to 27.4% in 2017, temporarily impacted by increased inventory levels.

Total net investments in property, plant and equipment were CHF 122 million, compared to CHF 96 million incurred in 2017, largely driven by the Group's continued investments to support growth in high growth markets and in the Zurich Innovation Centre (ZIC) in Switzerland. Intangible asset additions were CHF 21 million in 2018, compared to CHF 27 million in 2017, as the Company continues to invest in its IT platform capabilities, including those to support the introduction of the Givaudan Business Solutions organisation. Total net investments in tangible and intangible assets were 5.3% of sales, compared to 5.0% in 2017.

Operating cash flow after net investments was CHF 126 million, versus the CHF 146 million recorded in 2017. Free cash flow, defined as operating cash flow after investments and interest paid, was CHF 113 million in the first half of 2018, versus CHF 132 million for the comparable period in 2017. As a percentage of sales, free cash flow in the first six months of 2018 was 4.2%, compared to 5.3% in 2017.

Financial position

Givaudan's financial position remained strong at the end of June 2018. Net debt at June 2018 was CHF 2,394 million, up from CHF 1,074 million at December 2017, with the increase driven by the Group's acquisitions and investment programme, as well as the payment of the annual dividend of CHF 534 million in the first quarter of 2018. The leverage ratio was 38% compared to 21% at the end of 2017.

Givaudan Business Solutions

As announced in July 2016, and in line with the 2020 strategy, the Company is now in the implementation phase of Givaudan Business Solutions (GBS), a global organisational unit providing best-in-class internal processes and services.

GBS will increase internal efficiencies and leverage best practices from across the organisation, enabling the Group to deliver with excellence.

The Company will make an investment of CHF 170 million until mid-2020, in order to transition to the GBS organisational structure and way of working. The investment will generate annual recurring savings of CHF 60 million once fully implemented and will allow Givaudan to continue investing in growth and innovation.

The progressive implementation of GBS is fully in line with the plan and will deliver the first financial benefits in 2018 of CHF 20 million.

Naturex

As announced in March 2018 and in June 2018, Givaudan has acquired 40.5% of the shares of Naturex, a French public listed company, for EUR 135 per share and a total consideration of EUR 523 million and has launched a mandatory cash tender offer for all remaining outstanding shares of Naturex at EUR 135 per share. Givaudan has secured all necessary regulatory approvals and 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.

Group sales
in millions of Swiss francs

Group EBITDA
in millions of Swiss francs

Group operating income
in millions of Swiss francs

2020 guidance: Responsible growth. Shared success

The Company's 2020 ambition is to create further value through profitable, responsible growth. Building on the first two years of this strategic cycle in 2016 and 2017, Givaudan's 2020 ambition is built on the three strategic pillars of 'Growing with our Customers', 'Delivering with Excellence', and 'Partnering for Shared Success'.

As part of the Company's 2020 strategy, Givaudan also seeks to create value through targeted acquisitions, which complement existing capabilities in providing winning solutions for its customers. Since 2014 Givaudan has announced eight acquisitions, which are fully in line with the growth pillars within the Company's 2020 strategy.

Ambitious financial targets are a fundamental part of Givaudan's strategy. We aim to outpace the market with 4-5% sales growth and a free cash flow of 12-17% of sales, both measured as an average over the five-year period of our strategy cycle. It is Givaudan's intention to maintain its current dividend practice as part of this ambition.

Flavour Division

Flavour sales

Flavour Division sales were CHF 1,451 million, an increase of 4.9% on a like-for-like basis and 7.8% in Swiss francs. Including Vika, acquired in September 2017, and Centroflora Nutra, acquired in May 2018, the growth was 7.4% in local currency.

From a segment perspective, Beverages, Dairy, Sweet Goods and Snacks were the main contributors to the division's growth, with all segments showing positive gains. In our key strategic focus areas under the 2020 strategy, sales increased at double-digit levels in Health & well-being and in high single-digit in Naturals.

