Half Year Report

Strong financial performance

2021

Givaudan

engage your senses

Creating for happier, healthier lives, with love for nature. Let’s imagine together.

Givaudan is committed to driving responsible, long-term growth while leading the way to improve happiness and health for people and nature.

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At a glance
First half of 2021

Key Figures

For the six months ended 30 June, in millions of Swiss francs, except for earnings per share data	**2021**	2020	Percentage change
Group sales	**3,373**	**3,221**	**4.7%**
Fragrance & Beauty sales	1,564	1,456	7.4%
Taste & Wellbeing sales	1,809	1,765	2.5%
Like-for-like sales growth	**7.9%**	**4.0%**	
Gross profit	**1,480**	**1,359**	**8.9%**
as % of sales	43.9%	42.2%	
EBITDA [a]	**809**	**734**	**10.2%**
as % of sales	24.0%	22.8%	
Operating income	**613**	**532**	**15.2%**
as % of sales	18.2%	16.5%	
Income attributable to equity holders of the parent	**481**	**413**	**16.3%**
as % of sales	14.3%	12.8%	
Operating cash flow	**415**	**389**	**6.7%**
as % of sales	12.3%	12.1%	
Free cash flow [b]	**186**	**178**	**4.5%**
as % of sales	5.5%	5.5%	
Earnings per share – basic (CHF)	**52.19**	**44.81**	**16.5%**

a) EBITDA defined as Earnings before interest (and other financial income (expense), net), Tax, Depreciation and Amortisation, corresponds to operating income before depreciation, amortisation and impairment of long-lived assets.
b) Free Cash Flow refers to operating cash flow after net investments, interest paid, lease payments and purchase and sale of own equity instruments.

Sales performance from January to June

in millions of Swiss francs	2020 Sales as reported	like-for-like development	2021 Sales like-for-like	Change % on like-for-like basis	Acquisition impact (net)	Currency effects	2021 Sales as reported	Change % in Swiss francs
Group	**3,221**	**255**	**3,476**	**7.9%**	**(9)**	**(94)**	**3,373**	**4.7%**
- Fragrance & Beauty	1,456	147	1,603	10.1%	8	(47)	1,564	7.4%
- Taste & Wellbeing	1,765	108	1,873	6.1%	(17)	(47)	1,809	2.5%

Sales evolution by market – January to June

in millions of Swiss francs	2020 Sales as reported	like-for-like development	2021 Sales like-for-like	Change % on like-for-like basis	Acquisition impact (net)	Currency effects	2021 Sales as reported	Change % in Swiss francs
Mature markets	1,868	115	1,983	6.1%	(6)	(39)	1,938	3.7%
High growth markets	1,353	140	1,493	10.4%	(3)	(55)	1,435	6.1%

Sales evolution by region – January to June

in millions of Swiss francs	2020	**2021**	Change % on like-for-like basis	Change % in Swiss francs
LATAM	338	365	21.2%	8.0%
APAC	816	851	6.3%	4.3%
NOAM	901	924	7.5%	2.5%
EAME	1,166	1,233	5.5%	5.7%

Note: Like-for-like (LFL) is defined as: (a) sales calculated using the invoicing exchange rates of the prior year, (b) excluding sales of businesses acquired from the acquisition date until the period end date, up to 12 months from the acquisition date, and (c) excluding sales of the businesses disposed of from the disposal date until the period end date of the comparable prior period.

At a glance
Good business momentum

"I am really pleased with our strong performance in the first half of 2021, with all parts of our business contributing to the excellent financial results and a strong contribution from our 2025 strategic growth areas," said CEO Gilles Andrier. "In an environment which still contains many uncertainties related to the COVID-19 pandemic, we have shown our resilience, our focus on supporting our customers and our ability to capture opportunities to assert our market leadership."

Performance summary

SALES
CHF million 3,373
Up 7.9% on a like-for-like basis and 4.7% in Swiss francs

Excellent sales
across all markets & segments, with strong contribution from 2025 strategic growth areas

Strong performance of high growth markets with a like-for-like growth of
10.4%

COMPARABLE EBITDA MARGIN
24.2%
compared to 23.7% in 2020

NET INCOME
CHF million 481
up by 16.3% year-on-year

FREE CASH FLOW
5.5%
of sales or CHF 186 million

2025 Strategy
Committed to Growth, with Purpose

The Company’s 2025 ambition is to deliver sustainable value creation for all stakeholders.

Fully in line with our purpose, our 2025 strategy places customers at the heart of our business, supporting them to grow and create products that are loved by consumers.

In the first 6 months of 2021, Group sales were CHF 3,373 million, an increase of 7.9% on a like-for-like basis and 4.7% in Swiss francs. As the COVID-19 pandemic continued to have an impact on a global level, Givaudan sustained good business momentum whilst maintaining its operations and global supply chain at a high level.

Creations
We create inspiring solutions for happier, healthier lives

People
We nurture a place where we all love to be and grow

Nature
We show our love for nature through impactful actions

Communities
We bring benefits to all communities that work with us

Excellence, Innovation and Simplicity in everything we do

PERFORMANCE COMMITMENTS

Sales growth	Free cash flow	Purpose commitments
4.0% – 5.0%	**>12% of sales**	**Purpose linked targets**
2021 – 2025 Average Like for Like[1] Sales Growth	2021 – 2025 Average FCF[2] as % of sales	2021 – 2025 Progress towards all published purpose targets

1. Like-for-like (LFL) is defined as: (a) sales calculated using the invoicing exchange rates of the prior year, (b) excluding sales of businesses acquired from the acquisition date until the period end date, up to 12 months from the acquisition date, and (c) excluding sales of the businesses disposed of from the disposal date until the period end date of the comparable prior period.
2. Free Cash Flow (FCF) refers to operating cash flow after net investments, interest paid, lease payments and purchase and sale of own equity instruments.

Business performance – Group
Strong financial performance

Givaudan Group sales for the first six months of the year were CHF 3,373 million, an increase of 7.9% on a like-for-like basis and 4.7% in Swiss francs.

Givaudan Fragrance & Beauty sales were CHF 1,564 million, an increase of 10.1% on a like-for-like basis and 7.4% in Swiss francs.

Givaudan Taste & Wellbeing sales were CHF 1,809 million, an increase of 6.1% on a like-for-like basis and 2.5% in Swiss francs.