All regions delivered robust growth with a high level of new wins in the key segments.

The EBITDA increased to CHF 351 million in 2018 from CHF 321 million for the first six months of 2017, with continued productivity gains and cost discipline contributing to the increase. The EBITDA margin was 24.2% in 2018, up from 23.9% in 2017.

The Operating Income increased to CHF 286 million in 2018 from CHF 258 million for the same period in 2017. The Operating Margin increased to 19.7% in 2018 from 19.2% in 2017.

Asia Pacific

Sales in Asia Pacific grew by 7.0% on a like-for-like basis, with Singapore, India and China delivering double-digit growth, whilst Indonesia, Thailand and Malaysia delivered good results.

In the mature markets growth was driven by double-digit growth in Singapore and positive performance from Japan.

Local and regional customers continued to grow strongly across the regions, whilst from a segment perspective, all segments contributed significantly to the growth led by Beverages, Dairy, Savoury and Snacks.

Europe, Africa and Middle East

Sales increased 5.0% on a like-for-like basis across all segments, with good growth in Central and Eastern Europe, led by Russia, Ukraine and Greece. In Africa and the Middle East, Egypt and South Africa contributed positively to the regional performance which was partially offset by challenging market conditions across the Middle East. The mature markets of Western Europe delivered good results, with double-digit growth in UK & Ireland, Belgium, Switzerland and Sweden.

Flavour Division sales
in millions of Swiss francs

North America

On a like-for-like basis, sales in North America grew by 1.3% in 2018, against a strong comparable of 8.9% in 2017. The performance was a result of new wins and the growth of existing business in the area of Beverages and Dairy.

Latin America

Latin America Sales increased by 11.7%, with double-digit sales growth in Argentina, Mexico, Colombia and Brazil, where the economic situation is recovering. The strong growth came from all segments, led by Beverages, Dairy, Savoury and Snacks.

Fragrance Division

Fragrance sales

Fragrance Division sales were CHF 1,223 million, an increase of 6.5% on a like-for-like basis and an increase of 7.5% in Swiss francs over 2017. The sales of the Fragrance Division include one month of sales from the recently acquired Fragrance company, Expressions Parfumées.

Total sales for Fragrance Compounds (Fine Fragrances and Consumer Products combined) increased by 6.2% on a like-for-like basis. In Swiss francs, sales of compounds increased to CHF 1,057 million from CHF 987 million in 2017.

Fine Fragrance sales strongly increased by 15.6% on a like-for-like basis against a weaker comparable period in 2017, driven by double-digit growth in all regions.

Consumer Products sales increased by 3.9% on a like-for-like basis with balanced growth across all customer groups and geographies.

Sales of Fragrance Ingredients and Active Beauty increased by 8.2% on a like-for-like basis with a double-digit growth in Active Beauty and good sales momentum in Fragrance Ingredients.

The EBITDA of the Fragrance Division decreased to CHF250 million in 2018 compared to CHF 276 million for the first six months of 2017. The reduction is largely due to the impact of a single significant supply disruption of a major supplier of fragrance ingredients, which has impacted the fragrance industry. In the first six months of 2018, the division incurred costs associated with the GBS project of CHF 25 million, compared to CHF 24 million in 2017. The EBITDA margin decreased to 20.4% in 2018 from 24.2% in 2017.

The operating income decreased by 11.9% to CHF 203 million in 2018, versus CHF 231 million for the same period in 2017. The operating margin decreased to 16.6% in 2018 from 20.3% in 2017.

Fine Fragrances

Fine fragrance sales increased 15.6% on a like-for-like basis with double-digit growth recorded in all regions. These gains were driven by sustained high level of new business wins across all customer groups combined with volume growth on established business at key accounts.

On a regional basis, Western Europe was driven by the strong results of the new business wins. Performance in North America was led by new launches as well as volume gains on established business. In Latin America, the business sustained a positive momentum with new wins and volume growth at a number of accounts driving solid results.