As the COVID-19 pandemic continued to have an impact on a global level, Givaudan sustained good business momentum whilst maintaining its operations and global supply chain at a high level. The strong growth was achieved across most product segments and geographies, with the mature markets growing at 6.1% and the high growth markets at 10.4% on a like-for-like basis.
In Fragrance & Beauty the product segments most affected by the COVID-19 pandemic, namely Fine Fragrances and to a lesser extent Active Beauty, showed a strong improvement in the first half of 2021 as retail activity picked up and as customers and consumers maximised the availability of other channels, including direct selling and e-commerce. In Taste & Wellbeing the foodservice segment was still impacted by COVID-19 pandemic however experienced a strong recovery in the second quarter, as restrictions in relation to out of home food and beverage consumption started to be lifted in certain markets.

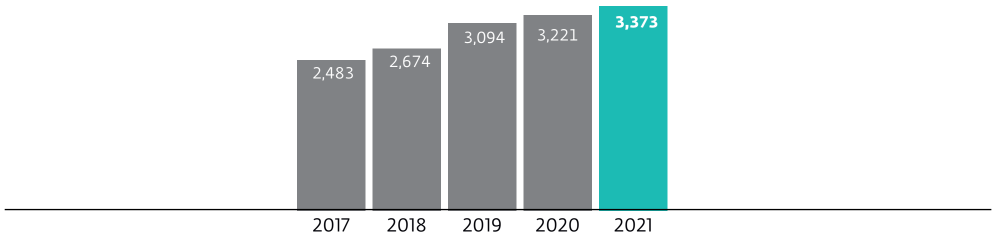
From the onset of the COVID-19 pandemic and in line with the Company's purpose, Givaudan continues to be strongly focused on:

– **Protecting and supporting its employees.** Be it those on site or those who are still working from home;

– **Meeting the demands of its customers.** Particularly for those products which support consumers throughout the pandemic around the world;

– **Supporting the communities in which it operates.**

Group – Sales
in millions of Swiss francs



Business performance – Group

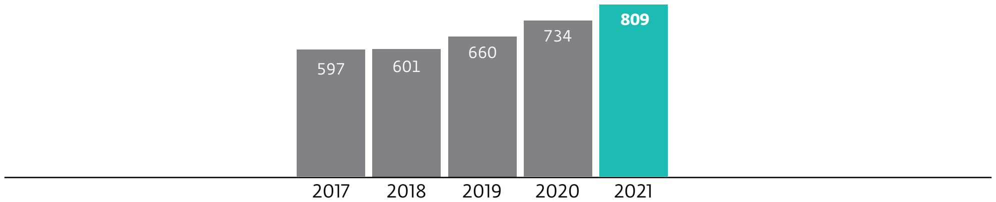
Gross profit

The gross profit increased by 8.9% from CHF 1,359 million in 2020 to CHF 1,480 million in 2021. Due to high operating leverage related to the strong sales volume growth and cost discipline, the gross margin increased to 43.9% in 2021 compared to 42.2% in 2020.

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

The EBITDA increased by 10.2% to CHF 809 million from CHF 734 million for the same period in 2020, whilst the EBITDA margin was 24.0% in 2021 compared to 22.8% in 2020. On a comparable basis, the EBITDA margin was 24.2% in 2021 compared to 23.7% in 2020.

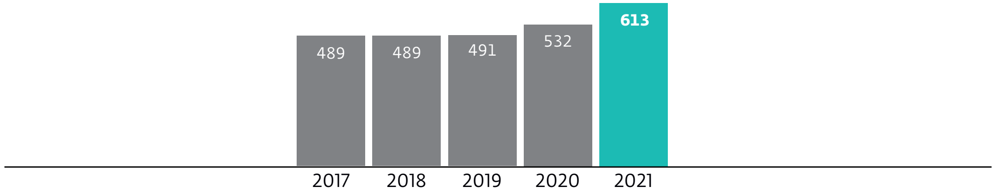
Group – EBITDA
in millions of Swiss francs



Operating income

The operating income increased to CHF 613 million, compared to CHF 532 million in 2020. When measured in local currency terms, the operating income increased by 17.3%. The operating margin increased to 18.2% in 2021 from 16.5% in 2020.

Group – Operating income
in millions of Swiss francs



Financial performance

Financing costs were CHF 46 million in the first half of 2021, versus CHF 39 million for the same period in 2020, largely related to the increase in net debt of the Group in connection with the recent acquisitions. Other financial expense, net of income, was CHF 1 million in 2021 versus CHF 13 million in 2020.

The interim period income tax expense as a percentage of income before taxes was 15% in 2021, compared with 14% for the same period in 2020.

Net income

The net income for the first six months of 2021 was CHF 481 million compared to CHF 413 million in 2020, an increase of 16.3%, resulting in a net profit margin of 14.3% versus 12.8% in 2020. Basic earnings per share were CHF 52.19 versus CHF 44.81 for the same period in 2020.

Cash flow

Givaudan delivered an operating cash flow of CHF 415 million for the first six months of 2021, compared to CHF 389 million in 2020.

Net working capital was 28.3% of sales compared to 27.9% in 2020, with temporarily higher accounts receivable and inventory levels related to the good business momentum and continuing COVID-19 pandemic.

Business performance – Group

Total net investments in property, plant and equipment were CHF 79 million, compared to CHF 122 million in 2020, when there was the impact of the completion of the new Fragrance & Beauty facility in China.

Intangible asset additions were CHF 41 million in 2021, compared to CHF 17 million in 2020, as the Company continues to invest in its IT and digital platform capabilities and in bringing all acquired entities on to the Givaudan operating platforms.

Total net investments in tangible and intangible assets were 3.6% of sales, compared to 4.3% in 2020.

Operating cash flow after net investments was CHF 295 million versus CHF 250 million recorded in 2020, an increase of 18.0%. Free cash flow was CHF 186 million in the first half of 2021, versus CHF 178 million for the comparable period in 2020, an increase of 4.5%. As a percentage of sales, free cash flow in the first six months of 2021 was 5.5%, compared to 5.5% in 2020.

Financial position

Givaudan's financial position remained solid at the end of June 2021. Net debt at June 2021 was CHF 4,727 million, up from CHF 4,040 million at the end of December 2020 and CHF 4,631 million in June 2020. The leverage ratio was 54% compared to 50% at the end of 2020 and 56% in June 2020.

2025 guidance: Committed to Growth, with Purpose

The Company's 2025 ambition is to deliver sustainable value creation for all stakeholders. Givaudan's 2025 strategy is fully in line with its purpose and places customers at the heart of its business, supporting them to grow and create products that are loved by consumers.

The 2025 strategy is focused around three growth drivers, 'Expand the portfolio', 'Extend customer reach' and 'Focussed market strategies' and is supported by four growth enablers, which are aligned with the Company's purpose domains, namely creations, nature, people and communities. These three growth drivers and four enablers are all underpinned by a commitment to 'Excellence, Innovation and Simplicity in everything we do'.

Ambitious targets are an integral part of Givaudan's 2025 strategy, with the Company aiming to achieve organic sales growth of 4-5% on a like-for-like basis and free cash flow of at least 12%, both measured as an average over the five-year period strategy cycle. In addition, the Company aims to deliver on key non-financial targets around sustainability, diversity and safety, linked to Givaudan's purpose.

Givaudan's purpose

The Company's purpose, 'Creating for happier, healthier lives with love for nature. Let's imagine together', is at the heart of its strategy. Under the purpose, Givaudan has defined bold and ambitious goals in four domains, namely creations, nature, people and communities. These ambitions include doubling its business through creations that contribute to happier, healthier lives by 2030, becoming climate positive before 2050, becoming a leading employer for inclusion before 2025 and sourcing all materials and services in a way that protects the environment and people by 2030.

Note: Definitions and further information and reconciliations of the Group's Alternative Performance Measures can be found in the Appendix 'Alternative Performance Measures' pages 23–24.

Business performance – Taste & Wellbeing

Sales

Taste & Wellbeing sales were CHF 1,809 million, an increase of 6.1% on a like-for-like basis and an increase of 2.5% in Swiss francs.

The strong sales performance was driven by new wins and good business momentum across all regions and mainly with local and regional customers. Whilst the sales performance was still affected by the impact of the COVID-19 pandemic across many countries, there were positive signs of recovery in certain markets where increased vaccination rates and progressive reopening resulted in higher demand for foodservice products, particularly in the second quarter of 2021.

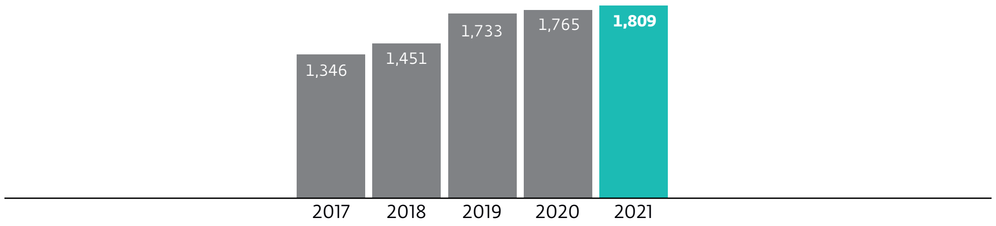
In the key strategic focus areas, sales increased double-digit in plant-based proteins and high single-digit in health & wellness and Naturals.

From a segment perspective the positive sales performance was mainly driven by Beverages, Savoury and Snacks.

The EBITDA of Taste & Wellbeing increased to CHF 434 million from CHF 401 million in 2020, an increase of 8.4%, with continuing productivity gains and cost discipline contributing to the increase. The EBITDA margin increased to 24.0% in 2021, from 22.7% in 2020. On a comparable basis the EBITDA margin of Taste & Wellbeing was 24.3% in 2021 compared to 23.8% in 2020.

The operating income increased to CHF 312 million in 2021 from CHF 268 million in 2020, an increase of 16.7%. The operating margin increased to 17.3% in 2021 compared to 15.2% in 2020.

Taste & Wellbeing – Sales
in millions of Swiss francs



Asia Pacific

Sales in Asia Pacific increased by 5.1% on a like-for-like basis. In the high growth markets, China and Malaysia delivered strong double-digit performance, followed by solid single-digit growth in the Philippines and Vietnam, whilst Indonesia and Thailand were still impacted by the COVID-19 pandemic. In the mature markets, growth was driven by Australia, Korea and Singapore.

From a segment perspective the growth was mainly achieved in Beverages, Dairy, Sweet Goods and Savoury.

South Asia, Africa and the Middle East (SAMEA)

Sales in South Asia, Africa and the Middle East increased by 3.5% on a like-for-like basis. Double-digit growth was achieved in India, Algeria and Nigeria, which was partially offset by South Africa, where there is still a heavy impact from the COVID-19 pandemic and the Middle East. The sales growth in the region was driven by the Beverages and Dairy segments.

Europe

Sales in Europe increased by 1.7% on a like-for-like basis. The mature markets of Germany, Italy, Spain and Sweden all achieved good single-digit sales growth, whilst in the high growth markets there was excellent business momentum driven by double-digit growth in Russia and Poland. Throughout the first half of 2021 the region was still impacted by the restrictions related to the COVID-19 pandemic with some relaxation in those measures being seen only more recently in a number of countries. The growth was mainly achieved in the segments of Beverages, Savoury and Snacks.

North America

On a like-for-like basis, sales in North America increased by 6.1% across all customer segments. The strong performance was a result of new wins, a rebound in Foodservice and the growth of existing business in Beverages, Immunity Products, Savoury, and Sweet Goods.

Latin America

Sales in Latin America increased 23.4% on a like-for-like basis, led by strong double-digit volume growth in Mexico, Brazil, Columbia, Chile and Argentina, and across all segments.

The Group has aligned the reporting of the regional performance of Givaudan Taste & Wellbeing with changes in the management structure of the business, effective 1 January 2021. For information, the comparable growth for the first six months of 2020 for South Asia, Africa and the Middle East was 5.1% and for Europe 2.2% respectively.

Business performance – Fragrance & Beauty

Sales

Fragrance & Beauty sales were CHF 1,564 million, an increase of 10.1% on a like-for-like basis and an increase of 7.4% in Swiss francs over 2020. This double-digit sales growth was mainly driven by the strong rebound of the Fine Fragrances and Active Beauty businesses, which were particularly impacted by the COVID-19 pandemic in the first half of 2020.

Total sales for Fragrance Compounds (Fine Fragrances and Consumer Products combined) increased by 9.4% on a like-for-like basis. In Swiss francs, sales of compounds increased to CHF 1,335 million from CHF 1,252 million in 2020.

Fine Fragrance sales increased by 34.5% on a like-for-like basis driven by a significant rebound on prestige fragrances and speciality retail. Particularly in the second quarter of 2021 the sales performance showed a very positive development, compared to a period in 2020 which experienced a strong reduction in demand as the COVID-19 pandemic severely restricted traditional retail channels in the major fine fragrance markets.