Fragrance Division sales
in millions of Swiss francs

Givaudan's perfumes continued to be recognised at major award ceremonies in Latin America, the USA and Europe across both men's and women's categories, recognising the excellence of our teams in crafting products that consumers love.

Consumer Products

Consumer Products sales increased by 3.9% on a like-for-like basis. The growth was delivered in both high growth and mature markets and across all customer groups.

On a regional basis, in Latin America the growth was balanced across sub-regions, with local and regional customers recording double-digit growth in Fabric Care and personal care, whilst international customers reported strong performance in Home Care. Asia delivered solid growth driven by all customer groups and across all sub-regions, including double-digit growth in the South Asia sub-region and in the product segments of Oral Care and Home Care. In Europe, Africa and the Middle East, the sales increase was driven by good performance across all sub-regions and segments, including double-digit growth in Home Care. Sales in North America decreased largely due to a sales decline with international customers in the fabric care segment, although local and regional customers performed well and recorded increases in all segments.

On a product segment basis, all segments contributed to the sales growth led by Home Care, Oral Care, Fabric Care and Personal Care.

Fragrance Ingredients and Active Beauty

Sales of Fragrance Ingredients and Active Beauty increased by 8.2% on a like-for-like basis. Active Beauty sales delivered a double-digit growth driven mainly by the strong performance of local and regional customers. Fragrance Ingredients experienced good growth in the first six months compared to 2017.

2018 Half Year
Financial Report

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Interim condensed consolidated financial statements (unaudited)

Condensed consolidated income statement

For the six months ended 30 June

in millions of Swiss francs, except for earnings per share data	Note	**2018**	2017
Sales		2,674	2,483
Cost of sales		(1,492)	(1,351)
Gross profit		**1,182**	**1,132**
as % of sales		44.2%	45.6%
Selling, marketing and distribution expenses		(342)	(320)
Research and product development expenses		(224)	(206)
Administration expenses		(95)	(81)
Share of (loss) profit of jointly controlled entities		6	–
Other operating income	7	9	10
Other operating expense	8	(47)	(46)
Operating income		**489**	**489**
as % of sales		18.3%	19.7%
Financing costs	9	(23)	(21)
Other financial income (expense), net	10	(35)	(17)
Income before taxes		**431**	**451**
Income taxes		(60)	(67)
Income for the period		**371**	**384**
Attribution			
Income attributable to equity holders of the parent		371	384
as % of sales		13.9%	15.5%
Earnings per share – basic (CHF)	**11**	**40.26**	**41.70**
Earnings per share – diluted (CHF)	**11**	**39.84**	**41.37**

The notes on pages 15 to 22 form an integral part of these interim condensed financial statements (unaudited).

Condensed consolidated statement of comprehensive income

For the six months ended 30 June

in millions of Swiss francs	**2018**	2017
Income for the period	**371**	**384**
Items that may be reclassified to the income statement		
Cash flow hedges		
Movement in fair value, net	4	4
Gains (losses) removed from equity and recognised in the consolidated income statement	3	2
Movement on income tax	–	–
Exchange differences arising on translation of foreign operations		
Change in currency translation	(31)	(69)
Movement on income tax	–	–
Items that will not be reclassified to the income statement		
Defined benefit pension plans		
Remeasurement gains (losses) of post employment benefit obligations	131	37
Movement on income tax	(29)	(8)
Other comprehensive income for the period	**78**	**(34)**
Total comprehensive income for the period	**449**	**350**
Attribution		
Total comprehensive income attributable to equity holders of the parent	449	350

The notes on pages 15 to 22 form an integral part of these interim condensed financial statements (unaudited).