Consumer Products sales increased by 4.1% on a like-for-like basis, against a strong prior year comparable growth of 11.8%, which saw a strong demand for household, health and personal care products related to the onset of the COVID-19 pandemic. The growth in the first half of 2021 was driven by existing business and the contribution from new wins.

Sales of Fragrance Ingredients and Active Beauty delivered growth of 14.4% on a like-for-like basis against a slight decline of 0.1% reported in the first half of 2020.

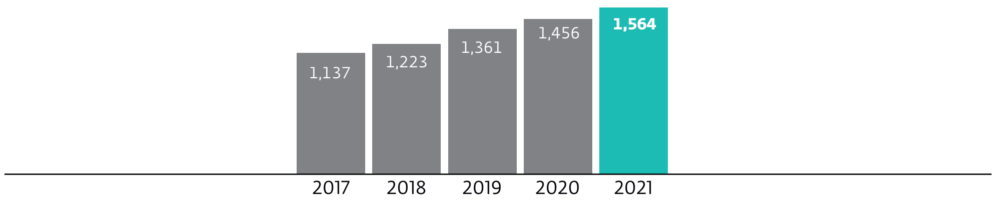
The EBITDA of Fragrance & Beauty increased to CHF 375 million in 2021 compared to CHF 333 million for the first six months of 2020. The increase was mainly driven by higher sales and the contribution of the recent acquisitions in terms of growth and synergies. The EBITDA margin increased to 24.0% in 2021 from 22.9% in 2020. On a comparable basis the EBITDA margin of the Fragrance & Beauty was 24.2% in 2021 compared to 23.4% in 2020.

The operating income increased by 13.7% to CHF 301 million in 2021, versus CHF 264 million for the same period in 2020. The operating margin increased to 19.2% in 2021 from 18.2% in 2020.

Fine Fragrances

Fine Fragrances sales increased by 34.5% on a like-for-like basis against the first half of 2020, where sales declined by 16.4% due to the impact of the COVID-19 pandemic. In the first six months of 2021 there was a strong rebound of the existing business across all customer groups. In addition, new business wins contributed to this strong performance bringing overall sales to levels above the pre-pandemic period. All regions delivered strong double-digit sales growth. In the Western Europe region, the customers of prestige brands showed a very strong rebound after having suffered strongly from the COVID-19 pandemic, particularly in the first half of 2020. North America and high growth markets also recorded strong double-digit sales growth.

Fragrance & Beauty – Sales
in millions of Swiss francs



Consumer Products

Consumer Products sales increased by 4.1% on a like-for-like basis against a strong prior year comparable growth of 11.8%, which was driven by an increased demand for household, health and personal care products related to the onset of the COVID-19 pandemic. The growth in the first half of 2021 was achieved in both high growth and mature markets and across all customer groups.

On a regional basis, Latin America reported double-digit growth driven by new wins. Asia recorded mid-single-digit growth, with strong double-digit growth in the Greater China region, driven by local and regional customers and spread across most product segments. Europe, Africa and the Middle East sales were almost flat versus a double-digit prior year comparable, led by international customers and growth in the African and Middle East sub-region. The sales increase in North America was supported by double-digit growth with local and regional customers. On a product segment basis, the sales growth was led by Fabric Care followed by Personal Care and Home Care.

Fragrance Ingredients and Active Beauty

Sales of Fragrance Ingredients and Active Beauty grew by 14.4% on a like-for-like basis, against a slight sales decline of 0.1% in the prior year. Active Beauty saw a very strong rebound in the first half of the year and reported strong double-digit growth in both high growth and mature markets. Fragrance Ingredients reported strong single-digit growth driven by key international and local and regional customers.

2021

Half Year Financial Report

Givaudan

engage your senses

Creating growth for the Company and all our stakeholders.

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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	2021	2020
Sales	6	3,373	3,221
Cost of sales		(1,893)	(1,862)
Gross profit		**1,480**	**1,359**
as % of sales		43.9%	42.2%
Selling, marketing and distribution expenses		(453)	(412)
Research and product development expenses		(277)	(261)
Administration expenses		(116)	(104)
Share of results of joint ventures and associates		2	3
Other operating income	7	12	11
Other operating expense	8	(35)	(64)
Operating income		**613**	**532**
as % of sales		18.2%	16.5%
Financing costs	9	(46)	(39)
Other financial income (expense), net	10	(1)	(13)
Income before taxes		**566**	**480**
Income taxes		(85)	(67)
Income for the period		**481**	**413**
Attribution			
Income attributable to non-controlling interests		–	–
Income attributable to equity holders of the parent		481	413
as % of sales		14.3%	12.8%
Earnings per share – basic (CHF)	**11**	**52.19**	**44.81**
Earnings per share – diluted (CHF)	**11**	**51.78**	**44.48**

The notes on pages 16 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	2021	2020
Income for the period	**481**	**413**
Items that may be reclassified to the income statement		
Cash flow hedges		
Movement in fair value, net	55	(58)
Gains (losses) removed from equity and recognised in the consolidated income statement	4	3
Movement on income tax	(5)	7
Exchange differences arising on translation of foreign operations		
Movement in fair value arising on hedging instruments of the net assets in foreign operations	(42)	46
Currency translation differences	224	(340)
Movement on income tax	2	(2)
Items that will not be reclassified to the income statement		
Defined benefit pension plans		
Remeasurement gains (losses) of post-employment benefit obligations	124	39
Movement on income tax	(18)	(2)
Other comprehensive income for the period	**344**	**(307)**
Total comprehensive income for the period	**825**	**106**
Attribution		
Total comprehensive income attributable to non-controlling interests	–	–
Total comprehensive income attributable to equity holders of the parent	825	106

The notes on pages 16 to 22 form an integral part of these interim condensed financial statements (unaudited).