Condensed consolidated statement of financial position

At period ended

in millions of Swiss francs	Note	30 June 2018	31 December 2017
Cash and cash equivalents		231	534
Derivative financial instruments		12	16
Financial assets at fair value through income statement	4, 5	612	2
Accounts receivable - trade		1,226	1,147
Inventories		1,075	902
Current tax assets		35	32
Prepayments		61	123
Other current assets		116	98
Current assets		**3,368**	**2,854**
Derivative financial instruments		3	1
Property, plant and equipment		1,611	1,579
Intangible assets		2,694	2,482
Deferred tax assets		192	207
Post-employment benefit plan assets		24	21
Financial assets at fair value through income statement		64	63
Jointly controlled entities		39	33
Investment property		2	16
Other long-term assets		59	53
Non-current assets		**4,688**	**4,455**
Total assets		**8,056**	**7,309**
Short-term debt	12	970	308
Derivative financial instruments		8	12
Accounts payable - trade and others		640	662
Accrued payroll and payroll taxes		124	149
Current tax liabilities		55	49
Financial liability: own equity instruments		114	93
Provisions		47	57
Other current liabilities		174	195
Current liabilities		**2,132**	**1,525**
Derivative financial instruments		42	60
Long-term debt	12	1,655	1,300
Provisions		67	67
Post-employment benefit plan liabilities		521	644
Deferred tax liabilities		127	99
Other non-current liabilities		73	76
Non-current liabilities		**2,485**	**2,246**
Total liabilities		**4,617**	**3,771**
Share capital	13	92	92
Retained earnings and reserves	13	5,519	5,682
Own equity instruments	14	(171)	(157)
Other components of equity		(2,001)	(2,079)
Equity attributable to equity holders of the parent		**3,439**	**3,538**
Total equity		**3,439**	**3,538**
Total liabilities and equity		**8,056**	**7,309**

The notes on pages 15 to 22 form an integral part of these interim condensed financial statements (unaudited).

Condensed consolidated statement of changes in equity

For the six months ended 30 June

2018 in millions of Swiss francs	Share Capital	Retained earnings and reserves	Own equity instruments	Cash flow hedges	Currency translation differences	Remeasurement of post employment benefit obligations	Total equity
Balance as at 1 January	**92**	**5,682**	**(157)**	**(65)**	**(1,456)**	**(558)**	**3,538**
Income for the period		371					371
Other comprehensive income for the period				7	(31)	102	78
Total comprehensive income for the period		**371**		**7**	**(31)**	**102**	**449**
Dividends paid		(534)					(534)
Movement on own equity instruments, net			(14)				(14)
Net change in other equity items		**(534)**	**(14)**				**(548)**
Balance as at 30 June	**92**	**5,519**	**(171)**	**(58)**	**(1,487)**	**(456)**	**3,439**

2017 in millions of Swiss francs	Share Capital	Retained earnings and reserves	Own equity instruments	Cash flow hedges	Currency translation differences	Remeasurement of post employment benefit obligations	Total equity
Balance as at 1 January	**92**	**5,477**	**(109)**	**(73)**	**(1,519)**	**(575)**	**3,293**
Income for the period		384					384
Other comprehensive income for the period				6	(69)	29	(34)
Total comprehensive income for the period		**384**		**6**	**(69)**	**29**	**350**
Dividends paid		(515)					(515)
Movement on own equity instruments, net			(68)				(68)
Net change in other equity items		**(515)**	**(68)**				**(583)**
Balance as at 30 June	**92**	**5,346**	**(177)**	**(67)**	**(1,588)**	**(546)**	**3,060**

The notes on pages 15 to 22 form an integral part of these interim condensed financial statements (unaudited).