Interim condensed consolidated financial statements (unaudited)

Condensed consolidated statement of financial position

At period ended

in millions of Swiss francs	Note	30 June 2021	31 December 2020
Assets			
Cash and cash equivalents		306	411
Derivative financial instruments	4	23	54
Financial assets at fair value through income statement	4	4	4
Accounts receivable - trade		1,565	1,359
Inventories		1,396	1,201
Current tax assets		61	66
Prepayments		65	50
Other current assets		186	154
Current assets		**3,606**	**3,299**
Derivative financial instruments	4	63	65
Property, plant and equipment		2,260	2,222
Intangible assets		4,614	4,543
Deferred tax assets		204	218
Post-employment benefit plan assets		24	20
Financial assets at fair value through income statement	4, 5	294	180
Interests in joint ventures and investments in associates		39	35
Other non-current assets		238	76
Non-current assets		**7,736**	**7,359**
Total assets		**11,342**	**10,658**

in millions of Swiss francs	Note	30 June 2021	31 December 2020
Liabilities and equity			
Short-term debt	12	727	206
Derivative financial instruments	4	52	49
Accounts payable - trade and others		870	809
Accrued payroll and payroll taxes		179	211
Current tax liabilities		158	157
Financial liability - own equity instruments		173	108
Provisions		24	23
Other current liabilities		231	233
Current liabilities		**2,414**	**1,796**
Derivative financial instruments	4	63	103
Long-term debt	12	4,306	4,245
Provisions		73	71
Post-employment benefit plan liabilities		432	545
Deferred tax liabilities		309	310
Other non-current liabilities		79	80
Non-current liabilities		**5,262**	**5,354**
Total liabilities		**7,676**	**7,150**
Share capital	13	92	92
Retained earnings and reserves	13	6,025	6,133
Own equity instruments	14	(242)	(168)
Other components of equity		(2,223)	(2,567)
Equity attributable to equity holders of the parent		**3,652**	**3,490**
Non-controlling interests		14	18
Total equity		**3,666**	**3,508**
Total liabilities and equity		**11,342**	**10,658**

The notes on pages 16 to 22 form an integral part of these interim condensed financial statements (unaudited).

Interim condensed consolidated financial statements (unaudited)

Condensed consolidated statement of changes in equity
For the six months ended 30 June

2021 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	Equity attributable to equity holders of the parents	Non-controlling interests	Total equity
Balance as at 1 January	**92**	**6,133**	**(168)**	**(148)**	**(1,935)**	**(484)**	**3,490**	**18**	**3,508**
Income for the period		481					481	–	481
Other comprehensive income for the period				54	184	106	344		344
Total comprehensive income for the period		**481**		**54**	**184**	**106**	**825**	**–**	**825**
Dividends paid		(589)					(589)		(589)
Movement on own equity instruments, net			(74)				(74)		(74)
Non-controlling interests								(4)	(4)
Net change in other equity items		**(589)**	**(74)**				**(663)**	**(4)**	**(667)**
Balance as at 30 June	**92**	**6,025**	**(242)**	**(94)**	**(1,751)**	**(378)**	**3,652**	**14**	**3,666**

2020 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	Equity attributable to equity holders of the parents	Non-controlling interests	Total equity
Balance as at 1 January	**92**	**5,961**	**(168)**	**(107)**	**(1,613)**	**(525)**	**3,640**	**19**	**3,659**
Income for the period		413					413	–	413
Other comprehensive income for the period				(48)	(296)	37	(307)		(307)
Total comprehensive income for the period		**413**		**(48)**	**(296)**	**37**	**106**	**–**	**106**
Dividends paid		(571)					(571)		(571)
Movement on own equity instruments, net			(30)				(30)		(30)
Non-controlling interests								(1)	(1)
Net change in other equity items		**(571)**	**(30)**				**(601)**	**(1)**	**(602)**
Balance as at 30 June	**92**	**5,803**	**(198)**	**(155)**	**(1,909)**	**(488)**	**3,145**	**18**	**3,163**

The notes on pages 16 to 22 form an integral part of these interim condensed financial statements (unaudited).

Interim condensed consolidated financial statements (unaudited)

Consolidated statement of cash flows

For the six months ended 30 June

in millions of Swiss francs	Note	2021	2020
Income for the period		481	413
Income tax expense		85	67
Interest expense		43	38
Non-operating income and expense		4	14
Operating income		**613**	**532**
Depreciation of property, plant and equipment	6	101	100
Amortisation of intangible assets	6	95	91
Impairment of long-lived assets	6	–	11
Other non-cash items			
- share-based payments		43	24
- pension expense		22	24
- additional and unused provisions, net		7	10
- other non-cash items		14	–
Adjustments for non-cash items		**282**	**260**
(Increase) decrease in inventories		(162)	(184)
(Increase) decrease in accounts receivable		(162)	(170)
(Increase) decrease in other current assets		(42)	11
Increase (decrease) in accounts payable		74	100
Increase (decrease) in other current liabilities		(50)	(80)
(Increase) decrease in working capital		**(342)**	**(323)**
Income taxes paid		**(107)**	**(54)**
Pension contributions paid		(25)	(17)
Provisions used		(6)	(9)
Cash flows from (for) operating activities [a]		**415**	**389**

in millions of Swiss francs	Note	2021	2020
Increase in long-term debt	12	–	1,260
(Decrease) in long-term debt	12	(1)	(781)
Increase in short-term debt	12	760	2,616
(Decrease) in short-term debt	12	(247)	(2,091)
Cash flows from debt, net		**512**	**1,004**
Interest paid		(32)	(14)
Purchase and sale of derivative financial instruments, net		(1)	(15)
Lease payments	12	(25)	(28)
Transactions of non-controlling interest		(4)	(1)
Other, net		(3)	(8)
Cash flows from financial liabilities		**447**	**938**
Distribution to the shareholders paid	13	(589)	(571)
Purchase and sale of own equity instruments, net [a]		(52)	(30)
Cash flows from (for) financing activities [a]		**(194)**	**337**
Acquisition of property, plant and equipment		(83)	(123)
Acquisition of intangible assets		(41)	(19)
Acquisition of subsidiaries, net of cash acquired	5	(1)	(614)
Proceeds from the disposal of property, plant and equipment		4	1
Proceeds from sales of intangible assets		–	2
Interest received		3	3
Purchase and sale of financial assets at fair value through income statement, net	5	(89)	–
Impact of financial transactions on investing, net		22	24
Other, net		(150)	1
Cash flows from (for) investing activities		**(335)**	**(725)**
Net increase (decrease) in cash and cash equivalents		**(114)**	**1**
Net effect of currency translation on cash and cash equivalents		9	(21)
Cash and cash equivalents at the beginning of the period		411	452
Cash and cash equivalents at the end of the period		**306**	**432**

a) After careful consideration with the Group auditors, the Group has determined that purchase and sale of own equity instruments relates to financing activities and has been reclassified from cash flows from (for) operating activities into cash flows from (for) financing activities.

The notes on pages 16 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 16,130 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 2021 (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 2020 consolidated financial statements as they provide an update of the most recent financial information available.

Taxes on income in the interim period 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 COVID-19 pandemic has not materially affected the business activities of the Group; thus the operating results as well as the interim condensed consolidated financial statements for the six month period ended 30 June 2021 have not been materially impacted.

The 31 December 2020 statement of financial position has been derived from the audited 2020 consolidated financial statements. Givaudan SA's Board of Directors approved these interim financial statements on 20 July 2021.

3. Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2020, as described in the 2020 consolidated financial statements with the exception of the adoption as of 1 January 2021 of the standards and interpretation described below:

Amendments to IFRS 16: Covid-19-related rent concessions provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. The Group is not exposed to lessee relief for which the exemption election impacts the consolidated financial statements significantly.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2 address issues that might affect financial reporting when an existing interest rate benchmark is replaced with an alternative benchmark interest rate. The amendments relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements and disclosure requirements applying IFRS 7 to accompany the amendments regarding modifications and hedge accounting. The amendments permit continuation of hedge accounting, therefore the Group will retain the cumulative gain or loss in the cash flow hedge reserve for designated cash flow hedges that are subject to interest rate benchmark reforms even though there is uncertainty arising from the reform with respect to the timing and amount of the cash flows of the hedged items.

Notes to the interim condensed consolidated financial statements (unaudited)

4. Financial risk management

Derivative financial instruments

The Group entered into several forward starting EUR interest rate swaps in 2021, in order to protect against future increases in the EUR interest rate, while also fixing the interest rate on future debt issuance. The transactions have the following characteristics:

Entity	Issue date	Type of instrument	Currency of instrument	Notional amount in millions	Annual fixed interest rate (payment)	Floating rate (receipt)	Starting date	Maturity date	Assigned to
Givaudan SA	2021	Forward starting interest rate swaps	EUR	50	0.227%	The 6 months EUR Libor rate	22.04.2027	22.04.2034	Public bond of EUR 500 million, issued in April 2020 with a 7 year maturity
				25	0.350%				
				25	0.741%				
				50	0.785%				
				25	0.740%				
				25	0.980%		17.09.2030	17.09.2040	Public bond of EUR 800 million, issued in September 2018 with a 12 year maturity
				25	0.966%		22.04.2032	22.04.2042	Public bond of EUR 500 million, issued in April 2020 with a 12 year maturity
				25	0.983%				
				25	0.967%				

Fair value measurements recognised in the statement of financial position

Financial assets consisting of equity and debt securities of CHF 127 million (31 December 2020: CHF 109 million) were measured with Level 1 inputs whereas CHF 36 million (31 December 2020: CHF 34 million) were measured with Level 2 inputs and CHF 93 million (31 December 2020: CHF 4 million) were measured with Level 3 inputs.

Corporate owned life insurances of CHF 42 million (31 December 2020: CHF 37 million) were measured with Level 2 inputs. The investment funds in venture capital that are measured quarterly by independent third parties using proprietary valuation models which are audited by qualified authorities were measured with Level 3 inputs.

Derivative assets of CHF 86 million (31 December 2020: CHF 119 million) and derivative liabilities of CHF 115 million (31 December 2020: CHF 152 million) were measured with Level 2 inputs. Derivative assets and liabilities consist of cross-currency swaps and 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.

The carrying amount of each class of financial assets and liabilities disclosed above approximates their fair value. There was no transfer between the level categories in the period.

Notes to the interim condensed consolidated financial statements (unaudited)

5. Acquisitions and investments

Myrissi

As part of its long term strategy to expand its capabilities in artificial intelligence (AI), Givaudan acquired 100% of the share capital of Myrissi on 14 April 2021 for a purchase price of CHF 1.2 million. Founded in 2014 and based in France, Myrissi has developed a patented AI technology capable of translating fragrances into colour patterns and images, relevant to the consumer as well as predicting the end consumer's emotional response.

The identifiable assets and liabilities of Myrissi acquired are recorded at fair value at the date of acquisition and CHF 0.9 million goodwill has been recognised. The goodwill 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. 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.

b.kolormakeup & skincare

On 30 June 2021 Givaudan acquired 25% of the share capital of b.kolormakeup & skincare, for a purchase price of CHF 83 million (EUR 75 million). b.kolor is an innovative Italian company specialised in developing and producing end to end products in make-up and skin care for Consumer Packaged Goods (CPG) and luxury customers. Founded in 2000, b.kolor is headquartered close to Milan, Italy and employs around 250 employees. By joining forces, Givaudan Fragrance & Beauty and b.kolor will leverage their respective capabilities to provide creative and unique products and integrated solutions to customers.

The terms of the agreement do not establish a significant influence for Givaudan and the investment has therefore been accounted for as a financial asset at fair value through income statement. Under the terms of the agreement, Givaudan has the option but not the obligation to acquire a controlling stake in b.kolor after a period of three years.

Ungerer

On 20 February 2020 Givaudan acquired 100% of the share capital of Ungerer and its affiliates for a purchase price of CHF 676 million (USD 688 million). The identifiable assets and liabilities of Ungerer acquired were recorded at fair value at the date of acquisition and CHF 273 million goodwill was recognised. The allocation of the acquisition price has been finalised and no adjustments were made to the acquisition values.

6. Segment information

Business segments

	Fragrance & Beauty		Taste & Wellbeing		Group	
For the six months ended 30 June, in millions of Swiss francs	**2021**	2020	**2021**	2020	**2021**	2020
Segment sales	1,564	1,456	1,809	1,765	3,373	3,221
Less inter segment sales[a]	–	–	–	–	–	–
Segment sales to third parties	**1,564**	**1,456**	**1,809**	**1,765**	**3,373**	**3,221**
EBITDA	**375**	**333**	**434**	**401**	**809**	**734**
as % of sales	24.0%	22.9%	24.0%	22.7%	24.0%	22.8%
Depreciation	(41)	(39)	(60)	(61)	(101)	(100)
Amortisation	(33)	(30)	(62)	(61)	(95)	(91)
Impairment of long-lived assets	–		–	(11)	–	(11)
Additions to Property, plant and equipment	82	39	35	36	117	75
Acquisitions of Property, plant and equipment	–	11		25	–	36
Additions to Intangible assets	17	10	16	11	33	21
Acquisitions of Intangible assets (excluding goodwill)	1	39		273	1	312
Total gross investments	**100**	**99**	**51**	**345**	**151**	**444**