Consolidated statement of cash flows
For the six months ended 30 June

in millions of Swiss francs	Note	2018	2017
Income for the period		371	384
Income tax expense		60	67
Interest expense		17	15
Non-operating income and expense		41	23
Operating income		**489**	**489**
Depreciation of property, plant and equipment		58	56
Amortisation of intangible assets	6	52	52
Impairment of long-lived assets		2	
Other non-cash items			
- share-based payments		19	15
- pension expense		19	16
- additional and unused provisions, net		–	5
- other non-cash items		4	(31)
Adjustments for non-cash items		**154**	**113**
(Increase) decrease in inventories		(178)	(114)
(Increase) decrease in accounts receivable		(80)	(103)
(Increase) decrease in other current assets		28	1
Increase (decrease) in accounts payable		12	43
Increase (decrease) in other current liabilities		(54)	(37)
(Increase) decrease in working capital		**(272)**	**(210)**
Income taxes paid		**(61)**	**(55)**
Pension contributions paid		(20)	(32)
Provisions used		(9)	(3)
Purchase and sale of own equity instruments, net		(12)	(33)
Cash flows from (for) operating activities		**269**	**269**
Increase in long-term debt	12	350	–
(Decrease) in long-term debt	12	(9)	(10)
Increase in short-term debt	12	1,091	544
(Decrease) in short-term debt	12	(435)	(149)
Cash flows from debt, net		**997**	**385**
Interest paid		(13)	(14)
Purchase and sale of derivative financial instruments, net		(20)	–
Others, net		(3)	(2)
Cash flows from financial liabilities		**961**	**369**
Distribution to the shareholders paid	13	(534)	(515)
Cash flows from (for) financing activities		**427**	**(146)**
Acquisition of property, plant and equipment		(129)	(97)
Acquisition of intangible assets		(21)	(27)
Acquisition of subsidiary, net of cash acquired		(247)	(111)
Proceeds from the disposal of property, plant and equipment		7	1
Proceeds from disposal of investment property		14	
Interest received		1	
Purchase and sale of financial assets at fair value through income statement, net		(605)	
Impact of financial transactions on investing, net		(5)	
Others, net		(6)	5
Cash flows from (for) investing activities		**(991)**	**(229)**
Net increase (decrease) in cash and cash equivalents		**(295)**	**(106)**
Net effect of currency translation on cash and cash equivalents		(8)	(2)
Cash and cash equivalents at the beginning of the period		534	328
Cash and cash equivalents at the end of the period		**231**	**220**

The notes on pages 15 to 22 form an integral part of these interim condensed 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 11,710 people.

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

2. Basis 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 months period ended 30 June 2018 (hereafter 'the interim period'). They have been prepared in accordance with 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 2017 consolidated financial statements as they provide an update of the most recent financial information available.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

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

The 31 December 2017 statement of financial position has been derived from the audited 2017 consolidated financial statements. Givaudan SA's Board of Directors approved these interim financial statements on 17 July 2018.

3. Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2017, as described in the 2017 consolidated financial statements with the exception of the adoption as of 1 January 2018 of the standards and interpretation described below:

- IFRS 15 Revenue from Contracts with Customers
- Clarifications to IFRS 15 Revenue from Contracts with Customers

The Group derives revenue from the transfer of goods and services at a time and at point in time in the two divisions Fragrances and Flavours as presented. The performance obligations being primarily the delivery of manufactured products and molecules of fragrance and flavour to the agreed specifications are generally satisfied upon shipments or delivery depending on contractual terms.

- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions
- Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- Amendments to IAS 40: Transfers of Investment Property
- Annual Improvements to IFRS Standards 2014-2016 Cycle
- IFRIC 22: Foreign Currency Transactions and Advance Consideration

The Group assessed that the adoption of the above standards and interpretation does not affect the information already disclosed by the Group.

4. Financial risk management

Interest rate risk
In April 2018, hedge positions assigned to a previously forecasted debt transaction were closed following the issuance of CHF 350 million of debt in the form of two straight bonds in the domestic market, respectively a two year floating rate public bond with a nominal value of CHF 150 million and a seven year 0.375 % fixed rate public bond with a nominal value of CHF 200 million. The amortisation of the realised loss totalling CHF 15 million is being recycled in the income statement over the next 5 years until April 2023.