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

Reconciliation table to Group's operating income

	Fragrance & Beauty		Taste & Wellbeing		Group	
For the six months ended 30 June, in millions of Swiss francs	**2021**	2020	**2021**	2020	**2021**	2020
EBITDA	**375**	**333**	**434**	**401**	**809**	**734**
Depreciation	(41)	(39)	(60)	(61)	(101)	(100)
Amortisation	(33)	(30)	(62)	(61)	(95)	(91)
Impairment of long-lived assets	–		–	(11)	–	(11)
Operating income	**301**	**264**	**312**	**268**	**613**	**532**
as % of sales	19.2%	18.2%	17.3%	15.2%	18.2%	16.5%
Financing costs					(46)	(39)
Other financial income (expense), net					(1)	(13)
Income before taxes					**566**	**480**
as % of sales					16.8%	14.9%

Notes to the interim condensed consolidated financial statements (unaudited)

Classification of amortisation expenses is as follows:

For the six months ended 30 June, in millions of Swiss francs	Fragrance & Beauty		Taste & Wellbeing		Group	
	2021	2020	**2021**	2020	**2021**	2020
Cost of sales	5	5	9	7	14	12
Selling, marketing and distribution expenses	17	16	18	18	35	34
Research and product development expenses	6	5	26	26	32	31
Administration expenses	2	1	5	6	7	7
Other operating expenses	3	3	4	4	7	7
Total	**33**	**30**	**62**	**61**	**95**	**91**

7. Other operating income

For the six months ended 30 June, in millions of Swiss francs	**2021**	2020
Gains on disposal of fixed assets	3	–
Other income	9	11
Total other operating income	**12**	**11**

8. Other operating expense

For the six months ended 30 June, in millions of Swiss francs	**2021**	2020
Project related expenses	3	10
Amortisation of intangible assets	7	7
Impairment of long-lived assets	–	11
Loss on divestment	–	5
Losses on disposal of fixed assets	2	1
Environmental provisions	–	1
Business taxes	9	10
Acquisition and integration related expenses	7	13
Other expenses	7	6
Total other operating expense	**35**	**64**

9. Financing costs

For the six months ended 30 June, in millions of Swiss francs	**2021**	2020
Interest expense	43	38
Net interest related to defined benefit pension plans	2	3
Derivative interest (gains) losses		(3)
Amortisation of debt discounts	1	1
Total financing costs	**46**	**39**

10. Other financial (income) expense, net

For the six months ended 30 June, in millions of Swiss francs	**2021**	2020
Fair value and realised (gains) losses from derivatives instruments, net (at fair value through income statement)	2	3
Exchange (gains) losses, net	12	(2)
Unrealised (gains) losses from financial instruments measured at fair value through income statement	(21)	3
Interest (income)	(2)	(2)
Capital taxes and other non-business taxes	5	4
Other (income) expense, net	5	7
Total other financial (income) expense, net	**1**	**13**

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	**2021**	2020
Income attributable to equity holder of the parent (in millions of Swiss francs)	**481**	**413**
Weighted average number of shares outstanding		
Ordinary shares	9,233,586	9,233,586
Treasury shares	(16,704)	(17,338)
Net weighted average number of shares outstanding	**9,216,882**	**9,216,248**
Basic earnings per share (CHF)	**52.19**	**44.81**

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	**2021**	2020
Income attributable to equity holder of the parent (in millions of Swiss francs)	**481**	**413**
Weighted average number of shares outstanding for diluted earnings per share of 71,547 (2020: 68,834)	**9,288,429**	**9,285,082**
Diluted earnings per share (CHF)	**51.78**	**44.48**

Notes to the interim condensed consolidated financial statements (unaudited)

12. Debt

2021 in millions of Swiss francs	Bank borrowings	Bank facility	Bank overdrafts	Public bonds	Private placements	Total short-term and long-term debt	Total lease liabilities	Total debt
Balance as at 1 January	**103**		**1**	**3,424**	**509**	**4,037**	**414**	**4,451**
Cash flows	507		5			512	(25)	487
Non-cash changes								
- Amortisation of debt discount				1		1	3	4
- Acquisition / Divestment								
- Currency effects	2			34	14	50	5	55
- Lease liabilities							36	36
Balance as at 30 June	**612**		**6**	**3,459**	**523**	**4,600**	**433**	**5,033**
Within 1 year	516		6	150		672	55	727
Within 1 to 3 years	40			250	249	539	77	616
Within 3 to 5 years	42			746	274	1,062	58	1,120
Thereafter	14			2,313		2,327	243	2,570
Balance as at 30 June	**612**		**6**	**3,459**	**523**	**4,600**	**433**	**5,033**

2020 in millions of Swiss francs	Bank borrowings	Bank facility	Bank overdrafts	Public bonds	Private placements	Total short-term and long-term debt	Total lease liabilities	Total debt
Balance as at 1 January	**68**	**600**	**2**	**2,453**	**567**	**3,690**	**441**	**4,131**
Cash flows	60	(600)	(1)	945	(39)	365	(52)	313
Non-cash changes								
- Amortisation of debt discount				2		2	8	10
- Acquisition / Divestment	3				1	4	1	5
- Currency effects	(28)			24	(20)	(24)	(21)	(45)
- Lease liabilities							37	37
Balance as at 31 December	**103**		**1**	**3,424**	**509**	**4,037**	**414**	**4,451**
Within 1 year	10		1	150		161	45	206
Within 1 to 3 years	36			100	240	376	74	450
Within 3 to 5 years	44			888	269	1,201	53	1,254
Thereafter	13			2,286		2,299	242	2,541
Balance as at 31 December	**103**		**1**	**3,424**	**509**	**4,037**	**414**	**4,451**

Notes to the interim condensed consolidated financial statements (unaudited)

Details of the Group's various debt transactions are as follows:

Issuer	Issue date	Type of debt	Currency of principal	Principal amount in millions	Redeemable	Interest rate	Type of interest	30 June 2021	31 Dec 2020
								in millions of Swiss francs	
Givaudan SA	2011	Public bonds	CHF	150	07 Dec 2021	2.125%	Fixed	150	150
Givaudan United States, Inc.	2012	Private placements [a]	USD	150	06 Feb 2023	3.300%	Fixed	139	132
			USD	60	06 Feb 2025	3.450%	Fixed	55	53
Givaudan SA	2014	Public bonds	CHF	150	19 Mar 2024	1.750%	Fixed	150	150
	2016	Public bonds	CHF	100	07 Dec 2022	0.000%	Fixed	100	100
			CHF	200	05 Dec 2031	0.625%	Fixed	200	200
	2017	Private placements	EUR	100	20 Dec 2022		Floating [c]	110	108
			EUR	200	20 Dec 2024	1.331%	Fixed	219	216
	2018	Public bonds	CHF	200	09 Apr 2025	0.375%	Fixed	200	200
			EUR	500	17 Sep 2025	1.125%	Fixed	546	538
			EUR	800	17 Sep 2030	2.000%	Fixed	873	861
	2020	Public bonds	CHF	150	10 Nov 2028	0.150%	Fixed	150	150
	2021	Other local borrowings	CHF	135	Various maturities		Floating [c]	426	
			EUR	180					
			USD	100					
Givaudan Finance Europe BV	2020	Public bond	EUR	500	22 Apr 2027	1.000%	Fixed	545	537
				500	22 Apr 2032	1.625%		545	538
Other entities	2020	Other local borrowings	EUR	6	Various maturities	1.180%	Fixed	5	6
	2021			5					
	2020		CNY	714			Floating	101	97
	2021			708					
	2021		INR	6450				79	
			other					7	1
Total short-term and long-term debt[b]								**4,600**	**4,037**