In June 2018, the Group entered into several forward starting interest rate swaps with the aim of being protected against future increases of CHF interest rates and to fix the interest rates of highly probable debt issuance for the replacement of the straight bonds CHF 350 million issued in April 2018. The swaps, with 5 year maturity and totalling CHF 50 million, are commencing respectively in April 2020 and 2025 with an average fixed rate of 0.896%.

In June 2018, the Group entered into several forward starting interest rate swaps with the aim of being protected against future increases of the current EUR interest rates and to fix the interest rates of highly probable debt issuance mainly related to the Naturex acquisition (see Note 5). The swaps, with 10 year maturity and totalling EUR 400 million, are commencing in December 2018 with an average fixed rate of 1.046%.

Fair value measurements recognised in the statement of financial position
Financial assets consisting of equity and debt securities of CHF 6 million (31 December 2017: CHF 2 million) were measured with Level 1 inputs whereas CHF 32 million (31 December 2017: CHF 31 million) were measured with Level 2 inputs and CHF 606 million (31 December 2017: nil) were measured with Level 3 inputs. Corporate owned life insurance of CHF 32 million (31 December 2017: CHF 32 million) were measured with Level 2 inputs. The initial investment representing 40.5% of the shares in Naturex of CHF 606 million (EUR 523 million) was measured with Level 3 inputs since there is very little market activity arising from the launch of the Givaudan tender offer at EUR 135 per share.

Derivative assets of CHF 15 million (31 December 2017: CHF 17 million) and derivative liabilities of CHF 50 million (31 December 2017: CHF 72 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.

There was no transfer between the level categories in the period.

5. Acquisitions

Centroflora Nutra
On 14 May 2018 Givaudan acquired 100% of the share capital of Centroflora Nutra, the Nutrition Division of Centroflora Group, for a purchase price of CHF 55 million. The company manufactures botanical extracts and dehydrated fruits for the food, beverage and consumer goods sectors and offers a wide variety of plant extracts from various regions of the world, with a particular focus on those from the great biodiversity of Brazil. With headquarters and a manufacturing facility in Botucatu, Brazil, Centroflora Nutra employs 116 people and exports products globally. From 14 May 2018, the acquisition contributed CHF 1 million of sales to the Group's consolidated results.

The goodwill of CHF 37 million arising 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 identifiable assets and liabilities of Centroflora Nutra acquired are recorded at fair value at the date of acquisition.

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.

Expressions Parfumées
On 4 June 2018 Givaudan acquired 100% of the share capital of Expressions Parfumées and its affiliates for a purchase price of CHF 199 million. Expressions Parfumées, a French fragrance creation house, strengthens the access to local and regional customers and expands naturals capabilities in the fragrance business. With headquarters in Grasse, France, the historic area of perfumery, Expressions Parfumées operates throughout Europe, Africa and the Middle East from locations in Grasse (France), Milan (Italy) and Dubaï (United Arab Emirates), employing globally 200 people. From 4 June 2018, the acquisition contributed CHF 6 million of sales to the Group's consolidated results.

The goodwill of CHF 145 million arising 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 identifiable assets and liabilities of Expressions Parfumées acquired are recorded at fair value at the date of acquisition. Total net assets acquired of CHF 54 million consist of cash (CHF 7 million), working capital (CHF 18 million), fixed assets (CHF 26 million), intangible assets which are comprised of process knowledge, client relationships, name brand (CHF 46 million), deferred tax liabilities (CHF 16 million) and other liabilities (CHF 27 million). The total purchase price of CHF 199 million was settled in cash, resulting in a goodwill of CHF 145 million.

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.

Naturex
On 5 June 2018 Givaudan acquired 40.5% of the shares of Naturex for EUR 135 per share for a total consideration of EUR 523 million, equivalent CHF 606 million, and subsequently launched a mandatory tender offer for the remaining shares on 28 June 2018. 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. It operates from 16 production sites around the world and employs 1,700 people.