a) 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.
b) The fair value of the short-term and long-term debt exceeds its carrying value by approximately 7% as at 30 June 2021.
c) The floating interest rate is based on a Libor rate.

Notes to the interim condensed consolidated financial statements (unaudited)

13. Equity

At the Annual General Meeting held on 25 March 2021 the distribution of an ordinary dividend of CHF 64.00 per share (2020: ordinary dividend of CHF 62.00 per share) was approved. The dividend payment has been paid out of available retained earnings. At 30 June 2021, 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 2021 the Group held 5,669 own shares (2020: 4,594), as well as derivatives on own shares, equating to a total long position of 54,500 (2020: 54,000).

15. 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.

Two of the Group’s US affiliates, Givaudan Flavors Corporation and Ungerer & Company have been named as defendants in numerous lawsuits brought against them and other flavour and raw chemical supply companies. The plaintiffs allege that they sustained pulmonary injuries due to flavours that contain diacetyl, 2,3 pentanedione and other flavouring chemicals. To date, many of the cases filed against the Group's affiliates have been settled or dismissed; however, numerous new cases have been filed. The Group has already recovered a portion of the prior defence and settlement costs from its insurance policies, and will continue to recover a portion of any such future costs.

Alternative Performance Measures
Appendix to the 2021 Half Year Results

Introduction
On 1 January 2019 the Directive Alternative Performance Measures (DAPM), issued by the SIX Exchange Regulation, came into force with the purpose to promote the clear and transparent use of alternative performance measures.

The Directive prescribes that clear and comprehensible definitions must be disclosed for all alternative performance measures used. Also, for alternative performance measures that are based on a measure included in the financial statements prepared in accordance with recognised accounting standards and which have been adjusted by adding or omitting specific items, a reconciliation statement must be disclosed to a comparable measure in the financial statement according to the recognised accounting standard. Significant reconciliation items must be explained.

Givaudan's Alternative Performance Measures
In the 2021 Half Year Results Media Release and on pages 5 - 9 of the 2021 Half Year Report, the Group uses a number of Alternative Performance Measures that are listed and defined below.

Like-for-Like (LFL)
LFL is defined as: (a) sales calculated using the invoicing exchange rates of the prior year, (b) excluding sales of businesses acquired from the acquisition date until the period end date, up to 12 months from the acquisition date, and (c) excluding sales of the businesses disposed of from the disposal date until the period end date of the comparable prior period.

Reconciliation tables of the LFL sales to the reported sales in accordance with IFRS have been included in the 2021 Half Year Results Media Release.

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

For the six months ended 30 June, in millions of Swiss francs	**2021**	2020
Income for the period	**481**	**413**
Interest and other financial (income) expense, net	47	52
Income taxes	85	67
Operating income	**613**	**532**
Depreciation	101	100
Amortisation	95	91
Impairment	–	11
EBITDA	**809**	**734**

Comparable EBITDA
Comparable EBITDA is the reported EBITDA, as adjusted for significant items of a non-recurring nature which have an impact on the understanding of the underlying normal operating activities.

A reconciliation table of the published EBITDA to the Comparable EBITDA (EBITDA as defined in the section EBITDA above) has been included in the 2021 Half Year Results Media Release. In that reconciliation table, all significant one-off items have been explained.

Alternative Performance Measures

Free Cash Flow (FCF)

FCF refers to operating cash flow after net investments, interest paid, lease payments and purchase and sale of own equity instruments.

For the six months ended 30 June, in millions of Swiss francs	2021	2020
Cash flows from (for) operating activities	**415**	**389**
Acquisition of property, plant and equipment	(83)	(123)
Proceeds from the disposal of property, plant and equipment	4	1
Acquisition of intangible assets	(41)	(19)
Proceeds from the disposal of intangible assets	–	2
Interest paid	(32)	(14)
Lease payments	(25)	(28)
Purchase and sale of own equity instruments, net [a]	(52)	(30)
Free cash flow (FCF)	**186**	**178**
Sales	3,373	3,221
Free cash flow (FCF) as a % of sales	**5.5%**	**5.5%**

a) After careful consideration with the Group auditors, the Group has determined that purchase and sale of own equity instruments relates to financing activities and has been reclassified from cash flows from (for) operating activities into cash flows from (for) financing activities. The Group has updated its definition of FCF to reflect this change.

Leverage Ratio

Leverage ratio is defined as net debt divided by the sum of net debt and equity (as defined for leverage ratio in the table below).

In millions of Swiss francs	30 June 2021	31 December 2020
Short-term debt	727	206
Long-term debt	4,306	4,245
Less: cash and cash equivalents	(306)	(411)
Net debt	**4,727**	**4,040**
Total equity attributable to equity holders of the parent	3,652	3,490
Remeasurement of post-employment benefit obligations	378	484
Equity (as defined for leverage ratio)	**4,030**	**3,974**
Net debt and equity (as defined for leverage ratio)	**8,757**	**8,014**
Leverage ratio	**54%**	**50%**

Net debt to EBITDA Ratio

The Net debt to EBITDA ratio is calculated as follows:

In millions of Swiss francs	30 June 2021	31 December 2020
Short-term debt	727	206
Long-term debt	4,306	4,245
Less: cash and cash equivalents	(306)	(411)
Net debt	**4,727**	**4,040**
EBITDA [a]	**1,472**	**1,397**
Net debt to EBITDA ratio	3.21	2.89
Comparable EBITDA [a]	1,497	1,442
Net debt to Comparable EBITDA ratio	**3.16**	**2.80**

a) The EBITDA and comparable EBITDA are based on 12 months performance from 1 July 2020 to 30 June 2021.

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