Givaudan has classified its initial investment in Naturex as a financial instrument, as it does not currently control or exert significant influence over Naturex, demonstrated by the absence of Givaudan representatives in the Board of Directors or Executive Management of Naturex.

6. Segment information

Business segments

	Fragrances		Flavours		Group	
For the six months ended 30 June, in millions of Swiss francs	**2018**	2017	**2018**	2017	**2018**	2017
Segment sales	1,223	1,137	1,457	1,351	2,680	2,488
Less inter segment sales[a]	–	–	(6)	(5)	(6)	(5)
Segment sales to third parties	**1,223**	**1,137**	**1,451**	**1,346**	**2,674**	**2,483**
EBITDA	**250**	**276**	**351**	**321**	**601**	**597**
as % of sales	20.4%	24.2%	24.2%	23.9%	22.5%	24.0%
Depreciation	(25)	(24)	(33)	(32)	(58)	(56)
Amortisation	(21)	(21)	(31)	(31)	(52)	(52)
Impairment of long-lived assets	(1)		(1)		(2)	
Additions to Property, plant and equipment	27	25	55	40	82	65
Acquisitions of Property, plant and equipment	26		2	16	28	16
Additions to Intangible assets	13	12	13	10	26	22
Acquisitions of Intangible assets	46		14	32	60	32
Total Gross Investments	**112**	**37**	**84**	**98**	**196**	**135**

a) Transfer prices for inter-divisional sales are set on an arm's length basis.

Reconciliation table to Group's operating income

	Fragrances		Flavours		Group	
For the six months ended 30 June, in millions of Swiss francs	**2018**	2017	**2018**	2017	**2018**	2017
EBITDA	**250**	**276**	**351**	**321**	**601**	**597**
Depreciation	(25)	(24)	(33)	(32)	(58)	(56)
Amortisation	(21)	(21)	(31)	(31)	(52)	(52)
Impairment of long-lived assets	(1)		(1)		(2)	
Operating income	**203**	**231**	**286**	**258**	**489**	**489**
as % of sales	16.6%	20.3%	19.7%	19.2%	18.3%	19.7%
Financing costs					(23)	(21)
Other financial income (expense), net					(35)	(17)
Income before taxes					**431**	**451**
as % of sales					16.1%	18.2%

Classification of amortisation expenses is as follows:

	Fragrances		Flavours		Group	
For the six months ended 30 June, in millions of Swiss francs	**2018**	2017	**2018**	2017	**2018**	2017
Cost of sales	2	5	5	4	7	9
Selling, marketing and distribution expenses	8	7	12	11	20	18
Research and product development expenses	7	4	10	11	17	15
Administration expenses	2	2	2	1	4	3
Other operating expenses	2	3	2	4	4	7
Total	**21**	**21**	**31**	**31**	**52**	**52**

7. Other operating income

For the six months ended 30 June, in millions of Swiss francs	2018	2017
Gains on disposal of fixed assets	–	1
Other income	9	9
Total other operating income	**9**	**10**

8. Other operating expense

For the six months ended 30 June, in millions of Swiss francs	2018	2017
Project Related expenses [a]	25	24
Amortisation of intangible assets	5	7
Impairment of long-lived assets	2	–
Losses on disposal of fixed assets	3	1
Business taxes	6	8
Acquisition and integration related expenses	1	–
Other expenses	5	6
Total other operating expense	**47**	**46**

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

9. Financing costs

For the six months ended 30 June, in millions of Swiss francs	2018	2017
Interest expense	17	15
Net interest related to defined benefit pension plans	5	6
Amortisation of debt discounts	1	–
Total financing costs	**23**	**21**

10. Other financial (income) expense, net

For the six months ended 30 June, in millions of Swiss francs	2018	2017
Fair value and realised (gains) losses from derivatives instruments, net (at fair value through income statement)	4	(37)
Exchange (gains) losses, net	21	49
Unrealised (gains) losses from financial instruments measured at fair value through income statement	–	(4)
Interest (income) expense	(1)	(1)
Capital taxes and other non business taxes	7	5
Other (income) expense, net	4	5
Total other financial (income) expense, net	**35**	**17**

11. 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:

For the six months ended 30 June	2018	2017
Income attributable to equity holder of the parent (in millions of Swiss francs)	**371**	**384**
Weighted average number of shares outstanding		
Ordinary shares	9,233,586	9,233,586
Treasury shares	(18,397)	(25,098)
Net weighted average number of shares outstanding	**9,215,189**	**9,208,488**
Basic earnings per share (CHF)	**40.26**	**41.70**

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:

For the six months ended 30 June	2018	2017
Income attributable to equity holder of the parent (in millions of Swiss francs)	**371**	**384**
Weighted average number of shares outstanding for diluted earnings per share of 96'640 (2017: 74,015)	**9,311,829**	**9,282,503**
Diluted earnings per share (CHF)	**39.84**	**41.37**

12. Debt

2018 in millions of Swiss francs	Floating rate debt Bank borrowings	Bank overdrafts	Straight bonds	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	**1**	**7**		**117**	**125**	**9**	**998**	**476**	**1,483**	**1,608**
Cash flows	960	(4)	151		1,107	(9)	(101)		(110)	997
Non-cash changes										
- Amortisation of debt discount			–	–	–		1	–	1	1
- Acquisition / Divestment						12			12	12
- Currency effects	6			(1)	5			2	2	7
Balance as at 30 June	**967**	**3**	**151**	**116**	**1,237**	**12**	**898**	**478**	**1,388**	**2,625**
Within 1 year	967	3			970					970
Within 1 to 3 years			151		151	1	100	40	141	292
Within 3 to 5 years				116	116		249	148	397	513
Thereafter						11	549	290	850	850
Balance as at 30 June	**967**	**3**	**151**	**116**	**1,237**	**12**	**898**	**478**	**1,388**	**2,625**

2017 in millions of Swiss francs	Floating rate debt Bank borrowings	Bank overdrafts	Straight bonds	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**

Givaudan repaid CHF 10 million of debt acquired as part of the 2017 acquisition of Vika B.V. during the first six months of 2018.

On 26 March 2018 Givaudan SA entered into a floating rate short-term loan of CHF 130 million which was repaid on 10 April 2018. On 27 June 2018 the Group drew down an additional CHF 40 million of bank borrowings maturing on 11 July 2018. The proceeds of both financing events were used for general corporate purposes.

On 9 April 2018 the Group issued a two year floating rate public bond with a nominal value of CHF 150 million and a seven year 0.375 % fixed rate public bond with a nominal value of CHF 200 million. These bonds were issued by Givaudan SA. The proceeds of CHF 350 million were used mainly to repay the 2.5 % seven year public bond with a nominal value of CHF 300 million which was redeemed on 15 June 2018.

In June 2018 the Group entered into short-term loans for a total amount of EUR 800 million (equivalent to CHF 921 million) with an annual interest rate of 0.27% ,with the proceeds used to finance the acquisition of the 40.5% shareholding of Naturex and the acquisition of Expressions Parfumées.

With the acquisition of Expressions Parfumées on 4 June 2018, the Group has assumed CHF 12 million of debt.

13. Equity

At the Annual General Meeting held on 22 March 2018 the distribution of an ordinary dividend of CHF 58.00 per share (2017: ordinary dividend of CHF 56.00 per share) was approved. The dividend payment has been paid out of available retained earnings. At 30 June 2018, 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.

14. 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 plans. At 30 June 2018, the Group held 5,906 own shares (2017: 17,588), as well as derivatives on own shares equating to a total long position of 59,000 (2017: 56,562).

15. Contingent liabilities

From time to time and in varying degrees, Group operations and earnings continue to be affected by political, 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 companies and raw diacetyl suppliers. The plaintiffs alleged that they sustained pulmonary injuries due to diacetyl containing butter flavours manufactured by one or more of the flavour 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.

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